



The financial news your business needs.

Autumn 2013

BUSINESS Bulletin

Personal Property & Securities Register

The Personal Properties Securities Register (PPSR) came into force on 30 January 2012. It replaces more than 50 State and Territory based laws and security registers. The PPSR is effectively a national electronic noticeboard of security interests that are attached to personal property. The PPSR will affect many businesses and consumers including:

- Finance companies that provide loans and receive a security interest in the form of personal property (e.g. car) will need to register their interest in that property on the PPSR
- Business operators who sell personal property on credit, consignment, or on a retention of title arrangement will need to register their interest in that property on the PPSR
- Business operators who hire out or lease out assets to others will need to register their interest in that property on the PPSR
- Consumers who are purchasing personal property will be able to check the PPSR to ensure that the property they are purchasing is not subject to a security interest (e.g. check that there is not a loan owing on a car that you wish to buy).

The purpose of the PPSR is to establish a central list of security interests over assets. Failure to register an interest in an asset may result in you or your business having no claim over that asset in the event that one of your customers falls into insolvency. As well as providing a central port for registration, the new rules also provide for the determination of priority where there are multiple interests over the same asset. This is aimed at providing more certainty for finance companies, as well as business operators who supply personal property on credit, consignment, or under retention of title arrangements.

A range of action may need to be undertaken in light of the new rules:

Reminder Dates

March 21
Due date for February monthly Activity Statements

April 21
Due date for March monthly Activity Statements

April 28
Due date for Superannuation Guarantee Contributions

April 28
Due date for 3rd Quarter Activity Statements (if lodging by paper)

May 12
Due date for 3rd Quarter Activity Statements (if lodging electronically)



Registrations

If you are a finance company or a business operator who has supplied personal property on credit, consignment or on a retention of title basis, you can create a registration by going to the PPSR website at the following address <http://www.ppsr.gov.au> Going forward, all such businesses should put in place internal procedures to ensure that all new securities are correctly registered on the PPSR. Note that even where you as the supplier have a Romalpa clause on the invoice/contract, you still need to register your interest in the asset on the PPSR.

Checking

All businesses should periodically conduct a search on their own business to ensure that the information lodged on the PPSR by secured parties for assets you are using is accurate. Where it is not, you should request that any inaccuracies be amended. On the other hand, if you have taken security over other parties, then you should conduct a search to ensure that registration is properly recorded.

Migration Issues

To transition into the new system, before the commencement of the PPSR almost 5 million security interests recorded on 23 Commonwealth, State and Territory registers were transferred to the new register. However there have been a number of issues with the migration of this data resulting in numerous inaccuracies including pre-existing registered charges not appearing at all on the PPSR, and previously discharged securities appearing on the register. For this reason, all businesses should check that information has been migrated over correctly.

Consumers

The PPSR is a win for consumers as it provides a central port for checking whether there is an existing charge over an asset you are purchasing. Prudent consumers will conduct a search on the property in question before committing to any purchase.

Tax Man Tips – FBT

31 March means the end of the FBT year.

Here are two tips to reduce your FBT:

Employee Declarations

You must obtain employee declarations by no later than the day on which your FBT return is due to be lodged with the Tax Office or, if you do not have to lodge an FBT return, by 21 May. Employee declarations must be completed in order to reduce FBT or in some case exempt certain benefits from FBT altogether. These declarations substantiate the purpose for which an employee's expense was incurred, as well as the extent to which the expense was incurred for work-related purposes. Some of the more common benefits for which a declaration may be required include: expense payment benefits, loan benefits, property benefits, living away from home benefits and fuel expenses.

Drive and Save

If you work out your car fringe benefits using the statutory formula method, coming up to the end of the FBT year, if a vehicle is nearing the 15,000km, 25,000km or 40,000km thresholds, then take note.

Despite recent reform in this area, there are still opportunities to drive your car further before 31 March 2013, and limit your FBT liability (as long as the vehicle crosses one of the above thresholds in terms of kilometres traveled). All kilometres, business or private, count toward the statutory method calculation. It does not matter if the car is driven wholly for business purposes or wholly for private purposes (or a combination). Therefore, if you are approaching one of the above kilometre thresholds towards the end of the FBT year, take the car home for a drive on the weekend, do those extra few kilometres and reduce the FBT payable!



Human Resources

Delegate, Don't Abdicate

As every business coach and mentor will tell us – we need to work 'on' our business rather than working 'in' our business. One of the keys to achieving this is to 'outsource or delegate' unprofitable tasks that you are currently doing which can more effectively be performed by others. The time you free up by delegating can then be redirected to work on those things that will grow your business. However all too often in our haste for change we tend to 'abdicate' these roles instead of actually 'delegating' them – which in the long run creates even more issues for us to deal with.

The Encarta World Dictionary defines these terms:

- 1** Abdicate - as the "...neglect (of) duty: to fail to fulfill a duty or responsibility...resign position: to give up a high office....."
- 2** Delegate - is "to give somebody else the power to act, make decisions, or allocate resources on your behalf".

Both approaches involve the giving up of a process (which you have previously performed) in your business which should give you more time to work 'on' your business. This is what we want, right? Well yes, however the handing over of a task needs to involve a process which can be monitored to ensure that the task is being

performed as expected. As the definitions suggest, 'delegate' allocates the power whereas 'abdicate' gives it up all together.

Business processes that we often see abdicated, when delegating is more appropriate include bookkeeping services, IT systems/security, and financial/cashflow management.

A clear sign of abdication is how much interest the business owner takes in how the role is being performed. When we hear comments like "my IT guru handles all of that – I don't have anything to do with that" this concerns us. An alternative to this approach is to delegate the role by implementing and enforcing procedures and business rules to ensure that you can rely on the results that are being produced by those undertaking the tasks.

Such procedures could include:

- A documented set of rules governing the roles and the results required
- Checklists for the IT person for example to 'sign off' on each month documenting the work undertaken, and
- Regular reviews by you (as the business owner) of the results

One thing to remember when handing over a business process is to constantly ask yourself: "When this person leaves the business can the role be easily picked up by someone else without you having to step back into the role" or "are you 100% confident that the task is being undertaken correctly and do you have the supporting documentation to back up your confidence?"

Working 'on' your business is one of the key factors in creating sustainable business success and the art of delegating (not abdicating) is an essential element of this process.

Business Tip - Best Business Structure

One of the most important decisions for business owners is the choice of the correct structure through which to operate.

Trusts, partnerships, companies or sole trader – which is best? For each owner it will be different depending on the importance you attach to the following factors:

- Asset protection
- Minimisation of tax
- Establishment and ongoing compliance costs
- Other factors (such as succession planning, and your understanding of the structure).



The following table offers a simplified illustration of the merits of each structure:

	Sole Trader	Company	Trust	Partnership
<i>Cheap to set up and administer / minimal legal requirements</i>	Yes	No	No	Yes
<i>Limited record keeping and reporting</i>	Yes	No	No	Yes
<i>Protection from personal liability</i>	No	Yes	Yes	No unless partnership is limited
<i>Tax effective (distribute profits to low income earners)</i>	No	Yes	Yes	No
<i>Succession planning friendly</i>	No	Yes	Complicated	Yes

Choosing the right business structure is vital. Even for those already in business it's important to review your structure periodically with your advisor to ensure it's still serving your needs. Remember you are not locked in – you can change your structure at any time (although tax and other costs may accompany any change).

