

INSOLVENCIES & BANKRUPTCIES – PAST & FUTURE

THE STANCE OF THE ATO TO REIN IN BUSINESS DEBTS

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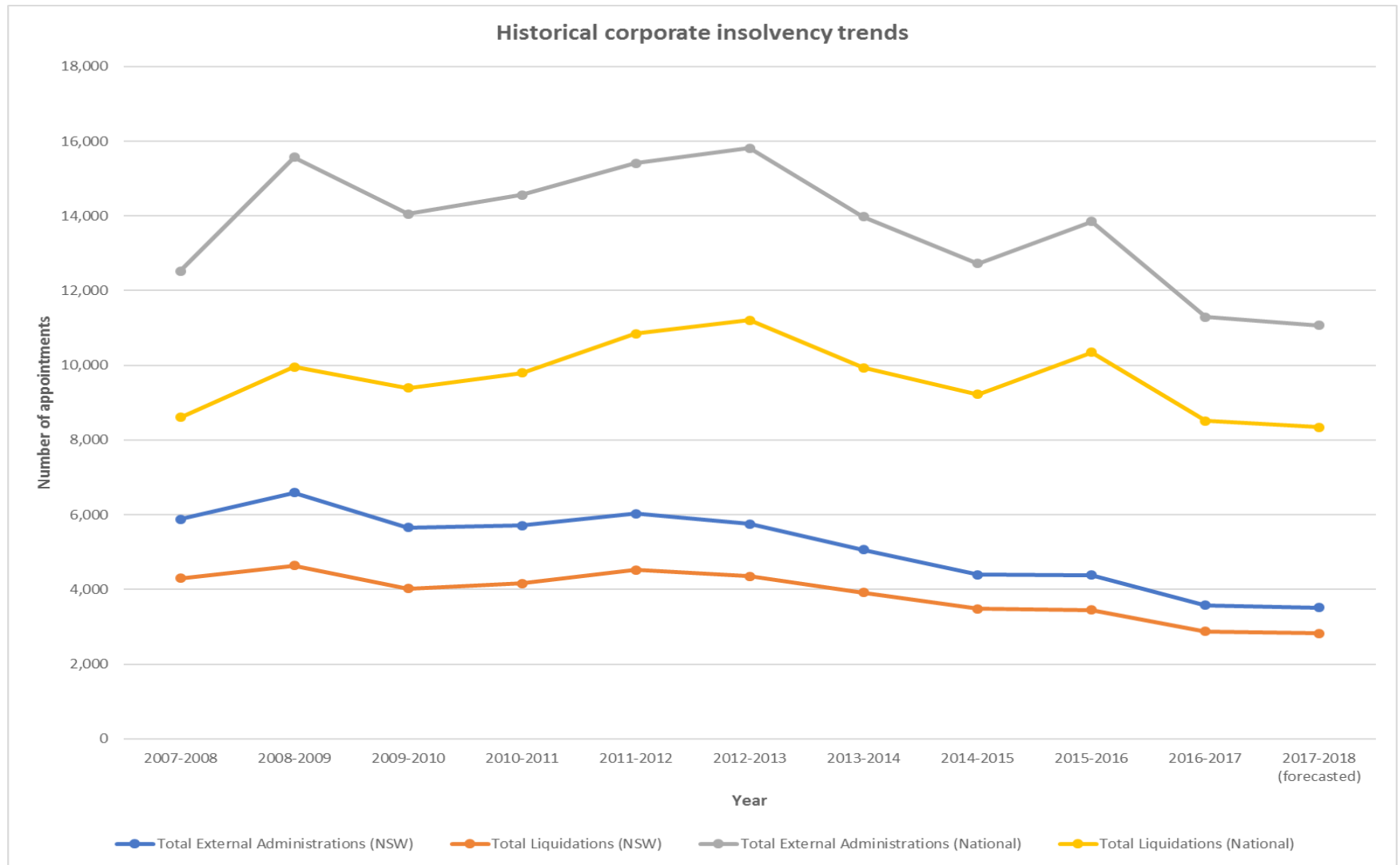
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WHAT ARE WE GOING TO LOOK AT?

