

Business Plus+



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Issue Number 59 - Special Edition - January 2011 - Natural Disaster/Floods

The unprecedented floods in Queensland and the other major floods in New South Wales, Victoria, Western Australia and South Australia have affected many small business operators and primary producers around Australia.

This special edition of Business Plus+ comments on the various grants and loan programmes available for small businesses and primary producers and examines other issues, including:

- taxation treatment of grants; and
- post-disaster marketing and leadership strategies.

We take this opportunity to record our sincere condolences to the families and friends of persons who have perished as a result of these disasters and we extend our best wishes to everyone who has been affected by the flooding disasters.

What Assistance Are Governments Offering?

Assistance packages vary from state to state and include:

- Grants for eligible small businesses and primary producers.
- Loans or interest subsidy for loans available to eligible small businesses and primary producers.
- "*Disaster Income Recovery Subsidy*" - available to workers, primary producers and small business operators affected by floods in Queensland, New South Wales, Victoria, South Australia & Western Australia.

Disaster Income Recovery Subsidy

Payments are approximately \$500 per fortnight. There is an income test, which is based on the Newstart Income Test. Payments are available for people who are unable to receive their ordinary source of income because of natural disasters. The government has announced that payments commenced last week and could last for a maximum of 13-weeks.

To claim the payment, eligible small business operators and primary producers should telephone 1802266 or contact us for a discussion. If you would like a paper on "*Disaster Income Recovery Subsidy*", please contact us.

Grants

The Australian government, in conjunction with the affected state governments (Queensland, New South Wales, Victoria & Western Australia) have announced grants for eligible small businesses and primary producers.

Small Business

Similar conditions apply for each of the small business grants, including:

- the assistance is not intended to compensate for loss of income suffered as a result of the flood event;
- all claim payments are for the net amount after any insurance recoveries;
- assistance is generally available to assist eligible small businesses cover costs associated with cleaning and restoring business activities.

The maximum amount that can be claimed, under any of the grant schemes is \$25,000, however in some states; the maximum grant is \$15,000.

The definition of "*eligible small business*" varies slightly from state to state, but in general:

- applicants for assistance should hold an Australian Business Number;
- for the purpose of these grants, "small business" is generally defined as being a business that employs less than 20 fulltime employees or less than 20 equivalent fulltime employees;
- the business must be owned and operated as a small business by a sole owner, in partnership or as a private company;
- the small business must have suffered direct damage as a result of the declared disaster event;
- the applicant must have been engaged in conducting the small business when affected by the disaster event.

Applications generally have to be lodged with the applicable state government agency within 6-months of the disaster event.

We have a paper summarising the grant applicable to small business operators. If you'd like a copy of the paper, please contact us.

Grants - Primary Producers

General conditions relating to grants to primary producers include:

- the assistance is not intended to compensate for loss of income suffered as a result of a flood event;
- assistance is available for eligible primary producers to assist with cleaning and restoration activities.

The grant amounts vary. The maximum amount available is \$25,000.

The eligibility for primary producers stipulates the applicant:

- must be a primary producer;
- must have a primary production enterprise located in the declared disaster area and to have suffered direct damage as a result of the disaster;
- must have been engaged in the primary production enterprise when affected by the disaster;
- must be able to prove that the majority of the applicant's income is derived from the primary production enterprise.

Applications are required to be lodged with the various states' agencies from 6-months to 9-months after the event.

A detailed application form has to be completed. If you want us to assist with your application, please contact us. We can supply you with a special paper prepared on grants available for primary producers for events relating to the disaster.

Banks

If you are experiencing difficulty in meeting loan repayments or other commitments to your bank, a number of the banks have already announced deferral of loan repayments etc. We suggest you contact your bank and advise them of your circumstances. If you'd like our assistance in preparing a submission to your bank, please do not hesitate to contact us.

Small Business Loans

The state governments have introduced special loans and subsidy assistance on interest payments to assist small businesses.

Maximum loans vary from \$130,000, \$200,000 to \$250,000 and interest subsidy payments are generally available up to \$6,000. (4% on a loan of \$150,000).

The general conditions of the loans or subsidised interest assistance are similar. Loans are only available for small businesses which have been significantly damaged by an eligible natural disaster and unable to obtain commercial finance, but nevertheless have sound prospects of long-term viability. Loans are not intended to compensate for loss of income suffered as a result of the eligible natural disaster.

The amount of funding under a loan is the cost of the disaster to be met by the loan, less any insurance recoveries.

Requirements for an eligible small business for a loan includes:

- a sole owner, partnership or proprietary company;
- need to demonstrate that the applicant has used up all of their liquid assets and normal credit sources;
- demonstrate that they've taken reasonable precautions to avoid, or minimise, loss or damage from the disaster;
- demonstrate that, with the assistance of the loan, there are reasonable prospects of re-establishing the business on a viable basis.

Terms of repayment of the loans vary from 5 years to 10 years. In all cases, security has to be supplied for a loan. Applications need to be lodged to the appropriate agency in each state.

We can supply you with the paper relative to the conditions of loans to small business, relating to events from a declared natural disaster and we can assist you in the completion of the application form.

Loans - Primary Producers

The various state governments have loans available for primary producers who have been affected by an eligible natural disaster. The loan amounts vary from \$130,000 up to \$250,000 and, in some cases, the assistance comprises subsidised interest of up to 4% on a loan of \$150,000.

The terms of loans vary from 5 years to 10 years. Assistance from the loans is not intended to cover loss of income. Generally loan amounts can be used to assist in restoring or re-establishing areas affected.

Eligible applicants must be in working occupation of their property and have:

- used up all liquid assets and all normal credit sources up to normal credit limits;
- considered to be viable with the assistance provided.

