



# Social media – a must for business

Tim Molloy, Online Evangelist, MYOB

Chartered Accountants Business in Focus  
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There's no getting away from social networking these days, is there? Facebook, Twitter, Blogs, Flickr, YouTube, LinkedIn...they're all apparently indispensable to anyone under 30 in a social context. But how important are they to business? They're critical, says online evangelist Tim Molloy, of MYOB, as he explains why we all need to join the online communication revolution.

To keep you abreast of what's happening in super, we talk to David Shirlow of Macquarie Bank, who highlights some tax-related developments around superannuation, in particular self-managed super, along with an update on some of the Government's broader industry reform.

Then, there's the question of pricing as consumers become increasingly reluctant to part with their cash. We ask expert Jon Manning for his advice on how to maintain sensible pricing strategies during these uncertain economic times. And on the topic of strategy, the highly experienced Christopher Tipler gives us an insight into a radical approach which he says can transform businesses.

Plus, we'll bring some practical advice for clients about what to do if the Tax Office knocks on the door, we'll look at the roller-coaster sharemarket, and for those facing a skills gap in their business, we'll look at visa issues when employing people from overseas.

I hope you enjoy our mix of stories this month.

**Nick Schildberger**  
Managing Director



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### **SOCIAL MEDIA – A MUST FOR BUSINESS**

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MYOB was the Connectivity Partner for the Institute's Business Forum in 2011

### **SUPERANNUATION & FOFA UPDATE**

David Shirlow, Executive Director,  
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David Shirlow will be presenting on this topic at the Institute's National SMSF Conference in Melbourne on 19-20 September. For more information, please contact the Institute on 1300 137 322

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# THE ESSENTIALS

September 2011

## Track 2

### **Social Media - A Must For Business**

**Tim Molloy, Online Evangelist, MYOB**

- Social media includes any activity that involves sharing, networking or communication via the internet. It's become very important for business
- It's growing rapidly: there was a 210 percent increase in 2010 in the number of people using social media globally. Facebook alone has more than 500 million users
- To use it in business, first look at your market. Who are your customers, what's their demographic, what sort of social media are they engaged in? Then decide how best to reach them
- Unlike traditional marketing, where you talk AT customers, through social media, you're talking WITH them
- Through the conversation with them, your clients are creating value for you too
- Higher visibility is another benefit. Most people looking for something they haven't bought before will search on the internet first
- Brand management. We're able to respond in real time to things people are saying about our brand
- We can amplify the good things they're saying, and engage with them to understand the negative things, and deal with them

- Visibility. Potential customers will often find you first on social media, well before they go to your website
- Ways to use social media include blogs; a Facebook page for your business; Twitter, which is growing rapidly, and LinkedIn to amplify your professional credentials
- Each one can help you build, over time, a following for things that you and your business are interested - or expert - in
- Social media's not just for the young: over a third of Australian baby-boomers now have a Facebook account and a quarter are on Twitter. Among Gen X, 80 percent are on Facebook
- If you're not using social media in business, you're opening the way for your competitors. Potential customers will be talking about them and to them, not you
- Customers will find it harder and harder to engage with you if you don't have a social media presence
- If you're not able to respond to queries or complaints raised online, you stand the risk of your reputation being damaged or destroyed

### Track 3

## Superannuation & FOFA Update

David Shirlow, Macquarie Bank

The government has 3 main tax-related super contributions measures in the pipeline. Each were referred to in this year's Federal Budget on which we're awaiting further details or legislation.

The **first** is the proposal, to apply from 1 July 2012, to **reduce the concessional contribution cap to \$25k p.a.**



**(indexed) for a client aged 50 or more unless the total of their super balances is less than \$500k on the relevant test date.** If it is below that threshold the client's cap will be \$25k higher (i.e. \$50k next year).

The **second** contribution proposal, again to apply from 1 July 2012, **is for the government to in effect rebate the 15% contributions tax on up to \$500 of concessional contributions made for a client who has adjusted taxable income of less than \$37k p.a.**

The **third** proposal, which is to apply this income year, **is to enable concessional contributions which exceed the cap by no more than \$10k to be refunded**

There are no government proposals to provide relief from excess non-concessional contributions tax at the current time, so it's a matter of staying abreast of the views of the Australian Taxation Office in this area.

