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Keeping Business in the Black

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On The Money

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Marketing To Today's 'Smart' Customer

The internet and the technology revolution have changed the profile of the modern day customer. They have the internet in their pockets on their smart phones and they don't rely on television, radio and print media to get their information anymore. They expect your business to be accessible 24/7 through your website and they have access to an unprecedented amount of information to research and review your product and services. Through social media platforms they also have a medium to complain.

Today's 'smart customers' are precisely that, not to say that yesterday's customers were not smart, it's just that we live in a different world. Your marketing now needs to factor in social media, smart phones and mobile enabled websites. Having said that, good 'old fashioned' customer service is more important than ever before because each interaction with a customer has the potential to create a powerful advocate or a massive critic. They can spread their feedback via the social media network, their blog or even websites like Hotfrog or womo.com.au

You need to be one step ahead of your customers' expectations and roll out the red carpet when it comes to customer service, so here's some suggestions:-

Focus on your Best Customers

Most businesses derive 80% of their sales from 20% of their customers. As such, you should identify these key customers and give them preferential treatment. You'll probably find 80% of your referrals come from 20% of your customers so you need to identify and reward their loyalty. You need to engage with them via email, SMS, newsletter and invite them to join a social media group so they keep spending with you rather than your competitors.

By knowing your customers' purchase history you can tailor offers to suit their needs and the more information you can gather about their preferences the better. Clearly, all customer needs are different but segmenting your customers into groups allows you to provide more relevant offers and boost sales conversions.

Multiple Sales Channels

Websites are the modern day version of the business card. With Google dominating the search engines you need to have a quality website to generate sales and provide existing and prospective customers with reasons why they should deal with you. It is often the first point of contact with new customers and what type of first impression are you making?

The website wish list to satisfy these smart customers is lengthy. Make sure you are building a list of prospects and give away an e-book or a guide in exchange for a name and email address. Integrate social media into the site and if your target market is the Gen X and Gen Y demographic get your business on Facebook and open a Twitter account today. Remember, three quarters of small businesses aren't using social media at all.

Build Trust with Customers

While ideally your website should be generating sales from strangers and customers alike, never forget that it's the personal interaction and physical presence that builds relationships. By solving your customer's problems and delivering quality products and services you will create repeat business and get them to broadcast their positive experience.

The greatest compliment we receive from our clients is the referral of their friends, family and business colleagues. Thank you for your support and trust.

Do You Have An Inactive Bank Account?

From May 31, 2013 the Federal Government will be able to transfer the balance from bank accounts that have not been used for three years into their own coffers. The previous legislation allowed for bank accounts to remain inactive for up to 7 years before the funds were transferred to ASIC.

The legislation was rushed through parliament in February 2013 and it means that accounts with anything from $1 upwards that have not had any deposit or withdrawals in the past three years will be transferred to the Australian Securities and Investment Commission. The money can be reclaimed from ASIC but the process can take months. This raid by Treasury is forecast to raise $109 million this year.

People who have put money away in an account for their children's education or who have deposited inheritance proceeds in a separate account for a rainy day may be impacted. The Australian Bankers Association warn that unsuspecting customers face having accounts frozen and this cash grab comes as economists predict the Government is on track to hand down a $15 billion budget deficit in May. Before Christmas, Treasurer Wayne Swan junked the Government's previously "rock solid" promise to produce a surplus in 2012-13.

There is more than $670 million in lost shares, bank account and life insurance funds and you can do a search to identify if you have a claim at:

https://www.moneysmart.gov.au/tools-and-resources/find-unclaimed-money/unclaimed-money-search

Paying Your Tax By Credit Card

Business owners can now pay their tax by credit card and potentially gain reward points in the process. The ATO will accept tax payments of between $10 and $50,000 and to make a credit card payment you will need:

- a current Visa, MasterCard or American Express card
- your ATO electronic funds transfer code or your payment reference number EFT code or PRN to use the Government EasyPay website or telephone service.

A card payment fee applies to transactions made using this service. This fee is not subject to goods and services tax (GST) and is equal to the fee the ATO incurs from its banker. The fee is a percentage of the tax amount being paid, based on the type of card being used:

- Visa/MasterCard (effective from 1 October 2011) 0.48%
- American Express (effective from 1 August 2012) 1.45%

You will be informed of the fee amount and transaction totals before you are asked to confirm your payment. You may be eligible to claim a tax deduction for card payment fees and Government EasyPay. Your payment needs to reach the ATO on or before its due date and transactions entered on a weekend, national public holiday or after 6pm Sydney time will be processed on the next business day. The Government EasyPay service will provide a receipt for both the tax payment and the card payment fee. The details will be displayed as 'ATO payment' and 'Card payment fee - ATO' on the cardholder's statement.

