Computerising your tax and super planning

Having good business software to handle the demands of your tax and superannuation record-keeping and requirements can save you money and a lot of frustration. By ***Mike Lorge***

CLEARLY LABELLED boxes of invoices and receipts are lined up across your desk. In each, layers of records meticulously filed throughout the year in alphabetical order. The documentation has been fastidiously prepared for early July when you will sit down with your calculator to prepare your financial statements.

June 30 arrives and all of a sudden, what seemed like a foolproof process throughout the year comes drastically un-stuck. You realise invoices offer no value filed in this manner. Accountants, whom you are paying through the nose, will spend days re-organising the documentation into chronological order.

Not only have you created the need for dual-processing, but you have jeopardised data integrity, introducing the opportunity for human error through manual processing. Issues with data integrity and accuracy are two of the greatest concerns for most small to medium businesses at tax-time. Manual processing and data entry can mean that preparing GST BAS returns blows out to five or more hours while balancing accounts can take a full day.

This is time most small businesses simply can not afford to lose. Time that could be better utilised servicing customers and growing your business. Further to the lost time, the increased stress and pressure caused by seeds of doubt about data integrity permeate in small business owner's minds. Lost sleep joins lost time and your cash flow, service delivery and ability to plan strategically can be impacted.

Far from dreading the approach of June 30 and its inevitable number crunching, today's business owners should be confident that their financial information is accurate and prepared efficiently and quickly. How can small to medium businesses, with a smaller budget, limited resources and smaller IT department, implement 'big-business' tools to help them automate business and financial processes to manage tax more effectively?

The case for business software

Savvy use of business technology can ease pressure not just at tax time but throughout the year.

Business software has come a long way from its clunky and expensive origins, now offering greater flexibility, improved usability and better value for money for Australian small businesses.

Today's business software solutions are a vital resource for helping reduce repetitive manual tasks while increasing efficiency and accuracy. They also offer managers timely reports on the state of their business, arming them with the information they need to make better decisions about inventory, hiring needs and cash flow. What used to take countless hours with spreadsheets and calculators can now be done virtually in minutes with the right software in place.

Tangible dollar benefits of this approach can be measured in time and cost savings. For example, Victorian supply chain management company WaiveStar identified that staff members were entering data up to seven times into separate spreadsheets and accounting software products, wasting valuable time and compromising accuracy.

By implementing a business software solution, processes were streamlined and data entry automated. This equated to seven or eight additional staff days per month across the business and thousands of dollars in increased productivity per year.

Savings for small businesses are often obtained in automating repetitive tasks such as bank reconciliations, inventory management, debtors, creditors and balancing ledgers. Hours can be slashed to minutes by using business software across most small businesses.

Those using customised business software solutions often find preparing data for tax reports like BAS and IAS is automatically generated and will balance to the cent with an accurate audit trail. This means time taken to prepare quarterly or annual IAS and BAS statements can be reduced by more than 75 per cent.

Greater access to accurate and timely information will also help to manage and grow your business. For example, insight into management reports helps identify areas to focus your attention to keep your business growth strategy on track.

What to look for

Selecting the right business software can be as confusing as tax laws! So what should small businesses look for when deciding which products to choose?

Following these simple rules should improve your business software purchasing decision:

- **Understand your requirements** – Identify in your business inefficient and time consuming processes such as spreadsheets, number crunching, manual data entry, reconciling and paper ▶

handling. These areas of inefficiency can often be quickly automated by today's simple and easy to use software.

Clearly document these time consuming processes and ensure your preferred solution effectively addresses and automates them.

• **Look for a solution specific to your industry** – Each type of business has different accounting, tax and reporting requirements. It is important to ensure your preferred solution has a pre-configured set-up for your industry (eg retail, farming, professional services etc). This will allow you to quickly customise the software and reporting capabilities to your industry's particular requirements and is more efficient than adapting your business to conform to standard accounting software capabilities. Ask colleagues within your industry or industry bodies for advice and recommendations.

• **Select a solution that will grow with your business, for the life of your business** – Beware of software vendors who may try to shoehorn you into purchasing large-scale, complex business software solutions of which, realistically, you require only minimal functionality. Look for software solutions that allow you to add or customise modules as required. This will ensure you are only paying for the features and functionality you need at the time but the solution will grow with your business.

Similarly, look for business software solutions delivered by vendors committed to research and development and with a roadmap that reflects your business needs, now and in the future. For example, is the software you're considering enabled for web deployment, does it automatically update or are upgrades provided when new tax or accounting regulations come into place?