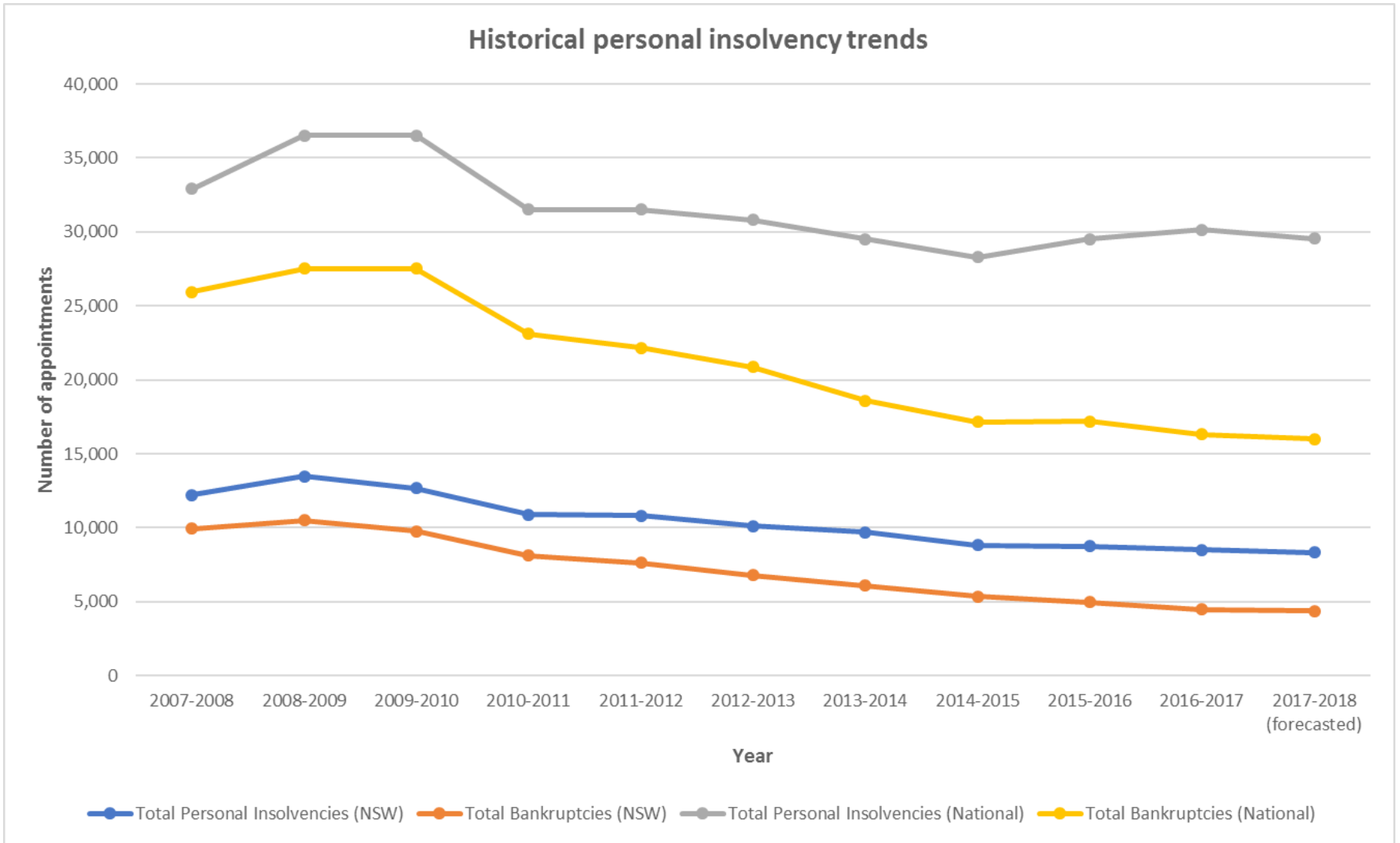
- Corporate Insolvency Statistics
- Personal Insolvency / Bankruptcy Statistics
- What industries are / continue to be at risk
- The ATO – what is its current stance and why SME's should take note
- What should SME's be doing regularly to stay successful

WHAT ARE THE STATISTICS TELLING US!

