

## TOP TIPS | How to ride out the global economic downturn

# Think outside box to survive

### FRANCES STEWART

TO RIDE out the economic downturn, business owners should think outside the box about their options, according to business advisers.

Business advisory firm Grant Thornton has a range of recommendations to help strengthen operating structures, but much of the advice might seem counter-intuitive to many business owners.

Director for privately-held businesses Michael Pittendrigh says an uncertain market can often create opportunities for savvy business

owners. "In difficult trading conditions it can be tempting to batten down the hatches and hope you'll weather the storm," he said.

"But survival is all about adaptation. The businesses able to act swiftly and decisively now will find it much easier to contend with any possible downturn, and could even find new prospects emerging."

Mr Pittendrigh advises increasing prices.

"Although it's the first instinct of many owners to cut prices, this means they have

### STAYING ALIVE

- INCREASE prices.
- DON'T cut marketing expenditure.
- CONSIDER growing.
- BE careful of putting your own money into the business.
- TELL bank if you're in trouble.

to buy more product volume in order to maintain their revenue levels," he said.

"This strategy often requires additional up-front cash investment - not what owners are looking for when trying to direct funds back

into the business." Judicious price rises could help reduce volumes and increase profits, which would ultimately help maximise cashflow.

His second piece of advice is to tell the bank if the business is in trouble.

"If you need help, it's best to give them lots of notice by pro-actively managing the relationship," he said.

"It's not up to the bank to guide you through problems, but they will be best placed to help you re-finance if you approach them early, and with a clear action plan."

When times are tough, many small businesses cut back on the marketing budget, but Mr Pittendrigh said this can make matters worse.

"Don't automatically cut marketing expenditure," he said. "Relentless cost control

is important, but in the long term it could prove more costly to try and claw back your competitive position."

Expansion can also be an option as weaker traders are forced out of the market.

"Some of your competitors may well be looking for quick exits rather than trying to trade through a difficult period, which could provide strong strategic opportunities for you to expand," Mr Pittendrigh said.

Finally, business owners should be cautious about putting their own money back into the business.

## Keep tax man at bay when you sell

### STEPHEN HEATH

BUILDING up a business to the point of being able to sell it for a profit is a demanding and often career-long task.

Keeping the sale proceeds out of the tax man's pocket can be equally challenging.

There can be potentially adverse tax outcomes following a profitable sale as well as in extracting value out of a business structure.

With the tax benefits of having wealth in superannuation, a potent strategy for small business is to minimise the tax on disposal of business assets while maximising the money going into superannuation.

However, adverse tax consequences can arise if proper advice is not sought because there are contribution limits restricting the amount that can be contributed to superannuation and tax legislation in this area is complex.

Small-business owners need to be aware of tax concessions known as the Small Business Concessions.

The new superannuation legislation enables a more potent application of these concessions when it comes to superannuation as well as in relation to extracting wealth from business entities on a tax-free basis.

Sale proceeds from business assets can be migrated to superannuation on a tax-free basis up to a \$1 million lifetime limit per individual. An individual must have a 20 per cent or more shareholding, whether directly or indirectly.

□ Stephen Heath is a Partner with Wallmans Lawyers

## Passion for all-things Spanish leads to creative small business



OLÉ: Kristy Manuel and Aloysius Leeson at Casa de Flamenco.

Picture: MATT TURNER

### FRANCES STEWART

A SHARED passion for Spanish culture inspired Kristy Manuel and her husband Aloysius Leeson to start their own small business.

The couple has learnt you need to be a master of all trades to run a company.

"I decided to start the business out of a love of dancing and a love of teaching," Ms Manuel said.

"My husband and I both love flamenco so it made sense to go into business together.

"We have quite different talents and strengths, but I think they complement each other."

The pair has started Casa de Flamenco, a dance studio that also offers guitar and Spanish language lessons, at Seaview.

"It's more than just a dance class," Ms Manuel said. "We want it to be a cultural experience for people."

The pair has lived in Spain - Ms Manuel lived in Madrid, while Mr Leeson lived in Seville.

"It means we have experience in two very different

areas and styles of flamenco," Ms Manuel said.

Armed with an ambition to make the business more of a "cultural centre" than a traditional dance studio, the couple did some research to establish if there were any similar businesses in Adelaide. "I wanted to offer something for people in the south and we found a really great location in Seaview," Ms Manuel said.

But when it came to registering the company name there were a few hiccups.

"Another company in Bris-

bane had a name that was too similar to the first one we chose, so we had to change (it)," Ms Manuel said.

Getting in touch with her local business enterprise centre also gave Ms Manuel some helpful pointers.

"They had some good advice," she said. "When you're trying to write a business plan and sort everything out it's really useful to get good advice."

To find out more visit [www.casadeflamenco.com.au](http://www.casadeflamenco.com.au).

## Save tax and sleep soundly at night

Q MY father has taken ill and my mother has asked me to step in and help run his contracting business. I've found that he has been conducting the business in a rather unorthodox way, with a lot of cash transactions that are not recorded in his books. This means he is cheating not only the Government but my mother as well. If I ignore it I may become implicated if he gets found out, yet I don't want to upset him while he is ill.

A RUNNING a business well needs good accounting records. Good records give you a true indication of how the business is performing and highlight areas that need improvement.

While undertaking undeclared cash transactions may "save" money in the short term (assuming you don't get caught), longer term it is harder to run the business effectively because you don't know how it's actually performing.

The process of avoiding tax by under reporting your income has serious implications, and penalties. There are a number of perfectly legal and legitimate ways to properly plan your tax affairs, so raise the possibility of having some tax planning done with your father, showing him that he can minimise his tax while having a clear conscience.

□ Answered by Anthony Bell, CEO of accountancy firm Bell Partners.