Sept '24

pulse

A quarterly publication by PKF

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Bob Bell
Managing Director
PKF Sydney and Newcastle

MD Welcome

As we enter Quarter Two of the 2025 Financial Year, we look back on a very busy few months and look forward to the great things ahead of us to finish off the 2025 Calendar Year.

A strong contingent from Sydney & Newcastle travelled to Bangkok for the PKF AsPac conference in July, a fantastic opportunity for the PKF network to come together, exchange ideas, explore new opportunities, and strengthen relationships. These global and regional meetings are a critical part of maximising the benefit of our international network. By drawing on diverse expertise and experience from around the PKF world, we ensure our leaders continue to grow and improve the way we deliver exceptional service to our clients.

> **"This year at PKF Sydney and Newcastle has been marked by global collaboration, sponsorships, community support, and a commitment to excellence, strengthening relationships and service.**

It has been a year of incredibly fruitful sponsorships as we continue to partner with the nib Newcastle Knights and the Hunter Valley Wine Show. With 47 years of operation in the Hunter, our commitment to the region is unwavering and we are excited to continue our support into 2025. To read more on these sponsorships please see pages 13 and 18.

With October now only a month away, preparations are well advanced for the Annual Breast Care Breakfast in Newcastle, the Hunter's largest fundraising breakfast. Together PKF, The Herald, and NEX have been running this event for 18 years and have raised over $320,000 for the Hunter Breast Care Nurses Education Group. This year we are aiming to raise over $50,000 to support this important cause. A big thank you to all the sponsors and those who have already bought tickets, please go to page 6 to read more and purchase your tickets - Thursday, 17 October, starting at 7am.

This year's PKF Sydney Race Day was another great success, with PKF Partners & staff joined by a large group of clients & referrers, old & new, to celebrate valuable relationships. The day was a true celebration of the collaborative spirit that fuels our business opportunities, the energy and enthusiasm from all participants made for another very special event. Having said that, the Punters Club is overdue for a win!

Finally, we were delighted to promote 42 team members across the firm this financial year, including the advancement to Partnership of David Hutchison, Kevin Helmers, Jackie Marriott and Trent Ruprecht. It's incredibly rewarding to see the dedication and hard work of these individuals being acknowledged, and I congratulate them on their well-earned achievements.

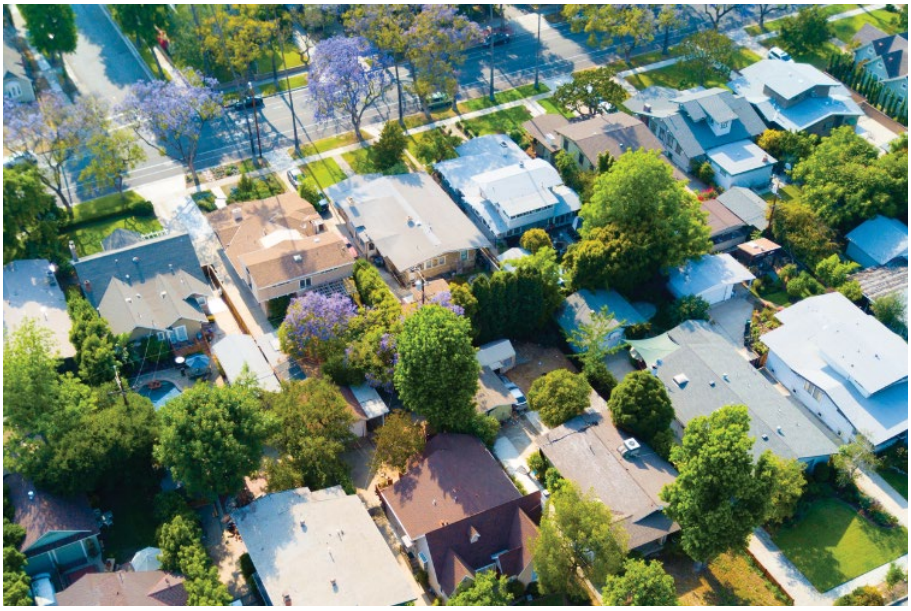
This edition of Pulse covers a range of topical subjects, and as always if you find yourself with questions or in need of assistance, our experts here at PKF are here to help.

Nicholas Falzon
Director
Sydney Business Advisory

"The Main Residence Exemption (MRE) is a valuable but complex tax break—getting it right can save you a lot."

Understanding Main Residence Exemption Basics

The Main Residence Exemption (MRE) is one of the most significant tax concessions available to Australian residents but also one of the most misunderstood. Our unofficial statistics rank it the most frequently misquoted at summer barbeques every year. The basic premise is simple but the law itself is complex, loaded with exceptions, choices, and extra rules meant to suit your unique circumstances. So what do you need to know?



Primary scenario: the basics

Picture this: You can disregard a capital gain or loss in a straightforward case. How? When specific CGT events occur related to your ownership interest in a dwelling. This exemption applies if your property was your main residence during the full period of ownership, not an investments property, and sits on less than two hectares. Important note: Applying the MRE isn't a choice; meet the conditions, and it's a must!

Partial exemptions: tailored solutions

Not eligible for a full MRE? You might still be in for a partial exemption.
Think of situations where your dwelling was your main residence part-time, used for income, or the land is bigger than two hectares.

Determining your main residence

Is your property your main residence? It depends on factors like how long you've lived there, essential services hooked up, and the intent to occupy. Mere intention is not suitable, you need the evidence! Plus, there's no set minimum stay to claim it as your main residence.

Relocating to a new main residence

Your new place becomes your main residence from the ownership day, provided you move in straight away. Delays due to unforeseen circumstances can extend the MRE, but not if you're renting it out during the delay.

The 'six-month rule': juggling residences

Usually, it's one residence at a time. But, if you're switching homes, you might fit in both under the 'six-month rule.' Conditions include a three-month main residence stint in the year before you sell and no income production during that time.

Former home as main residence

Still attached to your old house?
You can treat it as your main residence for up to six years if it made some cash (the 'six-year absence rule') or forever if it didn't. But, if you stick with the old house, no new main residence, except for specific cases like the 'six-month rule.'

Other situations

There are special rules for all sorts of situations, like if you're living apart from family, building, or fixing up your house, your home gets destroyed or taken over, you want to claim the MRE for the land next to your house, you inherited your home, you are overseas or you got it through a marriage or de facto relationship breakdown.
So, remember that it is always important to talk to your accountant about your personal residence – not only when you buy and sell but whenever your circumstances or use of the property change.
You can save yourself (or cost yourself) a lot of money.

Chris Weatherall
Executive Director
Corporate Finance

"Deal readiness is key: More time spent upfront leads to smoother, faster transactions and maximised deal value—it's a non-negotiable for success."

Time Kills Deals, What Can We Do About It?

There is a resounding theme speaking to investors and other advisors around the city – deals are taking longer. This theme has evolved over the past few years from a bit of a nuisance to a downright irritation, nevertheless it is the new normal.

More than a decade ago, when virtual datarooms were introduced, advisors and vendors alike were promised a new world of reduced deal timelines. Yet, in a recent Intralinks study, it was found that in the period from 2013 to 2023, pre-announcement due diligence periods have increased significantly from 124 days to 203 days.