To make a credit card payment online go to the Government EasyPay service -

https://www.optussmartpay.com/governmenteasypay-ato/

This is a secure site provided to the ATO by the Reserve Bank of Australia using the Optus Smartpay service and if you want to make your payment using the Government EasyPay self help telephone service phone 1300 898 089.

While paying your tax by credit card and earning reward points sounds very inviting, you need to make sure you then pay your credit card on time every time because interest rates on credit cards with most major banks are still in the vicinity of 19% per annum. One slip up could totally offset the value of the reward points you might earn.

Building Industry Taxable Payments

As part of the 2011/12 Federal Budget, the Government announced the introduction of taxable payments reporting for businesses in the building and construction industry. The purpose of this new reporting function is to collect more information about payments contractors receive. This information is to be used to cross match the data with tax returns to detect contractors who may have failed to disclose all their income.

Who needs to complete the report?

From 1 July 2012, businesses primarily in the building and construction industry (i.e. 50% or more of your business income, or 50% of your business activity) must report the total payments they make to each contractor for building and construction services each financial year. Businesses, including sole traders or contractors wholly or principally engaged in the building and construction industry will be required to report. Private individuals such as owner builders will NOT be required to report.

What payments must be reported?

Payments made under a contract, either in whole or in part, for the supply of building and construction services must be reported. Payments that are made for either the supply of purely goods/materials (not services) or payments for employee salary and wages don't need to be reported.

Who is reported on?

Any contractor or sub-contractor who is engaged in the building and construction industry, who quotes their ABN to the purchaser and receives a payment for building and construction work. The reporting will NOT generally apply to domestic building projects and will be limited to business-to-business transactions. However, where a domestic building project is undertaken by builders using any sub-contractors, then they will need to report those payments.

The Report

The report will officially be known as a 'Division 405 Report'. It will contain information that identifies the 'supplier' and the payments to the 'supplier' in the reporting period. Businesses will be required to report the actual payments made to each contractor and all payments must be reported as there is no minimum reporting amount.

The report must include the following details:

- Contractor's Name
- Contractor's ABN
- Contractor's Address (if known)
- Total amount paid or credited to the contractor during the financial year whether any GST has been charged

It is important to note that even though you or the supplier may be registered on a cash basis for GST, all reporting for this new report must be done on an accruals basis. At this stage reports will need to be made annually but this could change as there is provision in the regulations for the reports to be lodged quarterly. You will need to begin recording payments from 1 July 2012, with the first annual reports required on the 21 July 2013. A business failing to provide the report by the due date may be liable to pay a penalty of $2,200.

What do I need to do?

You need to consider whether your current record keeping systems are adequate to record this new information. The last thing you want to do in July 2013 is re-trace the last 12 months of contractor payments. If you are an employer within the Building & Construction Industry you need to ensure that your contractors are compliant and also be aware that in some cases the Tax Office could in fact deem some contractors to be employees.

If you have a contractor who is an individual operating under an ABN but works the majority of his/her time for you and only provides labor services (as opposed to providing both goods and labor) then the Tax Office could view them as your employee rather than a contractor. This would make you liable for the Superannuation Guarantee and Pay-As–You-Go Withholding Tax.

If you have any queries in relation to your reporting requirements please call our office.

When Is A Good Time To Start My Business?

You may have been dreaming of starting your own business for years but there are so many road blocks including financial concerns, family issues or possibly your own self belief. There are also external factors like the economy and the lack of credit available for business start ups in the wake of the global financial crisis. However, there are a number of reasons why it could be the right time to start your own business.

Most people aren't passionate about their job and are singing, "I can't get no satisfaction", in their heads. When you are passionate, you immediately raise your personal energy and become far more attractive to other human beings. As the law of gravity states - the inter-attractiveness of a body to another is determined by its mass, and your passion increases your metaphysical mass. You will stand out from the crowd and others will notice you more readily. If this is the case, it could be time to pursue your dreams.