At the June NTLG meeting of the superannuation technical group, the ATO indicated it was contemplating:

- issuing a ruling on the scope for refunding under Part 7 of the SIS regulations, and
- intended to release a fact sheet on the limited circumstances in which trust deed provisions may assist in enabling excess contributions to be regarded as being held separately from the relevant super fund.
- It also flagged a likely Federal Court decision on relying on the general law of restitution as a basis for enabling contributions to be returned to the contributor.

In relation to superannuation pensions, the government is **phasing out the reduced minimum drawdown levels** which were introduced temporarily as GFC-related relief for account-based, allocated and term allocated pensions from 1 July 2011.

Regulations have been made which prescribe that the minimum pension payments for 2011/12. These are 75% of the normal, pre-GFC minimums.

Another key development is **the ATO's release of draft ruling 2011/D3** which sets out its views on when an account-based pension starts and ends. These views have significant flow-on implications in relation to the tax treatment of fund earnings and cashed superannuation benefits.

There are other aspects of the draft which practitioners should acquaint themselves with, such as the **implications of a client instructing a fund trustee to commute a pension.**

With the expiry of transitional rules on 30 June this year, one significant outworking of the super tax reforms of 2007 is that total and permanent disablement or TPD policy premiums are only deductible to the extent that the policy provides benefits in circumstances consistent with super legislation or SIS cashing rules. This means, for example, that own occupation TPD policies held by super fund trustees are only partially deductible. On the other hand, any occupation policy premiums will typically be fully deductible.

Some insurance product providers are splitting different types of disability cover to ensure that the super-compatible parts of the cover are fully deductible.

Where the cover is not appropriately split fund trustees either:

- need to get actuarial certification as to the deductible portion of the premium; or
- rely on proposed new regulations which will prescribe the deductible percentage in some cases. Draft regulations have been released outlining the deductible portions. For straightforward own occupation TPD the deductible portion is proposed to be 67%.

The government's FOFA package, which arose out of the Ripoll inquiry and in part out of the Cooper Super System Inquiry, was initially announced by Minister Bowen on 26 April last year

The key measures include:

- a prospective ban on conflicted remuneration structures;
- the introduction of a statutory best interests duty for financial advisers; and
- the facilitation of a new form of advice referred to as "scaled advice" (essentially advice limited to a particular area as opposed to a comprehensive advice covering all of a client's circumstances).

Draft legislation is expected to be released for comment in coming weeks, with tabling of legislation this calendar year.

The government's intention is that the legislation will commence operation on 1 July 2012.

Perhaps the key point of interest for accountants who do not have a Corporations Act licence is the proposal to remove the accountants' exemption from licensing requirements in relation to SMSF recommendations with a licensing alternative

#### **Track 4**

### **Managing Tough Pressures On Pricing**

**Jon Manning, Pricing Prophets.com**

- If retailers are trying to sell product without a convincing value proposition, in an environment that's not attractive to customers, or simply because they've overordered stock nobody wants, pricing strategies won't help them
- But firms like Spanish retailer Zara can show the way: listening to their customers, making goods quickly to meet the market, carrying limited stocks and pricing very competitively
- To restore margins, it's going to be critical to provide added value to goods or services when consumers start spending again
- The surge in online retailing has created confusion, as retailers try to decide whether to sell at the same price online, or higher or lower
- Some are using online to dispose of distressed stock, others to maintain their brand premium by selling a different product online - many are just following their lead without having a proper strategy
- The UK economy is in much worse shape than ours, but shows that markets don't behave evenly: some areas are really struggling, others doing much better

- In China, many large companies are keen to increase their prices: the days of the "China price" are over
- Cost-plus pricing should be avoided, customers only care whether they're getting value for money, so price for value. Costs are only valid for measuring profitability
- In some cases, pricing for value can be measured by the economic benefits of the product to customers, by increasing their profits, lowering their costs or reducing risks. In other cases, it's more subjective, but can still be identified through good research
- Pricing Prophets.com is a new service which enables small to medium businesses to access advice on pricing from local and global experts at a reasonable cost - the only one of its kind in the world
- A small change in price - perhaps as little as one per cent - can make a big difference to the bottom line, sometimes the difference between profit and loss