There are many factors influencing this drawn-out process. In recent times and currently this includes:

- Employment issues – casual vs. employee – more DD.
- Cyber security – more DD.
- Interest rate rises (impacting funding for acquisitions).
- Economic conditions – what is the best use of capital?
- Vendor / buyer valuation gap.

But the area I would like to focus on is Deal Readiness, the main reason being it is something within our control when advising on the sell-side. The five influences on process above are mostly external factors – macro environment, changes in legislation and buyer due diligence requirements, but deal readiness is internal. To me, it is a non-negotiable on a transaction, as it requires little skill (when compared to technical and negotiation aspects of a transaction) but can set a business sale up for success. A well organised and ready business will soften the external factors because ultimately a buyer has greater confidence in the asset it is acquiring.

We are a firm believer that more time spent upfront will lead to significantly less time "in process".
At PKF Corporate Finance we focus on the mid-market, which we define as transactions with an enterprise value of $20m-$200m.
A large proportion of our client base is owner managed businesses, family businesses, and corporates in their growth phase. These businesses are typically targeted by buyers such as large and listed corporates or private equity.

These same businesses are often the most underprepared to go through a divestment process. They are not yet the corporate machines that their counterparties or buyers are – and this in part is the reason they are successful in their own right. They have retained the entrepreneurial spirit which has driven growth and made them into an attractive acquisition target. It's our job to accentuate the value that the entrepreneurial business creates whilst positioning it as a well-run, capable corporate in the future.

So what does it mean to be deal ready? And how can we assess the work that is required to get to that point? The below key considerations outline this assessment:

What is important in a business sale?

- Achieving the best price and smooth deal execution are non-negotiables in a sale process.
- Advance planning and long term preparation are key factors in minimising transaction risk and maximising deal value.

What does it mean to be deal ready?

- Being deal ready means addressing all opportunities to improve the outcome in a divestment or other transaction through:
  - An objective review of the financial, commercial and operating condition of the business.
  - Understanding the financial and other improvements which drive value.
  - A clear plan with actionable steps to move from current to optimal state prior to any sale process.

Why is being deal ready important?

- Being deal ready allows you to:
  - Identify and address 'red flags' upfront to minimise subsequent transaction risk.
  - Identify and improve the quality of earnings and assets to optimise deal value.

What can I do to be deal ready?

- A deal readiness plan should consider:
  - A detailed assessment of the quality of available financial information.
  - Modelling financial performance to understand key profitability and value drivers.
  - Understanding market value on an 'as is' basis to establish a baseline
  - Scenario testing to identify areas where maximising profitability leads to value optimisation.

What can we do to help?

- Vendor readiness assessments and advice.
- Valuation assessments and advice.
- Strategy review and consulting.
- Financial modelling and 3 way forecast preparation.
- Data book preparation.
- Vendor due diligence services.

The below graphic illustrates PKF's methodology and approach to Deal Readiness. In each step, as well as in focussing on our clients business in review, we see it equally important to put ourselves in the buyer's shoes:

- How will they receive this information when submitting an offer or performing due diligence?
- And how can we demonstrate the business's strengths and qualities – as this will ultimately lead to a higher price, better terms and (hopefully…) a quicker process.

Assess → **Advice** → **Implement** → **Deal readiness**

Financial Records	Normalisations & Adjustments	Budgeting & Forecasts	Bridges & Performance Trends	Synergies & Performance Improvements
• Review accounting records, policies and systems: - Implement management accounting policies; - Understand key systems and processes; and • -identify sustainability of earnings	• Perform quality of earnings analysis to identify related-party transactions and any other abnormal items • Perform: - Working capital analysis; - Quality of assets analysis; end Review commitments and contingencies.	• Understand historical budget accuracy • Review key assumptions under lying the forecast financial info • Sensitivity analysis incl. impact on EBITDA • Preparation of 3-way model	• Normalised earnings bridge analysis • Identifying organic vs inorganic growth and key drivers. • Review improvement initiatives against performance and business.	• Quantify potential strategic benefit synergies and any cost savings. • Identify potential areas for performance improvement and impact on value. Identify key financial info to demonstrate financial benefit of performance improvement initiatives
Selling Point				
Assertion to the Buyer: I can demonstrate **business strength**	**Assertion to the Buyer** I have **invested in the business for future financial benefit**	**Assertion to the Buyer** I know my business and market the **prospects are good**	**Assertion to the Buyer** I can show a clear path from 'now' and 'then' to the 'future': ***your*** future cashflows are safe	**Assertion to the Buyer** I can show what's in it for the buyer and you should **pay for it**

Daniel Clements
Partner
Superannuation

"Division 296 proposes a 15% tax on super balances over $3m, but it's only on the earnings above this threshold, not the entire balance increase."

Common Misconceptions About The Proposed Division 296 Tax For Individuals With A Total Superannuation Balance Greater Than $3m

From 1 July 2025, the Government has proposed a new tax on those who have a total superannuation balance (TSB) of greater than $3 million. The new tax is called Division 296 (Div 296) and the proposal is for an additional 15% tax to be levied on the movement between a member's opening and closing TSB for the year. This movement is referred to as the 'earnings' amount.

Some of the key points about this proposed legislation that are often misunderstood:

- There is no instant tax payment for balances over $3m. The earnings calculation is only interested in the movement of a member's balance from one year to the next i.e. from 1 July 2025 to 30 June 2026.
- It is not a flat 15% tax on the increase of a member's balance. It is only on the proportion of your balance that is over $3m on 30 June. This means that the effective tax rate will always be less than 15% as can be seen in the calculation method below
- If legislated, the first payment of the new tax will not be due until the 2027 financial year.
- There is no change to how the current tax system works for an SMSF. This is an additional stand-alone tax.

It is important to remember that Div 296 tax is not yet law and could change before being finalised. It is also worth noting that the Shadow Assistant Treasurer Luke Howarth recently remarked that the Coalition would reverse the proposed Div 296 tax if it won the next election.

There are numerous organisations including the SMSF Association that continue to strongly oppose the legislation and its design. The main points of contention are:

- Unrealised gains should not be counted as taxable superannuation earnings.
- If unrealised gains are taxed, then a loss carry back or refund system should apply as the proposed carry forward loss approach will result in tax being paid on unrealised gains that may later result in a loss.
- The $3 million threshold should be indexed.

For most circumstances, superannuation is still the most tax effective structure. When considering the effects of the proposed Div 296 tax, individuals should work with their accountants and advisors to ensure the best outcome for their specific situation.

Calculation method

a) The below formula will be used for calulating earnings in a finacial year:

$$\text{Earnings} = {}^{TSB}\text{Current Financial Year} - {}^{TSB}\text{Previous Financial Year} + \text{Withdrawals} - \text{Net Contributions}$$

b) The proportion of earnings corresponding to funds above $3 million is calculated as follows:

$$\text{Proportion of Earnings} = \frac{{}^{TSB}\text{Current Financial Year} - \$3\text{ million}}{{}^{TSB}\text{Previous Financial Year}}$$

c) The tax liability is calculated as follows:

$$\text{Tax Liability} = 15\text{ per cent} \times \text{Earnings} \times \text{Proportion of Earnings}$$

Lauren Deetlefs: Honoured With The Mark Lonnon Employee Of The Year Award

Lauren Deetlefs is incredibly humbled and honoured to have received the Mark Lonnon Employee of the Year Award so early in her career at PKF. Celebrating this achievement at the firm's End of Financial Year Ball made the evening even more special for her.