Try Before You Buy

Increasingly people are 'testing the water' and launching their business venture on a part time basis. The digital age makes it so easy given you simply need a website not a shop front. You can retain your job and cashflow while exploring your business on the side. It provides a safety net because you have a fall back position.

Test your business concept in your spare time and see if your marketing can attract customers and orders. Research your competition and listen carefully to customer feedback. Also starting on a part time, small scale means your business model is flexible and can be altered to reflect a change in technology or customer habits. Before too long you might be faced with the dilemma of resigning from your job and going full time in your business which is precisely what you want.

Lower Set Up Costs

Start up costs have fallen over the past few years so the financial risk is also lower. You might simply need a computer and website with a shopping cart to kick start your business. The cost of technology continues to fall and with free cloud-based applications like Dropbox to store your data it has never been easier to get started. The marketing landscape has also changed courtesy of social media channels and the Government even provide various grants in sectors like clean energy and tourism plus they also offer assistance and incentives for research and development costs.

Templates for legal documents like trading terms, contracts and shareholder agreements are readily available for free on the web. One word of warning, while the process of getting an ABN and registering your business name is relatively easy you need to consider issues like business structures, accounting software, tax registrations and insurances before you take the plunge into entrepreneurship. There is no substitute for professional advice.

Think Big and Quick

The internet has changed the business landscape. Your website provides an instant global shop front and your customers can now be anywhere in the world. Your online 'shop' is open 24/7 and social media means your marketing message can go global and viral in no time. 'Gangnam Style' exploded on the back of a YouTube clip and in fact, YouTube is now the second most popular search engine behind Google. Some brilliant business automation tools and outsourcing opportunities mean you can now get more done with less effort.

If you're thinking of turning your idea into a business, talk to us today. As business start up specialists we have mentored numerous clients through this important phase.

Inspector Gadget - The iPhone 5

Mobile gadgets continue to boom and currently just over half of Australia's population have a smart phone and that will increase as people upgrade their existing mobile phones. The iPhone 5 was released in 2012 and features like the 4G Long-Term Evolution (LTE) network compatibility allow you to surf the Web and download data at faster speeds while a longer battery life means less downtime on the charger.

The iPhone 5 continues to lead customer satisfaction surveys with its ease of use and overall user experience, however, it lacks near-field communication (NFC) capabilities which many Google Android-based smart phones and BlackBerry devices currently offer. This technology allows devices to establish radio communication with each other by touching them together and can be used in contactless payment systems, similar to those currently used in credit cards and electronic ticket smartcards.

We all know the iPhone 6 is coming and while it probably won't be a huge leap in terms of functionality the biggest question is will Apple finally introduce its much anticipated contactless payments system?

Thrive Or Just Survive?

McCrindle Research has done a study that examined the Australian Bureau of Statistics data on business start ups and failures. The purpose of the study was to identify which types of businesses have the best survival rates, where they are located and what industries they are in. The results are certainly not what we expected.

Estimates suggest there is one actively trading business for every 10 people in this country. Of all the new businesses started four years ago, a staggering 51.4% are no longer operating. The data certainly proves the GFC took its toll but incredibly, close to 40% of the two million businesses operating in Australia four years ago no longer exist. Of course, some businesses collapse, new ones start, some are sold and others cease because the owner becomes ill or decides to take a full-time job. Not every business is built to last, however, 40% is a staggering number. The concern is, these figures could get higher given 20% of businesses sought a business loan or equity in the last year and the vast majority (75%) used the funds to cover short term cashflow problems or shore up their survival. So what are the key indicators to survival according to the research?

1. The Right Industry

According to McCrindle Research, a start-up's best chance of survival is in the healthcare and social assistance sector (where 61.7% of firms survived), the rentals side of the real estate sector and financial and insurance services (55.1%). Least likely to survive are those businesses in public administration and safety (where just 37.6% survived), administrative support services (41.3%) and the notoriously unstable arts and recreational services sector (43.4%).

2. The Right Place

Forget the mining boom. According to the data, the best chances for start-up survival are in Tasmania (where 54.2% of firms survive), South Australia (52%) and Victoria (49.6%). On the flip side, small business owners found the going hardest in the Northern Territory (where 45.1% of firms survived), New South Wales (47.3%) and Australian Capital Territory (47.7%).

3. The Right Structure

According to the research, it's very tough as a sole trader who report a significantly lower survival rate (at just 37.2%) compared to other structures. Trusts are the most likely start-up legal entity to survive (61.8% survival rate), followed by public companies (57.1%), private companies (52.5%) and partnerships (51.3%).

