

Editorial Note

Welcome to the latest edition of the Pilot Directions newsletter.

The June quarter is always a busy one for us as advisors. The past few months have been no exception.

Our Taxation Advisory and Business Advisory teams were kept particularly busy

with the May Federal Budget, analysing the impacts for our clients and assisting them with planning for the new financial year and beyond.

In this edition we delve into the key announcements from the Federal Budget, which many are hoping will provide cost of living relief and help bring about a fall in Australian inflation.

With businesses keeping an eye on economic indicators, and perhaps looking to buy, sell or merge a business, we discuss

the importance of planning for any of these events.

Our 'News & Insights' page provides the latest news and updates on a number of topics that we trust you will find useful and interesting.

We hope you enjoy this edition.

Brian McDonald
BRIAN MCDONALD



Federal Budget 2024

In handing down his third Federal Budget, the Treasurer, Dr Jim Chalmers, has opened Australia's cheque book to spend. The recipients are relatively widespread, including: green incentives, cost of living support for households, housing, Indigenous causes, defence, and victims of domestic violence.

Given the next Federal election must be held no later than September 2025, this budget feels like an election budget, rather than a mid-term one.

However, with predictions of inflation coming under Reserve Bank targets before the end of the year, it remains to be seen if Dr Chalmers will be lucky enough to catch a wave of consumer sentiment in the government's favour all the way to the next election.

Contact Pilot

If you would like to discuss any of these Federal Budget announcements in more detail, please contact **Murray Howlett**, **Josh Meggs**, **Kylee Smith** or your **Pilot Advisor** on (07) 3023 1300.

Pilot's summary of the key tax and business announcements is as follows.



PERSONAL TAX

Cost-of-living relief is a focus in this budget. Some individuals will receive a helping hand with one or more of the following measures: Student debt relief, Stage 3 Income Tax cuts, and changes to Medicare Levy thresholds.



SUPERANNUATION

Previously announced measures were confirmed, including Pay Day Superannuation, High Balance Superannuation Tax for >\$3m, and Superannuation on Paid Parental Leave.



SMALL BUSINESSES

This budget contained only a few incentives for small business, including: Instant Asset Write off \$20,000 extension for an additional 12 months, and funding to support small business in the areas of Payment Times Reporting, Small Business Debt Helpline, implementing a review of the Franchising Code of Conduct, and additional funding for the Australian Small Business and Family Enterprise Ombudsman for business-to-business disputes.



COMPLIANCE ACTIVITY

Once again, compliance programs receive more funding and have their timeframes extended. This funding is being directed into personal income tax compliance, the Tax Avoidance Taskforce, the Shadow Economy Compliance Program, Fraud prevention initiatives, and funding of ASIC and the Attorney-General's Department in a bid for greater transparency and alignment with international practices.



FUTURE MADE IN AUSTRALIA

The government will spend eye-watering amounts over the next 10+ years as part of their Future Made in Australia program. This will include investing in Green energy initiatives such as the Critical Minerals Production tax incentive and Hydrogen Production tax incentive.



FOREIGN RESIDENTS

The government is proposing to "strengthen" the Capital Gains Tax (CGT) rules for foreign residents to ensure they pay their "fair share of tax" in Australia and to make the rules clearer. This announcement was lacking in detail, but there will be consultation before the amendments will apply to CGT events commencing on or after 1 July 2025.



Buying, selling or merging? Think ahead

Plan for the future, don't hope for the future.

If you are a business owner or running a company, have you thought of selling? Have you thought about generational change and when you might like to move on or retire? Running your own business can be exhausting and suffocating. You can easily become trapped by your own success, with your equity locked up after years of hard work, with no way out to realise it. Building a business can take years. Rarely does a business meet success early. It can take hard graft, weathering economic cycles, and usually a bit of luck, to reach the peak of success. So why then do all of this, just to rely on the hope that someone will turn up, acknowledge and reward you for all of your efforts at the end? Plan for it.

Equally, buying a business rarely happens overnight either. It can take time, a lot of planning, and patience. Occasionally, turbulent markets and tides of failing businesses, as we're currently seeing, can present opportunities for good buying or merging with distressed businesses that have good bones or a strong brand, but bare cupboards. However, this is rare and relies on good timing and a bit of luck on both sides for your own business to be in the right financial state to buy another business as well.

The right opportunity

More often, the best buys or partnerships come from well worked strategy and targeted research for accretive opportunities with financial upside, or geographic or demographic expansion, or

with opportunity for market diversification and risk management. The best opportunities almost always also come with a great deal of patience.

Buying, selling or merging requires a counterparty equally motivated to enter into the same transaction. And that isn't always the case. Finding the right opportunity to buy or merge doesn't always mean the other business wants to do the same thing. And just because you may decide your business is ready to sell, doesn't necessarily mean there is a willing buyer.

So how do you give yourself the best opportunity to buy, sell or merge?

Plan ahead.

This might sound boring or obvious, but it is a timeless, proven approach.

Plan and plan again

When starting a business, think ahead about what success looks like, personally, and financially. If in business with others, have those same conversations with them, so you are all clear on your personal and financial goals. Revisit these goals regularly, because they will change over time.

If you're lucky enough for your business to establish and mature, think of where growth will come from organically and inorganically (growth by acquisition or partnership), and where opportunities for inorganic growth may live. Think of how you will fund that growth. How will you manage and support that growth? Engage in markets or targets of interest early. Often the most successful acquisitions or partnerships come from periods of dialogue and exploring mutual interest.