Just over two and a half years ago, Lauren and her husband, along with their 2-year-old and 6-month-old baby, moved across the world. The past few years have been among the most challenging yet rewarding of her life, and she is deeply thankful for where they have landed. Every single person at PKF has contributed to this remarkable journey.

Although Lauren had met some audit partners via video call interviews before moving, her first day still felt like stepping into the unknown. Thankfully, she was welcomed with genuine kindness and smiles. The diverse audit team, with members from all over the world, made settling in easier. It was comforting for her to be surrounded by likeminded people.

Since joining PKF, several experiences have inspired Lauren to bring her best self to work every day. Participating in the PKF Dare to Aspire Program, facilitated by Kylee Dare and Helen Wiseman, was particularly impactful. This program reinforced the firm's commitment to developing leaders with strong morals, ethics, and drive. It helped her connect with colleagues across business units and feel more integrated into the wider firm.

Additionally, Lauren has found a safe and purposeful space in the Diversity Equity and Inclusion Council as well as the Gender Equity Network. These initiatives are another avenue in which Lauren thrives as she is able to see the tangible outcomes for her colleagues in making PKF a better place for all. "I am incredibly grateful for the support I have received since joining the firm. In particular a big thank you to the audit partners, especially Marty, Clayton, Kev, and Hutch. Their support has been invaluable to me and my family, and I hope to pay it forward someday. The partners at PKF have been instrumental in driving their team culture and ensuring it is a place where people strive to be their best selves." Lauren said.

"I also want to thank every member of the audit team. Their support and friendship make coming to work enjoyable and interesting every day. "The award is really shared with my husband Wesley. It is incredibly difficult to fully commit to work with such young children without strong support, and he has provided that and more."

Lauren is excited about the future and is eager to continue to grow in her role and as PKF continues to evolve.

Andrew Beattie
Director
Newcastle Business Advisory

"If you don't have a plan, you will hit it with amazing accuracy!"

Why Every Successful Business Needs A Strategic Plan: Navigating The Future With Purpose And Precision

One of the most important tools in business is a strategic plan. Without one, how does anyone on your team know what you are trying to achieve or how to allocate your limited resources most effectively? When you actually take the time to think about it, it makes a lot of sense, yet a very low percentage of business owners invest the time and money to articulate their strategy, set their direction, or define their future of choice. Most business owners work hard, take each day as it comes, and wait to see what eventuates. Wouldn't you rather a business by design, as opposed to a business by default?

Not every business needs a strategic plan, but every successful one does. Great businesses have a road map for achieving long term goals and navigating the complexities of the business environment. The very best develop this with the help of independent and experienced advisers to challenge their thinking, provide guidance and create alignment amongst stakeholders.

Here are some key reasons why business strategic planning is essential:

- **Direction and focus:** A strategic plan provides a clear sense of direction for the entire organisation. It outlines the mission, vision and core values that help the team understand the purpose of their work and align their efforts toward common goals.
- **Goal setting and achievement:** Strategic planning involves setting specific, measurable, achievable, relevant, and time-bound (SMART) goals. This process helps businesses define what success looks like and provides a framework for measuring progress and success.
- **Resource allocation:** Strategic planning helps businesses allocate resources effectively. By identifying key priorities and initiatives, organisations can allocate financial, human and other resources in a way that maximises impact on strategic objectives.
- **Risk management:** Businesses operate in dynamic and uncertain environments. Strategic planning allows organisations to identify potential risks and challenges and develop strategies to mitigate or respond to them. This proactive approach helps minimise the impact of unforeseen events.

- **Adaptability:** A strategic plan is not static, it's a living document that can be adapted to changes in the internal and external business environment. This adaptability allows businesses to respond to market shifts, technological advancements, and other factors that may affect their operations.

- **Communication and alignment:** Strategic plans provide a platform for communicating organisational goals and priorities to all stakeholders, both internal and external. This fosters a shared understanding of the company's direction and encourages alignment across departments and teams.

- **Competitive advantage:** Through strategic planning, businesses can identify their unique strengths and capabilities, enabling them to differentiate themselves from competitors. This can be crucial in gaining a competitive advantage in the marketplace.

- **Long-term sustainability:** Strategic planning focuses on long-term sustainability, helping businesses consider their impact on the environment, society, and other stakeholders. This forward-thinking approach enhances the organisation's resilience and ability to thrive in the long run.

- **Innovation and growth:** Strategic planning encourages innovation by prompting organisations to explore new ideas and opportunities. It provides a framework for identifying areas for growth and development, fostering a culture of continuous improvement.

- **Performance measurement and evaluation:** Strategic plans include key performance indicators (KPIs) that allow businesses to measure their progress toward strategic goals. Regular performance evaluations enable organisations to make informed decisions and adjust their strategies as needed.

At PKF, we work with many business owners to create their strategic direction and to achieve results they initially didn't think were possible. The strategic planning process is an investment rather than a cost and it requires commitment and accountability from stakeholders. It should be an essential step for any business to navigate the complex and dynamic business environment, set clear objectives, allocate resources wisely, and ultimately achieve long-term success. If you haven't looked at your strategic planning or lack thereof, let's start the discussion, you have nothing to lose and everything to gain.

Stacie Shaw
Partner
Newcastle Business Advisory

"It feels so unfair that as a Manager, Owner or Decision-Maker, you're burdened with a bunch of 'assumed knowledge' that you may not even know you don't know."

"Let's Get It Done" Seminar Series

Whether you're an owner who started your business to do what you're good at and love to do – and now find yourself bogged down in all the 'stuff'...

... or a Manager who worked their way up, promoted into a position that requires more than you've had to know before, as the Peter Principle says...

Whether you're an Executive and especially Director, now held **legally accountable** for things outside your personal area of expertise...
And on top of that, you're busy. You don't want long, boring or impractical sessions wasting the little time you have.

So, driven by the noble cause of fixing all of this, and following the success of our initial seminars last year, we've released a full calendar for the next 12 months titled "I Don't Have Time – Let's Get It Done".

We want to help Owners, and importantly their TEAMS, know at least enough to be 'dangerous' about all the 'stuff' that unfortunately is treated like assumed knowledge for so many in business.

Even more than that, we know that when a person hits a point of seniority, they can feel like it's 'too late' to ask what they fear are silly questions and might be embarrassed to imply that they aren't across it all – when it's in fact critically important that they ask, to get the well-rounded knowledge they really need to be able to do beautifully in their new positions. Our aim is to alleviate these mostly hidden fears by presenting the content, and also creating a safe space to ask what people may fear are 'silly questions'.

We also make sure you walk away with actionable checklists and templates that deliver something very pragmatic.

Take a look at our seminar calendar through the QR code below to see the full schedule of topics we have across the year.