4. The Right Number of Employees

Given the low survival rates of sole traders, it's not surprising that non-employing businesses have the lowest survival rates at 43.4%. The analysis shows that businesses with 20-199 employees have the best chance of survival (67.8%), followed by businesses with five to 19 employees (64.5%), and one to four employees (58.7%). Survival rates were slightly lower for businesses with 200 or more employees. If you were to rely on the statistics, the message is to get out of the micro business phase as soon as possible.

5. The Right Turnover Level

Forget about getting to $1 million in sales, getting past a turnover of $50,000 will boost your chances of survival. Start-ups with a turnover of more than $2 million have a 66.9% survival rate, followed by those with between $200,000 and $2 million (57.5%) and between $50,000 and $200,000 (48.2%). Those with less than $50,000 in annual sales had a survival rate of just 43%.

Starting a business is a bit like a game of chess, to succeed you need to make the right opening moves. Talk to us today and we’ll help you make the right moves.

Thinking Of Buying A Business Asset?

Clients often ask us about the best way to acquire different types of assets in their business. In this article we're talking about plant & equipment and depreciating assets like machinery and computers. On 1 July, 2012 some new rules were introduced that offer small business owners significant tax advantages. In some cases, a small business can claim the entire cost of the asset as a tax deduction in the year of purchase. Historically, these business assets were depreciated over a number of years, or their effective working life.

To be eligible for these simplified depreciation rules the entity needs to be in business (trading not just holding investments) and have an aggregated annual turnover of less than $2 million. The 'aggregated turnover test' not only looks at your turnover but also the turnover of any entities connected to you such as a Trust.

Assets Costing Less Than $6,500

If your business qualifies as a small business and can access the simplified depreciation rules, any depreciating assets you purchase below $6,500 can be written off in the year of purchase. If your business is registered for GST the $6,500 is GST exclusive, if not, the $6,500 is the GST inclusive amount.

Let's assume you decide to replace some of the computers in your office and you purchase 4 new laptop computers in the 2012/13 financial year at a GST exclusive cost of $2,500 each (GST ex). As each laptop costs less than $6,500, they can be written off immediately and you can claim a total deduction of $10,000 in your 2013 tax return. As this example illustrates, the $6,500 threshold applies on an asset by asset basis, so you can claim the immediate deduction on more than one asset.

In addition to claiming an immediate tax deduction for assets with an initial cost of less than $6,500, in some circumstances it is also possible to claim an immediate deduction for additions or improvements to these assets in a later income year. For example, if you purchased a digital printer for $5,500 in 2012/2013 and then bought a $2,200 component to improve the productivity of the printer in 2013/14 you could claim the initial purchase price ($5,500) in 2012/2013 and the $2,200 printer component in the 2013/2014 year. However, it is only possible to claim an immediate deduction for the first additions or improvements. Any additions or improvements beyond the first component are not an outright tax deduction and depreciation would be claimed over a number of years.

Special Rules for Motor Vehicles

You can claim an immediate tax deduction for the first $5,000 on new and second hand motor vehicles purchased on or after July 1, 2012. The balance of the vehicle's cost price is then depreciated at 15% in the first year. A motor vehicle for these purposes is defined as any motor powered on-road vehicle including four wheel drives. However, graders, tractors, harvesters etc. don't qualify as their primary purpose is not to run on public roads.

Let's assume you are a trades person and buy a twin cab 4WD utility for $40,000 excluding GST in March 2013. The vehicle is used exclusively for business and in the 2012/13 financial year you can claim a tax deduction of $5,000 with the balance of the purchase price ($35,000) depreciated at 15% in the same year.

Limits apply to the deduction you can claim. If it's a 'luxury' vehicle, the depreciation cost limit for 2012/13 is limited to $57,466 regardless of how much you paid for the vehicle.

Other Assets Costing More Than $6500

What happens if you buy an asset (other than a car) that costs more than $6,500? Small businesses can 'pool' all other assets and claim 15% the first year the asset is in the pool and 30% for each subsequent year. If the value of the pool drops to below $6,500 then the whole pool can be written off.

Get Advice

It is important you seek advice before you rush out and buy expensive plant and equipment or cars. You need to consider the taxation and cash flow consequences. Talk to us before you commit to the purchase of capital equipment because we can advise you on finance alternatives and the various GST and taxation implications.