

## REFERRALS ARE THE HIGHEST PRAISE YOU CAN GET

Customer referrals are one of the most powerful selling and marketing tools available. In fact, the best source of new business is a referral from a satisfied customer. According to research, 71 percent of online shoppers read reviews before buying. Other studies also show that customers also say that referrals are of the utmost importance in determining who they buy from and what they buy.

### So how do you get customer referrals?

#### “Satisfy your Clients So They Make Referrals”

The first rule of generating clients is quite basic: Make your clients happy! You need to provide them with a great product or service. When you deliver the value your clients expect, they see you as a very credible, valued resource. For those clients, a referral is a very logical and comfortable next step in the relationship. If you look after your existing clients well, they will refer you onto their family friends and business associates. By following these simple rules you should never have to ask for a referral it will just happen.

Always remember to treat the referral with the value it deserves. The worst thing you can do is get a referral and let it slip through the cracks. You could lose a great opportunity, but worse, you will lose the respect of your customer or prospect who put their trust in you.

A lot of businesses run a referral program where they give special offers, gifts or offer discounts to clients who refer them. Account(able) started a referral program last year. As a way of thanking our



clients for recommending us to others we started our \$3000 cash draw. When a client refers us to a “New Business Client” they are eligible to go into a draw to win \$3000 cash. Both the referring client and the new client’s names go into the draw. This ran for twelve months and the winner was announced on the 19th December. Needless to say it was great timing with the Christmas break and the client was thrilled to win. This year we are running it again and the winner will be announced on December the 16th 2016. Another thing we do is give a FREE movie ticket to anyone that refers a new Individual client to us and accommodation vouchers for new business clients.

So keep your clients happy, provide a great product or service and the rest will look after itself. And make sure you thank your client for their referrals! And remember the best compliment you can receive is a referral from one of your clients.

Account(able) Accountants  
Pty. Ltd.

**\$3000  
CASH  
GIVEAWAY**



**We are giving away \$3000 cash to anyone that refers a new business client to us anytime between 1st January 2016 and 16th December 2016**

#### How it works:

Both yourself and the new client that you have referred will go into the draw.

The lucky winner will be drawn and announced on the 19th December 2016 at 2pm.

## WHY THE REDUCTION OF COMPANY TAX IS NOT REALLY A TAX REDUCTION.

There has been some discussions regarding dropping the company tax rates from 30% down to 29 or 28%. The connected issue with this is that company tax is only an intermediate tax payable for companies, before it goes to shareholders. As at some time in the future companies need to pay the dividends to their shareholders, which attached is the company tax credit. Then the shareholder pays the tax at their marginal tax rates, which the company tax credit is offset against it.

So an example is, they make a \$100 profit and the company paid 30% tax on it. In a future year, the company pays the \$70 dividend to the shareholder (along with the \$30 tax credit). So the shareholder then has grossed up amount of \$100 income

(including \$30 tax credit (similar to wages tax credit on wages)) which they then have to pay tax on. They will pay their marginal tax rate which could be lower or higher than 30%, so they may get a tax refund, or pay top-up tax. If you taxable income is between \$37,000 and \$80,000 you pay marginal tax at 34.5%, so with the company dividend, they will actually pay additional income tax of 4.5% (being 34.5% less company tax 30%). If company tax rates change to 28%, yes it looks like a tax reduction but in fact when you pass the dividend to tax payer, the tax payer will still pay the top-up tax from 28% up to 34.5%. So the first scenario tax is paid at 30% plus 4.5%, and the second scenario tax is paid at 28% and 6.5% - so no real tax change at the end of it all.

|   | Company tax at 30%                            | Company tax at 28%                            |
|---|---|---|
| <b>Company profit</b>                           | \$100   | \$100   |
| <b>Company tax</b>                              | \$30  | \$28  |
| <b>Profit to pay as dividend</b>                | \$70  | \$72  |
| <b>Income to shareholder when dividend paid</b> | \$70 + \$30 tax credit = \$100                | \$72 + \$28 tax credit = \$100                |
| <b>Tax payable (say 34.5% marginal tax)</b>     | \$34.50                                       | \$34.50                                       |
| <b>Less dividend tax credit</b>                 | (\$30)  | (\$28)  |
| <b>Balance of tax to pay (top -up tax)</b>      | \$4.50  | \$6.50  |
| <b>Total tax paid on \$100 profit</b>           | \$34.50<br>(company \$30, shareholder \$4.50) | \$34.50<br>(company \$28, shareholder \$6.50) |

So in affect, the reduction of company tax does not really reduce tax to the end user - it just reduces tax in the intermediate tax of the company and is then caught up when dividends are paid to shareholders.