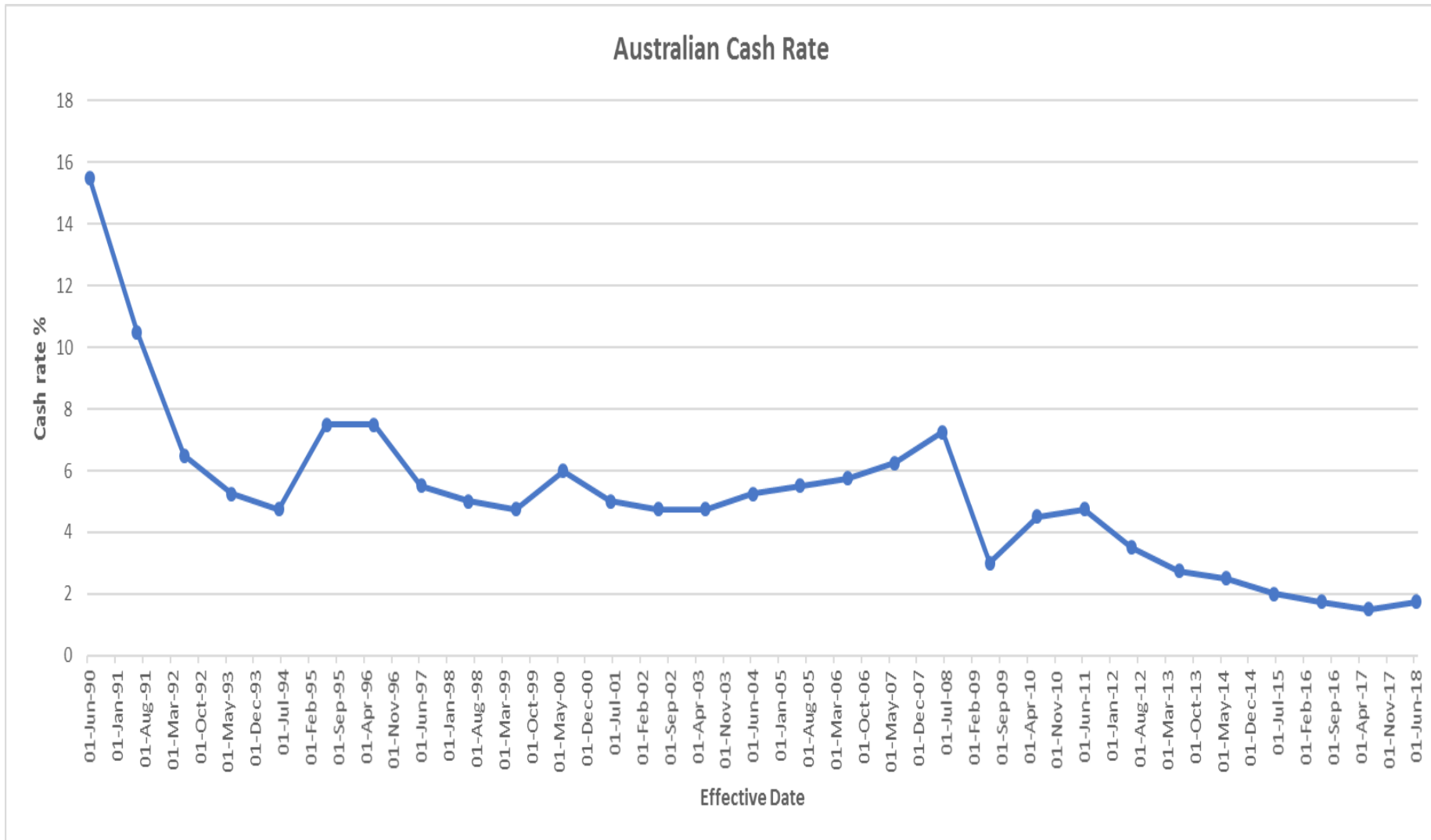


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WHAT ARE THE STATISTICS TELLING US!



WHAT IS THE OFFICIAL CASH RATE SAYING?

