

Building better businesses

Australian Institute of Architects

# COVID 19

## Protecting your business

2 April 2020  
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Leading business advisers & accountants

Building personal wealth

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### How to protect your business

Three steps:

- 1) Protect your **team** - they are your biggest asset
- 2) Protect your **cash flow** - Cash is King! (including Stimulus Package info)
- 3) Protect your **business** - so you can ride this out -  
**Be ready for the recovery!**

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### Protect your team

- 1) Reduce risk of transmission
  - > WFH, Zoom, Social distancing
- 2) Comply with all Govt regulations
  - > Covid19, OH&S, Awards & Fairwork Aust
- 3) Stay in touch with your team
  - > Every day to reduce stress & boost morale!

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Protect your cash flow



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Protect your cash flow

Projected inflows => projected outflows.

Time horizon: 1 month; 3 months; & 6 months.

It is more than just a revised breakeven trading position - it is brutal cash in/cash out forecast.

Do good/bad/ugly analysis to find pain points and work out how to resolve!

Need to get revenue up and/or costs down

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Protect your cash flow - Revenue

Protect your revenue

- > Let clients know you are open for business
- > Let clients know about any changes eg office hours, using zoom etc
- > Watch your work pipeline very closely; and
- > Chase your debtors to make sure they are going to pay on time (or at least instalments).

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**Protect your cash flow**

- Other sources of cash
  - Bank loans inc new Small Biz loans
  - Government Stimulus Package support
  - Owners contributions
  - Asset sales

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**Protect your cash flow - Reduce costs:**

Minimise your expenses

- Reduce overheads and capital expenditure

Organise payment plans

- ATO, Bank, landlord, utilities etc

**BUT YOU MUST PAY SUPER ON TIME!**

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**Protect your cash flow - Talk to your Bank**

- Apply for 6 months payment deferral
  - Extend term of loan; or
  - Increase future loan repayments
- Get unsecured Small Biz loan from your bank
  - govt guarantees 50% of it
  - loans max \$250K
  - 3 year term with no repays for first 6 months.

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**Protect your cash flow - Talk to your Landlord**

Ask for rent deferral or reduction over next three to twelve months

For example - ask for:

- 3 months rent deferral - spread rent over remaining term after that; or
- 3 months rent waiver but extend lease by 3 months.



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**Announced Support**

The next few slides are all about the support provided by the Federal & various state governments...

There will be changes and enhancements to these. Please contact us for the changes as they emerge.



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**ATO Concessions - Tax payment Deferrals**

- **STILL MUST LODGE ON TIME**
- Can apply for tax payment deferment for income tax, BASs, FBT for up to six months with no interest;
- Change to Monthly BASs if need refunds sooner



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**Protect your cash flow - ATO concessions**

**Cash Flow Boost (PAYG/W credit)**

Stage 1:

- Must be “active eligible employers” (even if PAYG/W = nil) and have been PAYG/W registered before 12 March 2020
- 100% of PAYG/W declared on March to June 2020 BAS;
- Min credit of \$10K; max credit of \$50K each stage
- Paid as credit off BAS account and refunded
- Tax free payment (“Other income” not PAYG/W refund)

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**Protect your cash flow - ATO concessions**

**Cash flow Boost:**

Stage 2:

- Amount paid equivalent to Stage 1 benefit;
- Paid in two or four equal instalments:
  - If Quarterly BASs then 50% after lodging June Q BAS and September Q BAS; or
  - If Monthly IASs then 25% after lodging June, July, Aug & Sept IASs.

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**Protect your cash flow - ATO concessions**

**Job Keeper wages subsidy**

- If have employees as at 1 March 2020; and
- T/Over has dropped by 30% compared to last year (over last month or three months)
- Only for wages paid from 30 March 2020
- To F/T, P/T and casuals >12 months
- Will get \$1,500 per f/n per employee
- After lodging monthly reports.
- Also available for sole traders!

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**Protect your cash flow - ATO concessions**

**PAYG income tax instalment variations**

- Vary March Q instalment to NIL; and/or
- Claim credit on March Q BAS for Sept & Dec Q PAYG income tax instalments already paid

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**Payroll Tax concessions**

- **ACT** - Payment deferral of 2020/21 payroll tax, interest free, until 1 July 2022 (if T/0<\$10M). Apply via online form. **STILL LODGE ON TIME.**
- **NSW** - Payment waiver for April to June 2020 if T/0<\$10M . Apply via online form. **STILL LODGE ON TIME.** Payroll tax threshold lifted to \$1M for 2020/21.
- **QLD** - Payment deferral of March to June 2020 payments to 3 August 2020. Apply via online form. **STILL LODGE ON TIME.**

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**ATO concessions - new measures:**

**Instant Asset Write off (100% dep'n)**

- Cost limit increases from \$30K to \$150K per item
- Turnover cap increases from \$50M to \$500M
- Bought between 12 March and 30 June 2020

**Note - if you do want to buy - save cash and finance it with Chattel Mortgage or loan (not Lease)**

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**Protect your cash flow - ATO concessions**

**Accelerated Depreciation**

- 50% upfront deduction for depreciable items not written off instantly
- Normal depreciation for balance next year
- Turnover cap increases from \$50M to \$500M
- Bought between 12 March and 30 June 2021