Calendar Series

To see our calendar of programs and book your spot scan here.

Think your team might benefit from a few of these sessions? Or a mix of a few topics? Then our bespoke sessions are for you. Talk to the team and discussion what knowledge gaps you are needing to fill and we will create a tailor made session for you and your team's needs.
To contact us about a bespoke session email sshaw@pkf.com.au

Are you...?

Emma Hansen
Head of Marketing

Breast Care Breakfast Aims For $50,000 Raised For The Hunter Breast Care Nurses In 2024

After a huge 2023 event raising just over $49,000 the Breast Care Breakfast organisation committee are setting their sights on topping over $50,000 raised from their annual Breast Care Breakfast event.

This year the Breakfast will include a speaking panel of patients who have directly benefited or are currently benefiting from the nurses' care. "Hearing from those who are directly impacted by the funds raised will be a truly special morning. We all know how important fund-raising efforts like this are to our work, but being able to put faces and lived experiences to what the funds have achieved truly connects the community to the good work their money is helping to provide." Said Justine Gaynor from the Hunter Nurse Education Group. "We are so grateful to all the event sponsors and attendees of the event, and particularly PKF for all the work they do"

The Breast Care Breakfast is now in its 18th year and has raised more than $320,000 in this time. It started from simple origins, as a small breakfast to honour the wife of a Partner at PKF who suffered from Breast Cancer and experienced the Hunter Nurses Care first hand. PKF, together with NEX and the Newcastle Herald have created an annual sell out event that gives directly back to the Hunter community.

"We are excited about this year's event as we look to achieve even new heights, and the team at PKF are truly looking forward to the event's 20th anniversary in just two years' time", said Clayton Hickey Audit Partner at PKF Newcastle.

The Breast Care Breakfast will be held at NEX on October 17th. Tickets are on sale should you wish to attend the Breakfast and can be purchased through the QR code.

If you are unable to attend the Breakfast, "Inspirit Tickets" are also available to purchase, which are a donation to the cause and show your desire to contribute to the nurses by being there in spirit. Inspirit tickets can also be purchased through the QR code below.

Scan to purchase tickets

Laura Mackowiak
Senior Manager
Governance - Risk and Compliance

"The Fair Work Act shifts focus to the true nature of employment relationships, redefining what it means to be a casual employee and introducing a new pathway to permanent employment."

Casual Employment Changes

From 26 August 2024 several changes were made to the Fair Work Act regarding casual employment.

1. Definition changes

An employee is now deemed to be a casual if:

- There isn't a firm advance commitment to continuing and indefinite work, considering several factors, including the real substance, practical reality and true nature of the employment relationship.
- They're entitled to receive a casual loading or specific casual pay rate.

These changes mean that the focus is on the nature of the employment arrangement, rather than the historical lens which considered what an individual's employment contract stated.

Employees who were employed casually before 26 August 2024 will stay casuals under the new definition unless they transition to permanent employment.

2. Changes to casual conversion

A new pathway to casual conversion has been introduced and employers are now no longer required to make casual conversion offers to employees.

Instead, employees can notify their employer of their intention to change to permanent employees if they:

- Have been employed for at least 6 months (or 12 months if working for a small business employer).
- Believe they no longer meet the requirements of the new casual employee definition.
- Are not currently engaged in an ongoing dispute with their employer about casual conversion.
- Have not, in the last 6 months, been refused a casual conversion request by their employer or resolved a dispute with them about casual conversion.

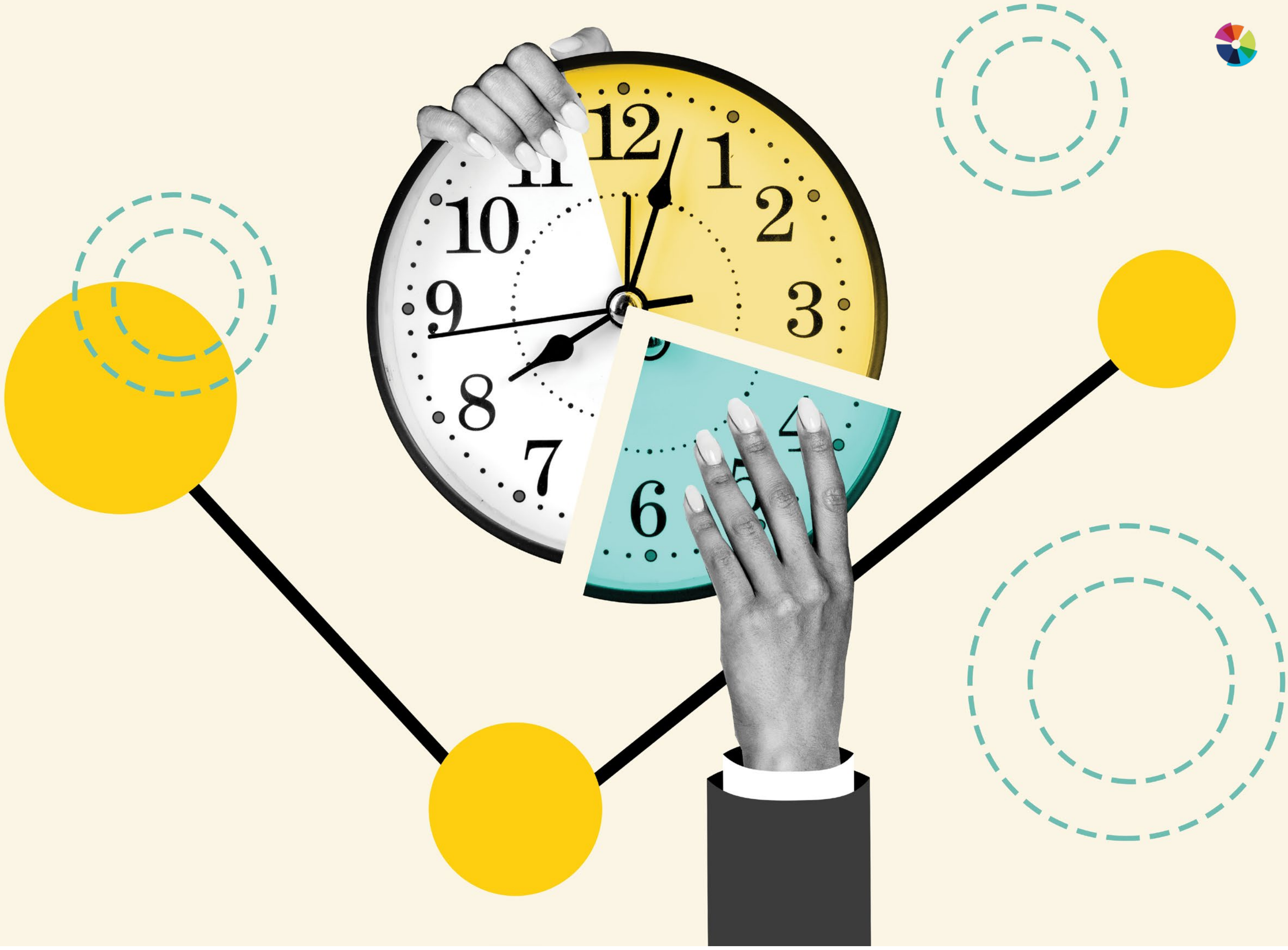
Before responding to an employee's conversion notification, the employer must consult with them. After consultation, and within 21 days of the employee giving the notification, the employer is required to respond in writing either accepting or refusing the change.