Security will be required for the loan.

We can supply you with a paper on loans for primary producers relating to events from eligible natural disasters and we can assist you with the completion of the application form.

Tax Office Assistance

The federal government has announced that the Australian Taxation Office will assist people who have been affected by the floods by:

- fast-tracking refunds;
- providing people in business extra time to pay tax, without interest charges;
- giving extra time to meet Business Activity Statement, income tax and other lodgement obligations, without penalty;
- extending the lodgement date for monthly Business Activity Statements to 21st February 2011.

If you'd like our assistance in making representations to the Australian Taxation Office relative to your own position, please contact us.

Taxation Treatment of Grants/Loans

With all the natural disasters occurring throughout our country, now is a timely reminder to review the taxation implications of the various schemes and assistance programmes currently operating. In general, any insurance recoveries and assistance provided by any government body in the form of income payments or subsidies and Centrelink payments are assessable income and subject to tax. The federal government has recently announced that Disaster Income Recovery Subsidy payments are available where any person is unable to receive their ordinary income because of a natural disaster. This is assessable income because it is replacing the income you would have received from other sources.

Small businesses and primary producers are being offered additional grants and low interest loans from various state and federal government bodies to help them cope with the interruption that these natural disasters have caused and encourage them to reopen for business as soon as possible. The grants are, in most circumstances, treated as assessable income for the business. The low interest loans are not assessable income; however the loan interest amounts are below commercial rates and are claimable as an income tax deduction.

Insurance

There has been significant publicity on insurance, especially the definition of "flood", insurance policies containing terms like "flash flooding", "rivering", "inland flooding" and "actions of the sea". If you have suffered a loss then you need to ensure that your insurance company is notified as soon as possible. It's a good idea to take photographs and use a video camera to have a factual history of the damage caused to your business premises.

If, after making a claim on an insurance company, you're dissatisfied with their response, you can refer disputed claims to the Insurance Ombudsman, the company's dispute resolution procedure for adjudication or you can refer the matter to your legal advisers for their advice.

If you didn't suffer any damage - review your insurance policies to see how you would have fared. Prepare a review summary for discussions with your insurance broker/company.

A Testing Time for Leaders

by Peter McDougall AM, Managing Director, The Leadership Academy

The cleanup following the disastrous floods is Stage 1 and it will be difficult enough, even given the help of staff, friends, government emergency personnel and volunteering strangers.

But once the damage assessment has been completed the complex and demanding work of Stage 2 recovery will begin.

If you are a small business owner you might receive some financial assistance which will no doubt help somewhat. If your business is classified as medium-sized you most likely won't receive anything.

As the owner, manager, or boss your leadership will be constantly tested, and it will be a time when good problem solving, planning and decision making abilities will be vital. But the intensity of work will mean that you should not try to do it all yourself. During planning involve your staff as by doing so you will get good ideas and gain their support and commitment. Of course the final decision as to what to do and how to do it will be yours.

During implementation of your recovery plan avoid getting involved in too much detail. Delegate responsibilities to your key staff, ensure they remain on track, but let them get on with it. Your leadership role is to maintain a 'helicopter view' as recovery progresses and try to think ahead by seeking and integrating whatever support becomes available.

If some of your staff have also suffered from the flooding, their concerns will be split between their problems and yours, so motivation will be an issue. While sympathy is important, showing your genuine empathy for their plight is even more important. You will probably not be able to motivate them through typical extrinsic means such as bonuses and gifts of various types, but you can do so by the much more powerful and cost neutral intrinsic means of genuinely and frequently recognising their involvement and praising their good work.

Marketing - Post Disaster - Think Outside The Square

by Maja Velickovska, Marketing Manager, ESS BIZTOOLS Pty Ltd

You are now at the cleaning up stage and wondering what is next. Take a few moments in all this and perhaps when you go home at the end of each day, be as you would had this not happened.

What would you normally do at the end of the day, in preparation for the next? Write this down. This could assist you throughout your cleaning process, in working toward being 'back in business' again. It could also help you put together a contingency plan should your business be faced with any future issues, or re-evaluate your floor plan/layout, products or services your business implements moving forward.

What are the products or services you will be able to offer in the coming weeks? Think about those and leave your other more complex items as part of a long term plan. In all unfortunate circumstances, there will always be an industry or business that thrives and, in this instance, it will be the building industry. So what can you do about this? Think outside the square...

Don't wait for customers to come to you. You cannot rely on this strategy. Look around and identify who is out there and go to them with an offer. For example, a take-away shop may have limited facilities for the time being, but there is no reason to stop and think you are ruined. Visit construction sites. Take a flyer and let them know you are open for business. Tell them you will call and take phone orders and deliver to their site.

Don't be afraid to say it like it is. McDonald's have already produced radio ads asking for customers' patience with regards to their limited menu, but welcome you to come in and take your time, relax and enjoy what they can offer.

We all have friends and family and you'll also have customers in this mix. Who are your regular, loyal customers? Do you have their details, or have they or a volunteer perhaps popped by simply to see how you're doing in these tough times? Take advantage of this. Believe it or not, this is an opportunity! Ask them to spread the word, ask them to help you clean, and offer them something in return. This could help you establish a loyalty program and I'm not talking about the complex and expensive 'Frequent Flyers' type. "Come in for one free coffee a week for the life of my business, our way of saying thank you." The coffee I'm sure will not cost you all that much, but you are creating a captive audience in doing this. They will come in for their freebie and perhaps order a meal while they're there, with their 3 or 4 friends? Our news reporters have already told us that, throughout these devastating times, people within and outside of the affected areas were communicating online, specifically Facebook. How can you use Facebook to promote your business?

The point is, think outside the square, look at alternatives and never ask for permission to do your job ☺

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.



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