There may be opportunities for less common funding of those opportunities such as vendor financed or time based earn outs, or share swaps, which may be added benefits.

Maximise your value

Some sources including the ABS suggest around 60% of new businesses fail within 3-4 years. This isn't a great statistic to sleep on if you own or run a business. Whether it's true or not, if you do manage to get your business to the point of maturation and survival, then why, after defying all those odds, would you leave it to chance to realise reward for all your efforts? Even if a sale or divestment isn't on your radar foreseeably, plan for it like it is. Establish good governance practices early. Keep clear records and reconcile financials promptly. Build strategies around key person risks and business diversification. Make a plan and work on it regularly. Even if an exit isn't in your foreseeable business plans, assume that it will need to be at some point. Because you never know when the opportunity might present itself, and you may not get another one.

Buying, selling or merging can seem like monumental or far-fetched considerations to some. But they need not be complicated. Proactively planning for it can ease the task and increase the probability of success. Seek help if you need it, especially through the growth stages of your business, and embrace independent counsel and support. Building better habits today breeds better outcomes tomorrow.

Contact Pilot

If you would like more information or assistance with any of these areas, including mergers and acquisitions, contact **Dan Hastings** or your **Pilot advisor** on **(07) 3023 1300**.

News and Insights



Client News

As long-standing supporters of Youngcare, we are proud to have assisted in the fundraising efforts of Pilot Partners' client Nick Bonifant - who is also one of the original founders of Youngcare - in his undertaking of the Youngcare 10 Peaks Challenge trek this quarter with his wife Cath. The 10 Peaks Challenge involved an epic journey of hiking 60km over 4 days to conquer Australia's 10 highest peaks, commencing at Kosciuszko National Park. Facing tough conditions and demanding terrain, the brave trekkers pushed themselves to their limits to help create change for young people with physical disabilities.



Superannuation Updates

From 1 July 2024, the superannuation guarantee rate increases from 11 per cent to 11.5 per cent. Employers will need to ensure their systems reflect the change of rate from this date. Other superannuation changes include the concessional contribution cap for individuals increasing from \$27,500 to \$30,000 for the 2024-25 income year. Eligible individuals should seek advice regarding utilisation of any unused carry-forward concessional contributions caps from the measure introduced in 2019 also. Additionally, July 1 will see an increase in the non-concessional cap to \$120,000.



Queensland Small Business Report

Queensland small businesses are focused on providing strong customer service, however they are not too interested in taking risks. That's one of the key takeaways from a research study funded by the state's Small Business Commissioner. The study identified four stages in the life cycle of a small business - initiation, growth, stabilisation, and exit - and for the Queensland operators surveyed and interviewed, stability is something they pursue. Working with many small and medium sized businesses, Pilot have found that strong planning and strategy foundations can help businesses achieve stability and success. Having a business plan and strategy brings greater accountability and better outcomes, reducing the risk of stagnating or struggling as a business moves through the various stages. If you would like assistance in any of these areas, contact your Pilot advisor.



Debt Crackdowns

There has been a lot of talk in the media recently regarding debt crackdowns by the Australian Taxation Office (ATO) and a number of banks, as the COVID-era leniency ends. With this and other business pressures we are seeing from higher inflation and consumer sentiment shifts, it has never been more important for businesses to keep on top of their affairs. This includes ensuring regular budgeting and forecasting of cash flows, and making sure any tax or other major debts are paid on time to avoid falling into a position of business distress. As always, if you need any help in these areas, seeking professional advice early is recommended.

Welcome to the Team

Pilot welcomes the following new team members.

Uveshen Juvaloo joined Pilot as Graduate Accountant in the Corporate Advisory team. Uveshen holds a Bachelor of Business (Accounting) from Queensland University of Technology.

Ruby Moehead joined as Marketing Assistant in the Marketing team. Ruby is currently studying a Bachelor of Business (Marketing) and Design (Fashion) at Queensland University of Technology.

Teresa Winter joined as Receptionist and Administration Assistant in the Finance and Administration team.

Congratulations

Happy Pilot anniversary wishes go to **Bill Payne** for 10 years with Pilot, and to **Angelee Samin** for 5 years with Pilot. We thank them for their tenure with Pilot and their contributions to the firm and look forward to their continued journey with Pilot.

Congratulations and a very Happy Birthday to **Simon Barry** who celebrated a significant milestone birthday recently.



Socials & Events



Federal Budget lunch



Federal Budget lunch



Federal Budget lunch



International Women's Day



International Women's Day



Biggest Morning Tea



Biggest Morning Tea



📍 Level 10, One Eagle
1 Eagle Street Brisbane QLD 4000
Australia

📬 PO Box 7095
Brisbane QLD 4001
Australia

☎ +61 7 3023 1300

✉ info@pilotpartners.com.au

Member of Nexia

DISCLAIMER: This publication contains general information only and is not intended to constitute financial advice. Any information provided or conclusions made, whether expressed or implied, do not take into account individual circumstances. It should not be relied upon as a substitute for professional advice. Pilot is a trade mark of Pilot Partners Pty Ltd ACN 105 267 061 ABN 58 144 064 946 Liability limited by a scheme approved under Professional Standards Legislation. Nexia International is a worldwide network of independent accounting and consulting firms.