Where employers accept the change, the written response must include:

- What the employee's new status is (part-time or full-time).
- The new hours of work.
- The date the change will take effect.

Where employers refuse the change, the written response must include the reason(s) for the refusal. An employer can refuse a request if:

A. The employee continues to meet the definition of a casual.



B. There are fair and reasonable operational grounds including:

i. Substantial changes would be required to the way in which work in the employer's business is organised.

ii. There would be significant impacts on the operation of the employer's business.

iii. Substantial changes to the employee's employment conditions would be reasonably necessary to ensure the employer does not breach any rules (e.g., in an award or agreement) that would apply to the employee.

C. Accepting the change would mean that the employer would not be complying with a recruitment or selection process required by law.

The changes to casual conversion will take place from 26 February 2025 for small business employers.

3. Casual Employment Information Statement (CEIS)

The CEIS is a document with information about employment conditions that an employer must provide to all new casual employees.

Following the 26 August 2024 changes, this now needs to be provided to:

- All new casual employees before, or as soon as possible after, the start of their employment.
- All casual employees employed by non-small businesses as soon as possible after.
  - 6 months of employment.
  - 12 months of employment.
  - Every subsequent period of 12 months of employment.
- All casual employees of small businesses as soon as possible after 12 months of employment.

What should employers do?

If not already done so, employers should:

- Review and update their casual employment contracts to align with the new definition of casual employment.
- Review their casual workforce to identify any individuals who may be eligible for casual conversion.
- Consider whether existing casual conversion processes and procedures will comply with the new laws and amend them.
- Diarise obligations to update and issue casual employment information statements at the required intervals.

If you have questions and need advice on what course of action you may need to take, contact our Governance, Risk, and Compliance team today.

Clayton Hickey
Director
Audit and Assurance

PKF – Your Partner In Wine… And Business

PKF is proud to once again sponsor the Hunter Valley Wine Show. As we enter our second year of sponsorship, it's clear that our commitment goes beyond the weeklong celebrations of this annual event.

"This sponsorship is about alignment in values and how we both view community. There is a real sense of warmth, support and collegiality in the Hunter, and these values are something we have real alignment with." said Clayton Hickey, Partner at PKF Sydney and Newcastle.

With clients such as McGuigan's, De Iuliis Wines, and Petersons, PKF have a deep understanding of the challenges and opportunities faced by those in the industry. "It's about more than just counting the grapes; it's about leveraging real business advice. We help our clients create a true legacy," said Andrew Beattie, Partner at PKF Sydney and Newcastle.

PKF is uniquely positioned to support the Hunter region due to the breadth of services offered by the firm. "We discuss the wider landscape affecting the Hunter, Australia, and the global finance environment. My business is growing, and so am I personally," said Mike De Iuliis from De Iuliis Wines. With deep roots in the Hunter wine region, De Iuliis Wines has been producing quality wines for over four generations. PKF's expertise extends beyond accounting to include business advisory, wealth management, and business analytics. Over the past 10 to 15 years, PKF has utilised data to improve business decisions—not just from a compliance perspective but also to maximise business performance.

"Being locally based with a local understanding was important for us. We wanted to partner with someone who also knew what accounting for a winery involved. We needed someone who understood the intricacies of being both a manufacturer and a retailer," said Matt Burton from Gundog Wines. "PKF was able to make sense of the true state of my business."

With PKF offices across Australia, our network has a strong connection to the wine industry nationally, with partnerships spanning the country. For PKF clients, this means access to local knowledge as well as national expertise.

PKF strives to deliver valuable business advice and support that helps clients navigate the complexities of the wine industry and build enduring legacies. Through our continued partnership with the Hunter Valley Wine Show, PKF Sydney and Newcastle remains committed to enhancing the industry and fostering the success of our clients.

All the team at PKF Sydney and Newcastle wish everyone participating in this year's Hunter Valley Wine Show the very best when showcasing their wines'. We are looking forward to again celebrating with the industry at this year's event.

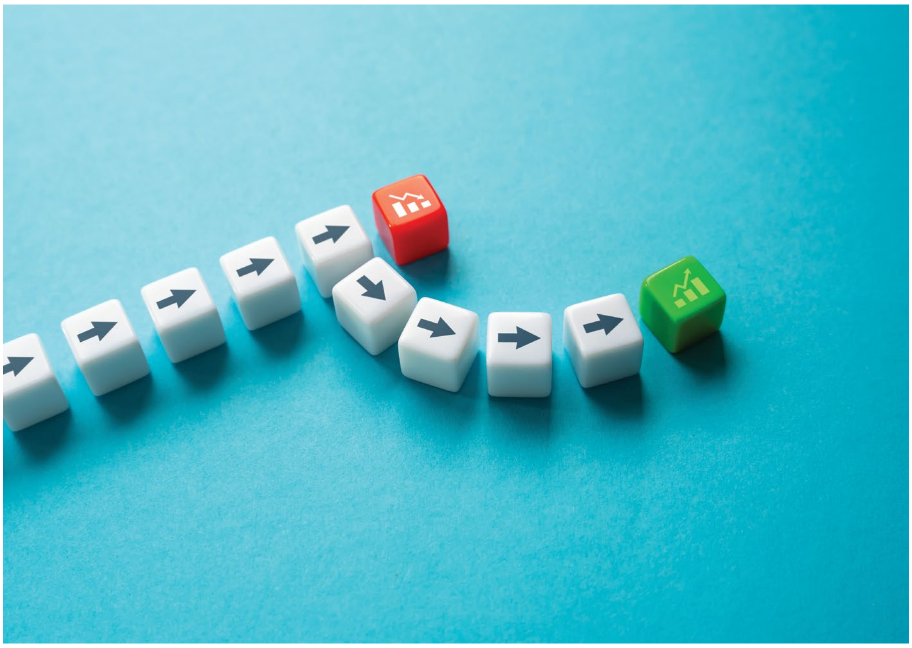
If you think PKF may be the best fit to help you make smarter business decisions, contact our team of wine industry experts today.

Senray Loy
Principal
Business Recovery and Insolvency

"The SBR regime has become a vital lifeline, with over 70% of proposals accepted—proving its value for businesses, the ATO, and advisors."

Small Business Restructuring - Where Are We Now?

The Small Business Restructuring (SBR) regime has proved to be an excellent tool to help revive businesses. It was introduced in January 2021 with little fanfare and plenty of scepticism. In the first six months, there were only 12 SBR appointments.



However, it has gained popularity and has become a genuine and often better option than a voluntary administration or creditors' voluntary liquidation.

Three and a half years on, the number of SBR appointments has skyrocketed. Data released by the Australian Securities and Investments Commission ("ASIC") shows that in the quarter ended 30 June 2024, there were 549 SBR appointments. This was the largest number of SBR appointments in one quarter. To put these numbers into context, since its introduction there have been 1,957 SBR appointments.