• **Think global, not just local** – The internet is fast-tracking all our businesses selling to international markets, so consider whether the solution can manage multi-currency transactions. Can the software comply with other country's tax laws and is the software vendor supported globally. Local software firms may find it difficult to update their software in line with the rapidly changing international tax-landscape and regulations.

• **Look for local partners who have 'been there, done that'** – Ensure the software vendor is supported by a strong local implementation partner network that has installed and maintained the solution (many times) before. You want someone down the road from you who is familiar with the software when you require help, not a technology support team based in a call centre overseas.

• **Seek professional help to maximise your investment** – Once you've paid good money for your new software solution, work with the local implementation partner to get to know the capabilities of the technology and how you can use them. This will help ensure you experience maximum return on your investment.

Beyond tax-management, effectively utilised business or accounting software can also identify trends in your business, ▶

eg customer's payment patterns, allowing you to predict cash flow in the near future. Your IT acquisitions need not only address immediate tax-management and financial reporting needs, but can also be used to identify emerging patters and 'red-flag' operational problems, providing you with the information you need to keep your company's growth strategy on course.

- **Consider Simple Solutions** – If a fully-fledged accounting software package is out of your budget range, consider other practical solutions to reduce your accounting and administration requirements. For example, consider using a single credit card for all business purchases. With most credit cards today, you can download spending data from the internet and import the information into a spreadsheet to help compile month end accounts.

Automate for growth

Busy business operators need to remain focused on the customer and service delivery to stay ahead. Reviewing business processes and identifying administration efficiencies can be viewed as a 'nice to do', rather than a 'have to do'.

However the immediate and long-term benefits of automating administration via business software often result in the question "why didn't we do this earlier?". The time and cost savings together with the additional management information improve business performance and allow business operators more time to focus on their customers.

Starting the software selection process now should enable your business to have a solution operating for the start of the next financial year (preventing multiple systems).

The first and most difficult step is seeking professional help from a software vendor, your IT support or an accountant and committing to reviewing opportunities to improve efficiencies across your business. From there you and your advisor can evaluate business software solutions that can help you automate processes.

As June 30 looms, rather than shifting into administration overdrive, stop, evaluate and commit to an approach that will see you automate for the future. ●

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Eight tips for business planning

Brendan Campbell, HLB Mann Judd Brisbane

THERE ARE a number of issues that business owners should consider before the end of the financial year. Eight key areas are:

Small business CGT

The small business capital gains tax (CGT) concessions available to small businesses are:

- The 15-year asset exemption
- The 50 per cent active asset reduction
- The retirement exemption; and
- The roll-over of the gain into a replacement business asset.

The concessions reduce (and occasionally eliminate) the tax payable when 'active' assets (ie assets used in running the business) are sold, as long as certain conditions are met.

These concessions should be considered by business owners planning to sell an active asset, where the value of all assets is less than $6 million (or turnover of the business is less than $2 million per year). Businesses that currently qualify for these concessions, but may not in a few years' time, may find it worth reviewing the options now while the concessions are still available.

Prepayments

A prepayment of 12 months' interest (at a personal level) on loans used to purchase passive investments (property, shares or units in unit trusts) may be beneficial. Be careful as not all pre-paid interest is deductible.

Trading stock

Trading stock is not tax deductible so it may be better to dispose of stock and reduce income for the year rather than continuing to carry obsolete or worthless trading stock.

Bad debts

Write off bad debts and record the loss in the current financial year. This will help reduce taxable income and tax payable.

Bonus payments

Consider paying employee bonuses before 30 June 2008 in order to bring forward the deduction. Employment contracts with bonus arrangements in place will need to be revised to confirm the bonus can be calculated prior to year end.

Capital gains

If you have any capital gains to report in the current year, it may be worth reviewing any other investments. Consider crystallising some non-performing investments as capital losses so capital gains are reduced.

Private loans

Any private funds withdrawn from the company may be treated as a Division 7A loan. If the funds are not going to be paid back prior to 30 June 2008, a loan agreement should have been in place prior to the funds being taken. Without this agreement, the withdrawals may be classed as an unfranked dividend by the ATO. Minimum repayments will need to be made on any previous years' Division 7A loans.

Depreciation

Review asset registers to see if there are any old or obsolete items that need to be written off. An immediate deduction can be claimed for the written-down value of the asset. ●