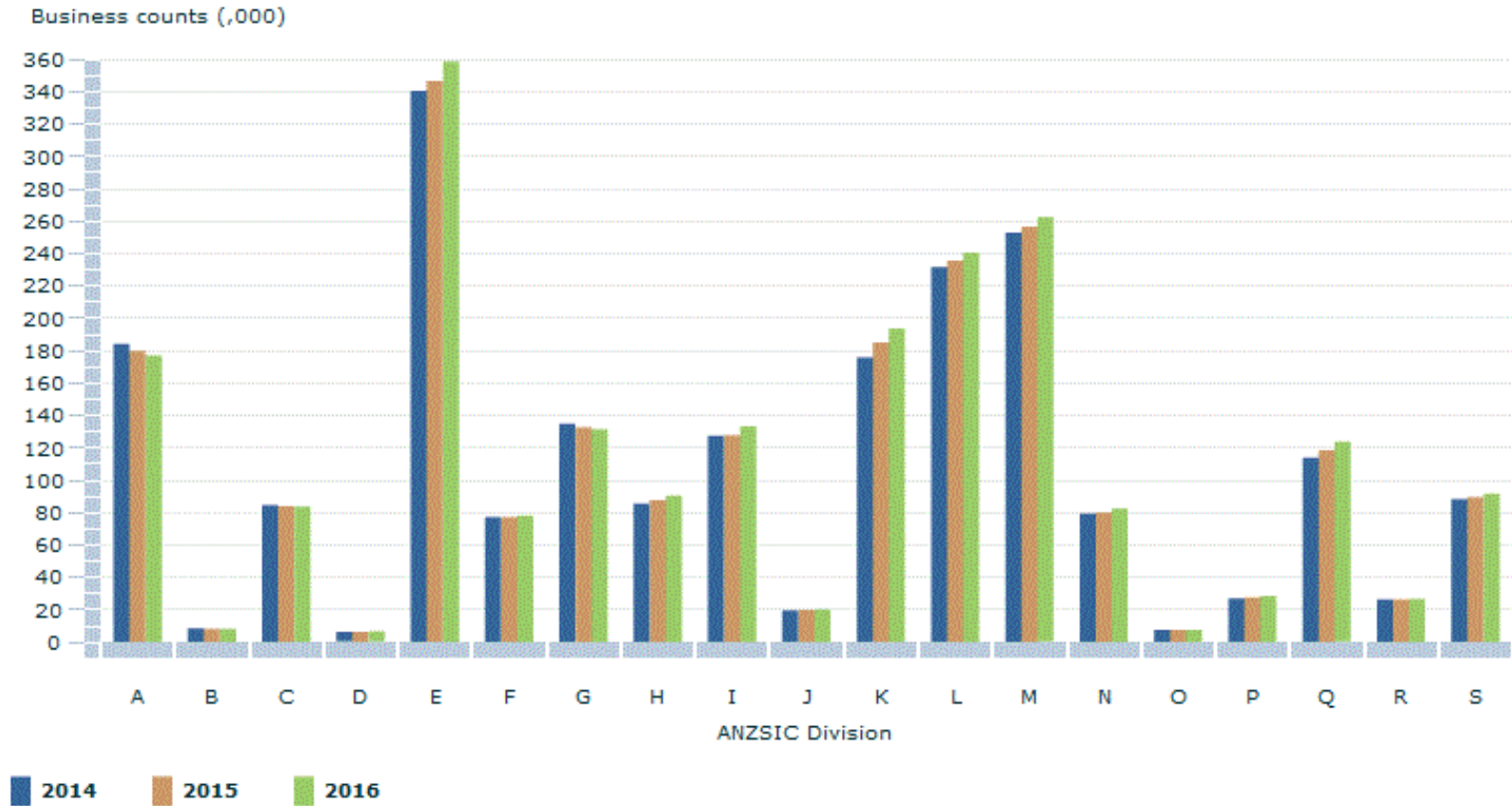


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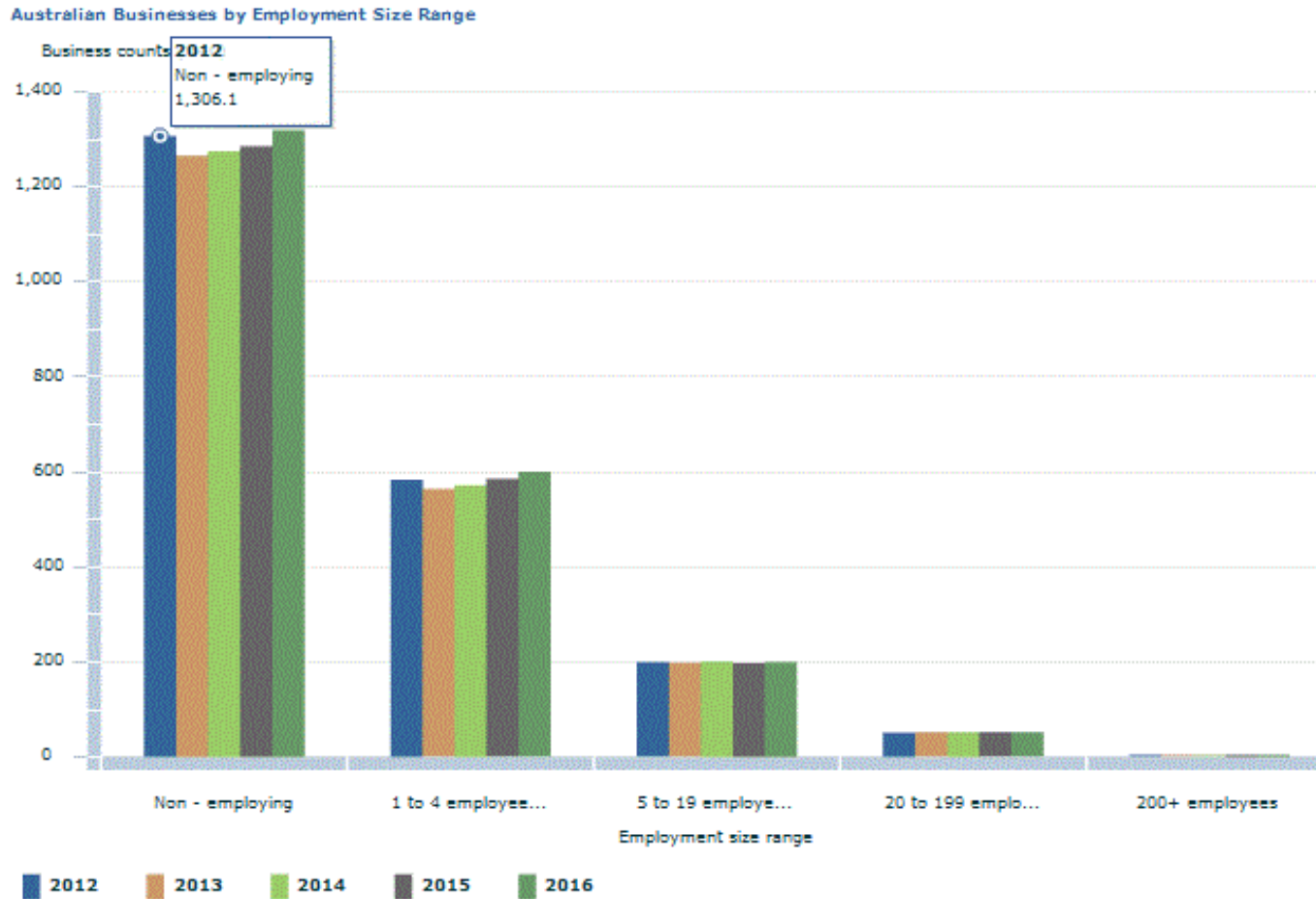
*June 2018 cash rate forecasted to be 1.75%

AUSTRALIAN BUSINESSES BY INDUSTRY DIVISION

Australian businesses by industry division



AUSTRALIAN BUSINESSES BY EMPLOYMENT SIZE RANGE



WHAT IS THE CURRENT STANCE OF THE ATO?

- Reinvigorated and progressive – we know via liquidation statistics that about 80% of companies that go into liquidation have fewer than 20 employees.
- About 40-45% of companies that are liquidated have liabilities of \$250,000 or less. Of this approximately 65% typically relates to unpaid taxes, ie SGC, PAYG, GST.
- ATO treated as the lowest unsecured creditor in the supply chain.
- ATO also is aware that SGC debt [particularly unrecoverable amounts] continues to grow, i.e. \$700 million in 2015/16
- ATO and ASIC and other Gov Departments continue to improve data showing which is highlighting higher risk industries/entities. Note Phoenix taskforce, Black Economy taskforces.

WHY SHOULD SME's TAKE NOTE

- Legislation waiting to be passed:
 - Giving the ATO power to report to credit agencies whose debt is more than 90 days overdue AND more than \$10,000.
- ATO/ASIC/DEWR in a crackdown on employers meeting SGC obligations. Grown from \$450 million in 2011/12 to \$718 million in 2015/16 regarding insolvent employers. Much better data sharing in recent times.
- Treasury/ASIC/ATO actively wanting to claw back revenue losses via:
 - Increased action on illegal phoenix activity [CONSULTATION PAPER]
 - Improving the collection of GST → via extending personal liability to directors for unpaid GST of company [CONSULTATION PAPER]
 - Introduction of a Director Identification Number system
 - Phasing in near real-time reporting by employers of payroll + superannuation information to the ATO through the single touch payroll reporting framework [CURRENTLY BEING PHASED IN]
 - Considering a register of “high risk entities/individuals”
- More active use of the existing Director Penalty Notice regime for unpaid PAYG + SGC.

WHAT SHOULD SME'S BE DOING REGULARLY TO BE/STAY SUCCESSFUL?

1. Have a written business plan → what is the business's WHY!
2. Review the business plan annually
3. Specifically have key management allot time each month to effectively manage the business as opposed to being managed by the business
4. Regularly review financial performance
5. Know your industry → network in it → understand how technology has/is going to impact it
6. Have access to quality external professional resources