Why is it so popular?

Its popularity has risen because it has received good support from the Australian Taxation Office ("ATO"), which has been a vocal advocate of the SBR regime. In most instances, ATO is the largest creditor and therefore has the controlling vote on whether the proposed plan is accepted or rejected.

It also helps that the SBR process is a debtor-in-possession regime, generally costs less than compared to a Voluntary Administration, and can generate a greater return in a timelier fashion to creditors compared to other external administration options.

In summary, the SBR regime works. The ASIC data shows that between 70% to 80% of proposals being put forward in SBRs are being accepted by creditors. Businesses like it, the ATO likes it, accountants like it and we like it because we much prefer being doctors than undertakers.

Some interesting learnings

From our experience with the SBR regime, we have been able to resolve some interesting issues for several businesses and their advisors, such as:

- What happens after the dividend has been paid in an SBR? How do you, as the external accountant, account for and deal with the tax issues from the compromise of tax debts and non-tax debts, that is, have you considered the commercial debt forgiveness rules and the impact on franking credits.
- Assisting a multi-company group through the SBR regime concurrently.
- Dealing with cross-collateral debt in multiple entities subject to SBR appointments.

We are here to help

The SBR regime has proven to be a viable option for eligible businesses. If you have a client or are a director of a company and have concerns regarding the ongoing viability of a business, please contact our Business Recovery and Insolvency Team at PKF. We can provide expert help with the available options, including consideration of whether the SBR regime is a good fit for the circumstances.

Andrew Russell
Senior Financial Adviser
PKF Wealth

"Estate planning isn't just about a Will—it's about securing your legacy, preventing family disputes, and giving you peace of mind. Ensure your wishes are honoured and your loved ones are cared for."

The Benefits Of Estate Planning: Securing Your Legacy

Estate planning is crucial for the management and distribution of your assets after your death. Documents need to be well drafted to ensure they are legally binding, that your wishes are honoured and your loved ones are provided for according to your preferences. Estate Planning involves more than just a Will and should begin well before end of life is approaching.

1. Asset protection & distribution

One of the primary benefits of a solid estate plan is the ability to protect and distribute your assets according to your wishes. Without a Will, your estate will be subject to state intestacy laws, which may not align with your intentions. By creating a Will you specify exactly who should inherit your assets and in what proportions, ensuring that your beneficiaries are taken care of as you intend. This may reduce conflict at the time of asset distribution.

2. Avoiding future conflicts

Estate Planning documents outline an individual's wishes in order to minimise misunderstandings and disputes among heirs. A well-constructed Will ensures that assets are distributed as intended, designates guardians for minors, and appoints executors for the estate. Comprehensive estate plans provide legal clarity, reducing the potential for family conflicts and costly legal battles.

3. Avoiding probate

Probate is a legal order validating the Will and giving permission to distribute assets from the estate. It

can be time-consuming, expensive, and public. Trusts, investment bonds, joint ownership and superannuation beneficiary nominations can shield assets from being distributed via your estate and therefore your Will. This can reduce the chance of estate contest through court intervention, saving time and money.

4. Providing for minor children

If you have minor children, an estate plan is crucial for ensuring their care if something happens to you. Through your estate plan, you can designate a guardian to take care of your children and set up trusts to manage their inheritance until they reach adulthood. This provides peace of mind knowing that your children will be cared for by someone you trust and that their financial needs will be met.

5. Healthcare decisions

Estate Planning is not just about financial matters; it also involves making important healthcare decisions. By creating documents such as a power of guardianship, you can specify your wishes for medical treatment if you become incapacitated. This ensures your healthcare decisions are made by someone you trust and who knows your preferences. This can be a great relief for your loved ones during stressful times..

6. Business succession planning

For business owners, an estate plan is essential to ensuring the smooth transition of business ownership. A succession plan can outline who will take over the business, how itwill be managed, and how ownership interests will be transferred. This helps to avoid conflicts among family members and business partners, ensuring that the business continues to operate successfully.

7. Peace of mind

Perhaps the most significant benefit of a solid estate plan is the peace of mind it provides. Knowing that your affairs are in order and that your loved ones will be taken care of according to your wishes can alleviate stress and anxiety. It allows you to focus on enjoying your life, knowing that you have taken the necessary steps to protect your legacy.

In conclusion, Estate Planning is an essential component of financial management. Involving both your financial adviser and accountant early in the process with your Estate Planning solicitor, can go a long way to ensuring your estate plan provides for the control over asset distribution, the care of minor children, minimising estate taxes, reduced chance of conflict and financial security for loved ones. By taking the time to create a comprehensive estate plan, you can ensure that your wishes are honoured and that your loved ones are protected.

Will Haywood
Digital Transformation Lead
VInet

"Data Warehousing is now within reach for SME's."

Data Warehouses And Real-Time Intelligent Reporting – Not Just For Enterprise

Having current and actionable analytics from your business has moved from a nice to have to a must have in recent years, there is little regard for the monthly Excel report delivered 2 weeks after the end of the month. In 2024 we expect more than that from the various software applications we use within our businesses each day.

While SaaS apps like SalesForce, BambooHR and Xero have their own dashboards and reporting it can be a challenge to see the entire business view without moving back into our near 40 year history of Excel and the world of copy paste errors that comes with.

Data warehousing has been solving these issues for enterprise for many years, providing a central store for all organisational data needed to provide actionable reports and analytics for business planning. Reporting tools such as PowerBI then connect to the warehouse to provide a visual reporting experience.

Previously large enterprise organisations running data warehousing required data analytics teams to own and run the required infrastructure and manage the data extraction processes across multiple applications.

This data warehousing ability is now within reach for SME's, the total cost of ownership of data warehousing solutions has dropped dramatically in recent years. Modern SaaS solutions, API* access and purpose-built data warehousing tools from Microsoft and Amazon have made the entire process a lot more straightforward and cost effective to architect and maintain.

* (Application Programming Interfaces – effectively a secure way for applications to talk to each other)

Another benefit of data warehousing is the ability to maintain your own data long term and across multiple software platform changes. If you have ever transitioned finance platforms you would be aware of the difficulty in looking at year on year report comparisons across the change in software.

An example of how a modern SME data warehouse works is below. The workflow pulls data from multiple applications in multiple different formats utilising Data Factories (Microsoft's Extract, Transform & Load product) to extract data from applications and transfer this data through to the Database (Data Warehouse).

A dashboarding and reporting tool such as PowerBI or a bespoke data visualisation web interface connects to the data warehouse to provide your business with the insights it requires. This whole process is automated and can mean the data you are looking at is accurate, consistent and up to date.

Owning all your organisation's data and using it to provide intelligence is now available to all sizes of business. To start unlocking your data driven insights get in contact with the Digital Transformation team at VInet.