## **Track 5**

### **Radical Strategy To Transform A Business**

**Christopher Tipler, Author, Corpus RIOS**

- Business planning used to be over a 5-year cycle, but now it's much shorter, with the annual budget a dominant factor. It's a way of getting into trouble quickly
- Smaller businesses tend to be long on ambition, but short on capability and resources, particularly money. This inhibits proper planning
- I realised that business was failing at strategic planning, and tried to understand why. Then I wrote a book about it

- Strategy is about matching ambition with capability. Imagination relates to ambition, and realism to capability
- Most planning models fall short on process - how do you do it?
- My book, Corpus RIOS - standing for Realistic Imagination of Success - leads you through a series of steps towards capability. The first is analytical, asking the question "So What?"
- Next is Purpose - the definition of the business, then What Does Winning Look Like? - creating a vision of future success
- The next level is to decide what we must excel at to win - to define up to 8 "Arenas" for success
- Then "Recitals", where we ask what it means to excel in those arenas. From that point, you should be able to say what you will do to succeed
- Finally, we talk about principles, not values. I believe values simply get in the way of good business
- It's a very practical approach which people can relate to quickly and which makes them want to get started straight away
- I advocate thinking like a moneymaker. Business is about making money, but we're very apologetic about it these days
- It's not very complicated. There are only four aspects to business: sales, margins, overheads and assets
- Moneymakers are more like wolves - but nice wolves - than sheepdogs. They know where they're going, and they cut through
- Many people in business want the waters always to be smooth, but they never are. We just have to get on with it

## Track 6

# The Legal Risks Of Social Networking

Joydeep Hor, People + Culture Strategies

- Courts have brought down judgements both for and against employers in cases arising from comments made by disgruntled employees on social media sites
- It's early days yet. More cases can be expected, as employers try to work out the best approach to handling the use of social media by employees
- The informality of social media sites, and their relaxed use of language, can make it hard for employers to work out what is acceptable, both inside and outside working hours
- It's more useful to see the issues as bearing on the relationships of employees with each other and their employer, rather than on the space and time of the workplace
- Sites like Linked-In can be invaluable for employers recruiting new staff, helping them choose suitable candidates, but it's important not to run foul of anti-discrimination laws in the process
- In cases of cyber-bullying, employers need to consider how the behaviour is influencing conditions in the workplace, even though it may be conducted out of hours
- Leaders in business must be aware of the real culture within their organisation, not just the one that they think and hope is being followed
- A written policy on using electronic media must include use of social media, in and out of working hours, and it must also include a strong element of education, so that no-one's in doubt about where the boundaries lie

- Without a clear written policy, it will be hard to convince a court or tribunal that everything possible has been done to avoid problems arising

## **Track 7**

### **How To Manage An ATO Review**

**Michael Jones, Cummings Flavel McCormack**

- The ATO develops policy and practices on a broad nationwide level, but when it wants to know what's in your pocket, the questions become very personal
- If you're subject to review, the first thing you need is to be really clear about the point of contention behind their questions, and find out whether it's a sensible query
- Be helpful. There's nothing to be gained by being obstructive. The person you're dealing with may be influential in the outcome
- Keep it formal. Keep records of your dealings and - if they're asking for documents - consider whether those documents may be confidential to a third party
- Whether the ATO's approach is formal or informal, respond carefully and avoid off-the-cuff comments
- If you receive a visit, ask for the officer's ID and authorisation - read it and check that it in fact authorises what is happening. Take a note of what the authorisation says: you won't be able to photocopy it
- In a business situation, have one person from the business who is the point of contact with the ATO
- Prepare a brief manual which sets out what your staff members need to do in the event of ATO queries
- The ATO has guidelines on what its officers can do, and a taxpayers' charter. It's available from