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**Protecting your Business - so you can ride this out!**

- You have to think **strategically** about what is critical for your business
  - To keep doing
  - Stop doing
  - Do differently

**Want to be ready for the recovery!**

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**Protecting your business - 5 Key Pillars**

**Think about it in terms of 5 Key Pillars of your business:**

➢ Finances	➢ Cashflow & debt management
➢ Clients	➢ Tell them - Open for Business
➢ Team	➢ Manage your capacity
➢ Products & services	➢ What do clients want? How can you improve?
➢ Systems & processes	➢ Improving efficiency & doing things differently

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**Protecting your Business - Your Finances**

- Protect your Cash flow per above slides
- Do a minimum six month cash flow budget and profitability budget - Do good/bad/ugly analysis - where are the pain points? What can you do to resolve?
- Have Plan A, B, C (different stages) and know your KPI's eg You have to know if/when you are going to cross the line into insolvent trading.

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**Protecting your business - Your Clients**

- Keep in touch with your clients
  - Let them know you are still open for business
  - But what has changed eg office access, zoom meetings, expected completion dates etc.
- Do you need to change the way you provide your services to them
- Marketing - Need to stay visible and be the name that is remembered so try to avoid cutting back on marketing quantity (just cost!)

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**Protecting your Business - Your Team**

- Working from home
  - Remember OH&S obligations (eg take chair from office)
  - Watch cyber security issues inc how will your IT provider know who he can help?!
  - Give team clear productivity goals
  - Keep in touch!

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**Protecting your Business - Your Team**

- You must manage your “capacity”
  - When client demand reduces and/or cash flow dries up you will need to consider matching your capacity to demand.
  - Watch out for HR & PAYROLL issues -
    - Still need to comply with Contracts & Awards
    - See [Coronavirus.fairwork.gov.au](http://Coronavirus.fairwork.gov.au)

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**Protecting your Business - Your Team**

- Progressive reduction process:
  - Banning overtime and no more casuals / subbies
  - Voluntary leave
  - Compulsory leave
  - Reduced shifts and/or Unpaid leave eg 4 days a week
  - Voluntary redundancy
  - Compulsory redundancy
- Be strategic - Who is core? Who can multi-task?
- Across the board - Share the pain so all can survive?

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**Protecting your Business - Your Team**

- If cash flow permits - There is always something productive to do... Work “ON” the business (not “IN” it)
- Get the team to:
  - Get their CPD/Training up to date;
  - Help you with marketing eg writing newsletters, blogs, fact sheets, review website content etc;
  - Help you improve the quality and/or diversity of your products and services eg R&D;
  - Help you improve your efficiency - write/update checklists, templates, job descriptions, procedures manuals

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**Protecting your Business - Product/Services**

- Review and improve:
  - What products/services you are offering (inc stop, start and keep doing);
  - How do you need to change them? Eg delivery method (email & zoom);
  - How can they be improved?
  - Pricing - in light of changes to cost of inputs/overheads or delivery costs;
  - Payment methods - including terms and deposits upfront or c/c details upfront.

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**Protecting your Business**

**Remember the end game!**

- The End Game is to survive long enough to ride this out. It is “biological not systemic” (not like GFC)
- Work out what is core business
  - What do you have to keep doing and what can you stop?
  - Who are your core people?

**Be ready for the recovery!**

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**Personal Support from Govt**

- 1 or 2 x \$750 “Support Payments” for Centrelink support recipients
- Coronavirus Supplement of \$550/wn for New Start, Parenting, Sickness Benefit recipients
  - Expanded access, reduced means testing & waiting periods
- Early access to Super - 2 x \$10,000 ---NEED TO APPLY TO ATO
- Retirees:
  - Reduced Deeming rates so eligible for more Age Pension
  - Reduced Min Pension payment requirements x 50% of normal

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**Worst Case Scenario**  
Know when you are crossing the line and seek advice!

- Temporary relief from Corporations Law - Applies to all companies
- Six months protection if insolvent trading
- Creditor Notices (statutory demand for payment)
  - Level increased from \$2K to \$20K
  - Notice response times increased from 21 days to six months

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**Personal Bankruptcy**

- Personal Bankruptcy proceedings - min debt increased from \$5K to \$20K with 21 days to respond
- Voluntary Bankruptcy - increased time from application that unsecured creditors can't take further action from 21 days to six months.

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**How else can we help?**

- Business Advisory Services (by Zoom!)
  - COVID19 Business Continuity Consultations;
  - Cash flow forecasts & management advice;
  - Valuations & Business improvement
- Accounting, Tax returns & BASs
- Bookkeeping & payroll
- Financial planning advice

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dfk **australia**  
**new zealand**  
LEADING ACCOUNTANTS AND BUSINESS ADVISERS

Local knowledge  
National connections  
Global reach

- Canberra
- Sydney, Penrith, Parramatta, Newcastle & Griffith
- Melbourne City and Camberwell
- Adelaide
- Brisbane
- Perth and Fremantle
- Auckland

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# Thank you!

**... any questions?**

*This training material is not advice. You should not act solely on the basis of material contained herein. Due to the speed of developments in COVID19 Stimulus Measures & tax law as well as the summarised, general nature of this material, we recommend formal advice be sought before acting in any of the areas covered in this material.*

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