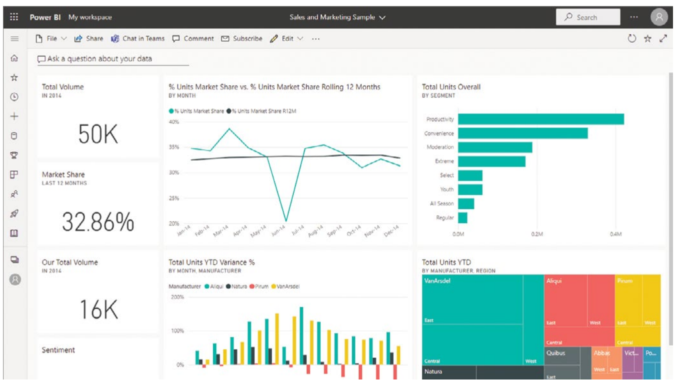


Figure 1 - Microsoft PowerBI Dashboard

Figure 2 - Microsoft Data Warehousing

Andrew Beattie
Director
Newcastle Business Advisory

PKF Sydney And Newcastle Reflect On A Great 2024 Season

PKF Sydney and Newcastle is delighted to reflect on another successful year as the Official Financial Services Partner and NRL Coach Partner for the nib Newcastle Knights during the 2024 season. Our partnership, which began with great anticipation, has proven to be a significant milestone in our ongoing commitment to supporting the Newcastle and Hunter communities.

Whilst the Knight's season has come to a close, the team at PKF have thoroughly enjoyed supporting the team and helping to defend the kingdom over the last six months of the regular season. Home games have been the talk of the office, with everyone always enthusiastic about watching the coaches' box and catching glimpses of the logo.
"The PKF team, particularly those in Newcastle, love throwing their support behind the Knights. It's always a proud moment when a friend, client or family member catches the PKF logo on the big screen and connects the dots" said Bob Bell, Managing Director at PKF
"As we look back on the 2024 NRL season, PKF Sydney and Newcastle is incredibly proud of what the nib Newcastle Knights achieved. We are excited to continue our partnership into 2025 and beyond, reinforcing our commitment to supporting local initiatives and contributing to the success of our community." said Andrew Beattie, Partner at PKF.
For more information about the partnership or PKF services, please visit the website or contact one of the specialist advisors today.

David Hutchison
Partner
Audit and Assurance

"By diversifying revenue streams, embracing technology, and planning for economic downturns, clubs can build financial resilience and secure a sustainable future for their members and community."

Building Financial Resilience: Strategies For Sustainable Success In The Club Industry

PKF was recently invited by Clubs NSW to present at the Club Education Institute (CEI) Seminars, which were held across 14 locations in NSW over the past two months, with more than 600 attendees from over 160 clubs.

We chose to present on Financial Resilience, as this has been a hot topic in the industry given the current economic landscape. This subject is crucial for the sustained success of any Registered Club. Following the challenges from COVID-19, the industry is now facing rising interest rates and cost of living pressures, resulting in increased costs, changing member expectations, and fluctuating revenues.

The presentation discussed three key risks impacting the industry:

1. **Economic and market uncertainty:** This includes the impact of higher interest rates, supply chain pressures, and labour market challenges on the day-to-day operations of the Club, affecting financial performance with increased costs. Additionally, cost of living pressures and the impact of COVID-19 on member habits have affected revenues.

2. **Regulatory changes:** The regulatory environment in the industry is ever-changing, with increased compliance and monitoring, which raises compliance costs, especially for smaller clubs.

3. **Key person risk:** Many clubs have a small management team, which can lead to an over-reliance on key staff and limited or no succession planning. Conversely, a dependence on a key member profile or demographic can result in negative impacts if there is a change in that demographic.

We then considered the challenges and provided potential responses for building financial sustainability:

1. **Diversification of revenue streams:** Relying too heavily on any single source of revenue can cause significant challenges if that source is impacted. Consider reviewing the profitability of all service offerings, expanding revenue through commercial tenants providing services from the Club, or diversifying through the development of the Club's footprint (e.g. accommodation, childcare centre, gym). Offering a variety of activities and services can attract different segments of the community and provide additional income sources.

2. **Implementation of formal budgeting and financial planning:** Develop a comprehensive strategic plan and ensure that the budget and forecasts align with the plan and objectives of the Club. Review financial performance to understand the key revenue and cost drivers of operations

3. **Prioritising cost management:** Regularly review and manage operational costs. Identify areas where operations or processes can be streamlined without compromising the quality of services offered. Efficient resource allocation or the use of outsourced solutions can significantly improve the Club's financial performance.

4. **Preparing for economic downturns or unexpected events:** Establish financial reserves to cushion against economic fluctuations or unexpected events impacting the Club. An emergency fund and an agile operating structure can help manage unexpected expenses or revenue shortfalls, ensuring the Club can recover from setbacks.

5. **Timely and accurate reporting:** Consider the information prepared to make strategic and operational decisions. It is critically important that the right information, of the right quality, quantity and timeliness, is available for decision-makers.

6. **Leveraging technology:** Consider using financial reporting software to ensure key systems are integrated, resulting in less manual data entry, greater efficiency, accuracy, and a shift in focus to strategic planning. Additionally, through digitisation and automation of internal processes, manual reporting processes can be replaced by business intelligence tools and dashboard analysis, providing more valuable and timely information.

PKF concluded that by diversifying, embracing technology through digitisation, and monitoring emerging opportunities such as artificial intelligence, management and directors can enhance their Club's financial stability and resilience, thereby building a foundation that will secure the Club's future while enhancing value for its members and the community.

David Zammit
Executive Director
PKF Lending Solutions

"Proactive debt management is crucial in ensuring long-term business stability and success."

Smart Financing Strategies For Managing ATO Debt Challenges

As Australian businesses continue to navigate the economic aftermath of the COVID-19 pandemic, many face growing pressure from the ATO to settle outstanding debts. The ATO, which once adopted a lenient approach to debt collection, has now shifted to a more aggressive stance, demanding quicker repayment. Here's how businesses can effectively manage this ATO debt crisis.

The shift in ATO's approach

During the pandemic, the ATO allowed businesses to delay payments, providing much-needed relief during uncertain times. The ATO wasn't pushing too hard to recoup the funds and gave lenient terms to extend the debt. This approach gave businesses breathing room to manage their cash flow amid economic uncertainty. However, the last 6 to 12 months have seen a dramatic shift. Now, the ATO is coming out with a stick; essentially stating they have had enough, and businesses are subject to strict payment plans. These repayment plans generally require debts to be cleared within a few months, with interest rates as high as 11-13% p.a. This aggressive approach has placed significant financial strain on businesses.

The double impact: ATO debt and bank financing

The stringent repayment demands from the ATO have a ripple effect, impacting a business's ability to secure loans from traditional banks. Banks almost universally see ATO debt as a deal killer. When businesses apply for loans, banks typically check for outstanding ATO debts. If any debt is found, the loan application is likely to be denied, cutting off vital funding sources.

This creates a double bind for businesses: not only must they find a way to repay the ATO debt quickly, but they also lose access to additional financing that could help support their operations. This can put businesses in a precarious financial position, struggling to balance debt repayment and cash flow needs.

Non-Bank lenders: a practical solution

To help businesses manage ATO debt, the Lending Solutions team is here to provide you with comfort when considering non-bank lenders. These lenders offer more flexible terms and longer repayment periods, easing the cash flow burden. Non-bank lenders have realised this is a fantastic opportunity. While the ATO may require repayment within a few weeks to two years, non-bank lenders might offer terms extending to 10, 20, or even 30 years. This significantly reduces the annual repayment amounts, making it easier for businesses to manage their finances.