[www.ato.gov.au](http://www.ato.gov.au) or email me at

[mjones@cfmc.com.au](mailto:mjones@cfmc.com.au) and I'll send it to you

- If you are not treated fairly or reasonably, you are entitled to redress
- If in the end the ATO decides an issue differently to you, you have the right of appeal to the ATO, the AAT or the courts
- On another topic, a recent Tax Office draft determination addressed a bank product that used a line of credit to meet interest payments on an investment loan and at the same time accelerated home loan repayments. The ATO has ruled the arrangement to be a tax scheme, and tax benefits under the arrangement would be denied
- If you're contemplating using a bank product to achieve that result, take advice first. There may well be a satisfactory way of doing it that will not fall foul of the ATO

## **Track 8**

### **Sharemarket Update**

**Elio D'Amato, Lincoln Stock Doctor**

- The continuing global concerns about the US and Europe have been frightening investors all over the world, and Australian markets have been suffering wild swings as a result
- The US owes \$14 trillion - twice as much as was potentially at risk worldwide during the GFC. We're lucky that, in trade and investment terms, we're not so reliant on the US any more
- Sadly, we're not immune from the gyrations of the global economy. Forty percent of investment in the Australian share market is held overseas - that

means money will be moved out to shore up positions elsewhere

- Our economy is still operating at two speeds, with the East coast verging on recession while the mining boom continues strongly. The Reserve Bank has cited global concerns as a reason for holding off on interest rate rises
- But there is still good news in the economy, and opportunity on the stock market. Even the mining sector was hit hard during the recent volatility, but it's still providing solid results and strong forecasts
- The recent reporting season has provided cause for hope, with mining and mining services companies to the fore. The banks have been very steady, while cautious about the future
- Retail has been a mixed bag - some good results, some shockers - and manufacturing will be a stockpicker's market for the immediate future
- Looking at particular stocks, Rio Tinto continues to do well, especially in iron ore. Coal & Allied, one of our star stocks has been taken over, which underlines the impression that major investors aren't fazed by the coming carbon tax. They still see Australian coal mining as a growth area
- Bradken, a small engineering company and borderline star stock, beat our expectations, growing earnings by 3 to 5 percent
- The Commonwealth Bank produced a super result, improving earnings across most of their divisions, while JB Hi-Fi, whose stock price has been down, recorded a 14 percent rise in earnings
- And Domino's Pizza recorded impressive growth both here and in their European division and forecast it to continue. They have a great recipe for success

## Track 9

# Hiring Employees From Overseas

**Katie Malyon, Katie Malyon & Associates**

- It surprises many people that one in four in the Australian workforce is here on a visa
- One in ten is on a temporary visa, which has a use-by date or may come with conditions about their employment - type of work, health insurance requirements or working hours
- Prospective employers of foreign nationals need to be familiar with those requirements
- The medical and health industries, and mining and resources, are heavy users of foreign nationals in their workforces
- But small business too often employs people who may have arrived as backpackers and proved to be particularly useful
- Employers need to remember that it's now a criminal offence to employ someone who's in breach of their visa conditions
- There are five main pathways to securing temporary visas, and five to securing a permanent visa
- For temporary workers, employers need to check their eligibility for the job, and that they have any necessary licensing or registration qualifications
- Then you need to consider contractual obligations and whether they meet Immigration Department requirements, and tax obligations
- Employers will need to verify the potential worker's employment experience, and also be prepared for a request to stay on in Australia when the visa is expiring
- Advice is available to small business through Immigration Department Outreach officers. While

many business owners try to deal with it themselves, it's a very complex - and fast-changing - area of law. Outsourcing is often preferable

- Government monitoring of the whereabouts and working conditions of visa holders is intense, with more money provided in the recent Federal Budget
- There's also a "dob-in" line which is frequently used to report alleged malpractice in employing foreign expatriates, or visa holders working illegally
- If you're looking for staff, don't overlook the students who are here, or backpackers who can work for 6 months with one employer before moving on. Students who've graduated can stay here, employed or not, for a further 18 months
- If you have someone you wish to retain as a sponsored employee, the 457 visa - which is a pathway to permanent residence - is a good option to pursue