

SAYWELLS

Chartered Accountant – Registered Tax Agent - Business Advisor

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How to sell your business

We're often asked the best way to sell a business.

There are two key components at play in the sale of a business: structuring the transaction; and, positioning the business to the market. Both elements are important and can significantly impact your result.

Structuring the transaction covers things such as pricing the business, the terms and conditions attaching to the sale, key terms in the contract, and ensuring the transaction structure is as tax effective as possible. Much of the structuring is about ensuring the vendors secure the most efficient and effective outcome from the sale. It is about maximising vendor position.

Positioning the business for sale is all about ensuring that you achieve a sale and that you maximise your price. It covers areas such as ensuring there are no hurdles within the business that will limit its saleability, identifying the competitive position of the business within its market segment, ensuring that operating performance is as good as it can be, and that the business benchmarks well in its market. Positioning also includes identifying the best time to take the business to the market, how to take it to the market and who the most likely buyers will be.

Positioning is about doing everything needed to maximise the probability of a sale occurring whereas structuring is about getting the best outcome from a transaction once it has occurred. A lot of people make the mistake of spending most of their energy on the structuring of the transaction. It is important but it only becomes important if the sale is achieved.

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Predictions and realities for the new financial year

It's a new financial year and with it comes a series of changes and challenges.

What you need to know in 2011/2012

The central message for the new financial year is 'cash is king' and will remain so for some time to come.

While the economy is performing well, consumers are wary about parting with their cash. Part of the problem is that around 50% of Australia's growth is coming from 10% of the economy. For the rest of the economy, petrol prices are high, interest rates are likely to rise, and the rate of debt default is at record highs. Consumer sentiment shows that no one really feels as secure as the headline economic data indicates so discounting and long decision making processes are likely to continue.

For business, take the cash is king message to heart. Some very high profile and established businesses have dissolved recently so stick to your trading terms and watch your debtors or you may be caught out by someone else's problem.

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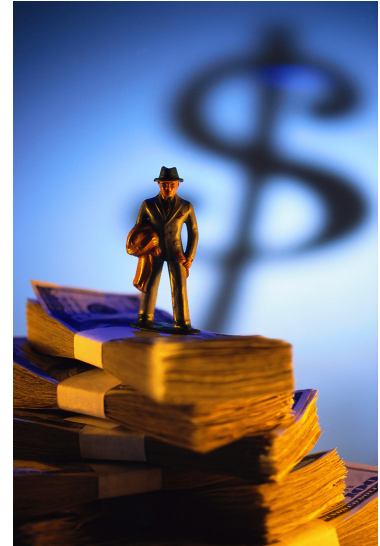
How to sell your business

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Discuss structuring first with your advisers to help identify any key decisions that need to be made but put most of your effort into positioning the business.

To do this you need to get an objective assessment of how the business compares in its market, its competitive position, and what if any impediments to sale exist – all the things a buyer will look at and look for when they assess your business. Most buyers believe that we are currently in a buyer's market and will try to drive down price expectations. Whether or not you are in a buyer's market depends on your industry segment but regardless of this, you are in a competitive market. Buyers may be comparing your business with similar businesses but also opportunities in other industry segments. Securing a sale at the best possible price is about having your business positioned for sale. Preparation time is needed to achieve this so talk to your advisers well in advance of putting your business on the market.

Thinking of selling your business? Talk to us today about how to achieve the best possible outcome.



Predictions and realities for the new financial year

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What changed on 1 July?

Individuals

- A Flood levy of 0.5% now applies to individuals with taxable income between \$50,001 and \$100,000 in the 2011/2012 income year. The levy rises to 1% once your taxable income is above \$100,000.
- The dependent spouse offset phases out for taxpayers with a dependent spouse born on or after 1 July 1971 (40 years of age or less).
- Minors will no longer be able to access the low income tax offset (LITO) to reduce tax payable on their unearned income, such as dividends, interest, rent, royalties and other income from property.
- The education tax offset extends to include school uniforms.
- The Low Income Tax Offset (LITO) delivered through regular payments of salary and wages will be increased from 50% to 70% of total entitlements. The remaining 30% is paid as a lump sum in the taxpayer's tax return.*
- Taxpayers will no longer be able to claim deductions against government assistance payments such as Youth Allowance.*

Business

- Trust beneficiaries will be able to continue using the primary production income averaging rules and farm management deposit provisions even if the business is operated through a trust and makes a loss.
- The GDP adjustment factor for PAYG instalment taxpayers who use the GDP adjustment method will reduce from 8% (which is the rate that would apply under the current law) to 4% for the 2011/2012 income year.
- The single statutory rate of 20% applies to determine the taxable value of car fringe benefits under the statutory formula method.
- Changes to R&D tax concessions will see a 45% refundable tax credit to companies with an aggregated turnover of less than \$20 million and a 40% non-refundable offset to all others.*
- Company loss recoupment rules will be amended to make it easier for companies to satisfy the continuity of ownership test in certain circumstances.*

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Predictions and realities for the new financial year

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- Not for Profit (NFP) income tax concessions will only apply to profits generated by unrelated commercial activities that are directed back to a NFP entity to carry out its altruistic work.*

Superannuation

- The ability to claim a tax deduction for certain Total and Permanent Disability (TPD) insurance policies through your superannuation fund has been streamlined and can now be based on set percentages. This provides an alternative to engaging an actuary to determine the deductible portion of insurance premiums.
- Stricter compliance requirements apply to SMSF's holding investments in collectibles and personal use assets.
- Minimum payment amounts for account-based pensions reduced by 25% for the 2011/2012 financial year.*
- Individuals who breach the concessional contributions cap by up to \$10,000 (for the first time) can request that these excess contributions be refunded to them to avoid payment of the excess contributions tax.*

Directors face greater scrutiny

Draft legislation released last month will see Director's become personally liable for the superannuation guarantee (SG) payments of employees. The change is part of a suite of reforms designed to target phoenix companies but the reforms, if enacted, will have a much broader impact.

A phoenix company is the deliberate liquidation of a company to avoid paying liabilities including employee entitlements. The business then 'rises' and continues operations through another corporate entity, controlled by the same person or group of individuals, often with a very similar name and free of the debts.

The legislation, if enacted, will also give the tax office the power to pursue directors where PAYG and SG remain unpaid and unreported for more than three months beyond the due date.

* Change has been announced but has not become law.

"The legislation, if enacted, will give the tax office the power to pursue directors where PAYG and SG remain unpaid and unreported for more than three months...."



A referral is the ultimate compliment our business can receive. If you have a friend or family member who needs advice, we're happy to assist

Quote of the month

*"He who is not courageous enough to take risks will accomplish nothing in life."
Muhammad Ali*

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