Non-bank lenders offer a viable solution, allowing businesses to manage their cash flow more effectively while meeting ATO repayment demands. For tailored advice and support, get in touch with the PKF Lending Solutions team today.

Boris Kresic
Partner
Sydney Taxation

"Say goodbye to leniency from the ATO. With harsher penalties for late lodgments and aggressive debt recovery tactics, now's the time to engage proactively to avoid severe repercussions."

Tougher Times Ahead ATO Cracks Down On Penalties And Debt Recovery

The good times are well and truly over, at least when it comes to dealing with the ATO. Whilst the ATO was largely understanding and supportive of taxpayers during the COVID pandemic, it's fair to say that has come to an end, with increased activity on a number of fronts, including the imposition of penalties for late lodgments and a far tougher approach to debt recovery.

Penalty enforcements for Significant Global Entities (SGEs)

Broadly, an SGE is an entity that is part of a group with global turnover in excess of $1 billion. Whilst that is a very high threshold, it does nonetheless capture some relatively small Australian entities which are part of much larger global groups. As well as being subject to a host of additional regimes and lodgment requirements, SGEs are subject to very severe penalties for late lodgments of any tax related documents, with the current penalties being as follows.

Days late	SGE penalties
28 or less	$156,500
29 to 56	$313,000
57 to 84	$469,500
85 to 112	$626,000
More than 112	$782,500

These penalties are not new and have been a part of the SGE regime since its introduction in 2017. However, they were very rarely enforced and only so in cases of extreme non-compliance. That is no longer the case, with taxpayers starting to receive warnings as well as actual penalties for late lodgments. Whilst the ATO does typically give warnings before imposing the penalties, given the size of the penalties, it's more important than ever to ensure timely compliance.

To stress the potential cost, the above are on a per document basis, so a taxpayer that has 3 activity statements outstanding for more than 112 days would be liable for a penalty of $2,347,500. The fact that there may be no debt associated with the activity statements is not relevant. .

As a minimum, we recommend:

- **Review operations** – all taxpayers with international operations should review their group's operations to ensure they do not exceed the $1b threshold. We have seen many instances of taxpayers who were simply not aware of the fact they were an SGE.
- **Ensure compliance** - Taxpayers that are SGEs need to ensure that all their compliance obligations are up to date and engage early with the ATO if there are legitimate reasons that they expect to be late.

Debt recovery

Anyone that has had the misfortune of dealing with the ATO's debt recovery teams recently will attest to the fact that they are a debt-recovery team first and ATO team second, with seemingly little consideration for 'soft' factors like employee welfare.

Resolving outstanding debt for the debt recovery team typically means one of two things:

1. The debt is repaid in full.
2. The company goes into liquidation.

Having said that, a lot can be done on the first point if taxpayers engage with the ATO in a timely manner. We have had great success negotiating very favourable payment plans with the ATO, but it does require early engagement and dialogue.

The ATO has itself reiterated this need for engagement, with a spokesperson noting the ATO's "strong and deliberate action to deal with those who ignore their obligations and refuse to engage with us to pay their outstanding amounts".

We recommend:

1. **Early engagement:** Engage with the ATO as soon as possible to negotiate payment plans and avoid more severe actions.
2. **Proactive communication:** Maintain open lines of communication with the ATO to demonstrate a willingness to resolve outstanding debts.

David Pring
Partner
Newcastle Taxation

Take 5.. with David Pring

Q. What is a little known/interesting fact about you?

A. I love offshore sailing and my picture of getting away is sailing out through the heads on a multiple day voyage north or south.

Q. Do you have a career highlight so far?

A. Career highlights occur for me when delivering a client outcome as part of a team where no member of the team could have delivered the outcome by themselves

Q. If you could only eat one meal for the rest of your life, what would it be?

A. Scotch Fillet steak with a pepper sauce

Q. What are you most looking forward to in the next five years?

A. Seeing my granddaughter start school

Q. What originally got you interested in your current career?

A. I was originally interested in a career in business and a wise man who owned a very successful business suggested looking at Chartered Accountancy. In a sliding doors moment of my career I did try accounting and it turns out I love the business of professional services.

Tax Diaries

September 2024

21 September

- Due date for lodgement and payment of August 2024 monthly BAS.

30 September

- Due date for lodgement of:
  - o *PAYG withholding payment summary annual report* if prepared by a BAS agent or tax agent, excluding large withholders whose annual withholding is greater than $1 million.
  - o *Annual TFN withholding report* 2024 if a trustee of a closely held trust has been required to withhold amounts from payments to beneficiaries.

October 2024

21 October

- Due date for lodgement and payment of September 2024 monthly BAS.

28 October

- Due date for:
  - o Payment of superannuation guarantee contributions for September 2024 quarter.
  - o Lodgment and payment of *annual activity statement for TFN withholding* for closely held trusts where a trustee withheld amounts from payments to beneficiaries during the 2023-24 income year.

31 October

- Due date for:
  - o Lodgment of tax returns for the year ended 30 June 2024 for all entities if one or more prior year returns were outstanding as at 30 June 2024.
  - o Lodgment and payment of SMSF annual return for (taxable and non-taxable) new registrant SMSF.

October 2024

31 October

- Due date for:
  - o Lodgment of *Annual investment income report.*
  - o Lodgment of *PAYG withholding annual report no ABN withholding.*
  - o Lodgment of *PAYG withholding from interest, dividend and royalty payments paid to non-residents annual report.*
  - o Lodgment of *PAYG withholding annual report payments to foreign residents.*

November 2024

21 November

- Due date for lodgement & payment of October 2024 monthly BAS.

25 November

- Due date for lodgement and payment of September 2024 quarter activity statement if lodging electronically.

December 2024

1 December

- Due date for payment of income tax for taxable large and medium taxpayers, companies and super funds (lodgement of return is due 31 January 2025).

21 December

- Due date for lodgement and payment of November 2024 monthly BAS.

January 2025

21 January

- Due date for lodgement and payment of December 2024 monthly BAS, except for business clients with up to $10 million turnover who report GST monthly and lodge electronically.

January 2025

28 January

- Due date for payment of superannuation guarantee contributions for December 2024 quarter.

31 January

- Due date for:
  - o Lodgment of tax return for taxable large and medium entities as per the latest year lodged
  - o Lodgment of TFN report for closely held trusts if any beneficiary quoted their TFN to trustee in the December 2024 quarter.

February 2025

21 February

- Due date for:
  - o Lodgment and payment of December 2024 monthly BAS for business clients with up to $10 million turnover who reports GST monthly and lodge electronically.
  - o Lodgment and payment of January 2025 monthly BAS.

28 February

- Due date for:
  - o Lodgment of tax returns for non-taxable large and medium entities as per the latest year lodged (except individuals). Payment for companies and super funds is also due on this date.
  - o Lodgment of SMSF annual return for new registrant taxable and non-taxable SMSF, unless they have been advised of a 31 October 2024 due date.

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