You may wonder is there any tax benefits of having a company? – yes there is, as you can defer paying the top-up tax in the shareholders name from the dividend, as the dividend can be deferred until later years, and so the company can retain the extra funds to help finance cashflow, working capital, etc



## HOW A LAW FIRM DEALT WITH CASH FLOW ISSUES

David, the sole practitioner of a legal firm, found that his revenue had stagnated and he was consistently facing cash flow problems. David was jolted into action by a frank conversation with his accountant. The accountant asked him how many hours he worked in his firm each year. The lawyer estimated approximately 2,000. The accountant then asked the lawyer to divide his profit by the hours worked and demonstrated that he could likely earn more per hour by working for someone else. This, together with all of the hassle of running his own firm and dealing with employees inspired David to make some changes.

"You'd be better off shutting the doors and finding a job with someone else," the accountant said, with a view to provoking his client to take some action to change the performance of his business.

It worked. With a deep breath, David asked his accountant if he had any ideas to help him improve his business. Together, they set about implementing the following project plan:

**1.** Major clear out of work in progress (WIP – work done by David's team but for a variety of reasons, not billed to clients.) They went through the WIP line by line and found that there was a large amount of unrecoverable time that had to be written off but also a significant amount that could be billed. This provided the team with a much clearer picture of what was in WIP. They now have a focus on closing

jobs and reducing the number of open jobs and as a result, faster job turnaround has been achieved.

**2.** The accountant observed that there was paper everywhere and suggested that this may be causing inefficiencies. They invested in some software and have moved to a predominantly paperless office environment. David estimates this has freed up 10 hours week for him personally and more for his team.

**3.** They implemented a receivables system, including emails, phone scripts, letters and pre-determined follow up periods for all clients. This combined with project 1 above reduced lock up (amount of cash tied up in WIP and receivables) by 70% and freed up a huge amount of cash flow.

David's cash flow problems are now a thing of the past and with the extra time freed up, he and his team have been able to bring on new clients and sell additional projects to existing clients. The result – a 30% increase in revenue, much of which dropped to the bottom line, with profitability tripling in the business.

Many businesses face the same issue, irrespective of the industry in which they operate. If you think you have potential to increase your sales, profit or cash, please contact us on 5366 1000 and we'll be in touch to set up a free initial consultation to discuss how we might be able to help you.

## OUR BUSINESS OF THE MONTH LAYTON HOMES



Specialising in boutique homes with stunning designs and superior craftsmanship, Ian Layton has over 26 years experience in the building industry and is a long-time resident of the Macedon Ranges. A member of the HIA, Ian is a registered building practitioner who takes pride in the quality, skills and attention to detail of his workers and subcontractors.

The Design and Building services we provide includes:

- Design consultation
- Renovation and Home Extensions
- Home Site Inspection
- Soil and Survey Reports
- Pre permit Council Information
- Planning Permits
- Building Permits

Call us for an obligation free quote to discuss designs, options, plans .

### Layton Homes Pty Ltd

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## UPCOMING SEMINAR: “INVESTING IN AN UNCERTAIN SHARE MARKET”

Discussing the impact of global events on the Australian Market.

**TUESDAY 17TH MAY 2.30PM & 6.30PM**

### Morgan Stanley Wealth Management

One of the world's largest private wealth organisations and one of the largest global wealth managers.

### Guest Speaker: Nathan Lim

With over 20 years of investment experience taking him across the globe

## Account(able) Home Loans & Finance Pty. Ltd.

### ACCOUNT(ABLE) HOME LOANS & FINANCE NEWS

Account(able) Home Loans & Finance has had a focus on home loan products including investment and Personal loans however we are also a provider of business and equipment finance.

For the past 12 years, prior to joining the Account(able) Home Loans & Finance team, Adrian Waller has been providing a finance service to assist both personal and business clients with the purchase of their motor vehicle and business equipment purchases. With over 10 finance company lender options, Account(able) Home Loans & Finance offer our clients a wide range of financing options from major and boutique lenders to provide you with competitive rates and high level of service to remove the hassle when making your next purchase.

### Business & Equipment Finance

Motor vehicles, transport equipment, earthmoving & construction machinery, engineering equipment, computers, lifting equipment and other Structured Equipment Finance transactions that are suited to your business requirements; Additional options compared to what one financier can provide.

We have access to a wide range of Financiers including major banks and a number of boutique lenders who specialise in assets that a Bank would generally not finance without additional security. The ability to be able to fund equipment that would typically require additional security; In most cases we can free up security held to be better used for core banking requirements.

Our aim is to build long term relationships with our clients by providing them with expertise and access to a wide range of Equipment Finance Products. This experience and product range through our locations across Australia enables us to be able to obtain the best rates for you.

## REMINDERS FOR YOUR DIARY

### APRIL LODGEMENTS DUE

**21** March IAS

**28** March Superannuation