



December 2017

How To Build Your Email Subscriber List

According to Derek Halpern, Founder of Social Triggers, "If you're not building an email list, you're an idiot."

Strong words indeed but the benefits of Email Marketing are almost too good to be true. According to the Direct Marketing Association it produces a 4,300 percent return on your marketing investment which means it outperforms SEO, pay-per-click advertising and content marketing. Given it's free to implement, it's hard to ignore.

So why are business owners generally more comfortable promoting their business on social media rather than email? The answer is simple, they lack an up to date list of subscribers. It's easy for accountants, we've had a habit of saving our clients into our databases for decades, but restaurants, retail outlets, tradies and many other businesses don't have a current list of their customer's email addresses.



With the highest Return On Investment (ROI) of any marketing channel, it makes sense to utilise email marketing. While social media can be very effective, there are three times more email accounts than Facebook and Twitter accounts combined. Statistically speaking, you are six times more likely to get a click-through to your website from an email as opposed to Twitter.

As a savvy business owner, it's important to use email marketing and the first step is to build your email marketing subscriber list using these guidelines.

1 Call To Action on your Website

A strong call to action form on every page of your website, coupled with an offer of a free consultation, sample or free trial is the perfect way to gather contact information for your email subscriber list.

2 Social Media

The content that you share in your email marketing will probably be shared on social media too – and that's great! However, Facebook, Twitter and LinkedIn are making it harder for us to get into our followers news feeds without paying more money to promote our posts. It's definitely a good idea to be communicating with your audience outside social media channels and you can send an email campaign for free.

Keep sharing your content to social media, but ensure that your followers are told the benefit of signing up to your email list to receive all your best content directly into their inbox.

3 Face to Face

Online marketing has certainly made a lot of things easier but you can't ignore the effective offline marketing tactics. In a lot of instances the best approach is to just go out there and mingle with industry groups and potential customers and clients. Your personal touch will make people much more likely to sign-up. And if you're in the right place, you're more

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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.

How To Build Your Email Subscriber List (Continued)

likely to be speaking to real prospects who would be interested in your email content, and are more likely to convert to customers.

Examples of this might include:

- Bricks and mortar businesses such as restaurants and retail outlets can collect contact information at the cash register, possibly in exchange for discounts or exclusive offers.
- Business to business service providers can collect contact information at networking events and conferences – next time you're handed a business card, ask if it is OK to add them to your email list.



Other businesses may find it beneficial to attend community events or trade shows. Basically, find your ideal customer, work out where they hang out and go and talk to them.

4 Quality or Quantity?

There are plenty of business owners who never start to build a subscriber list because they think they need to have thousands of subscribers to make it a worthwhile exercise. However, you just need the right subscribers. Be proactive, attend relevant events, keep asking your customers and clients for their details and keep promoting the calls to action on your website and social media channels.

It takes time and effort but the rewards can be gold.

Accounting for Airbnb

You will find elsewhere in this edition an article on the Tax Office treatment of the booming personal 'taxi' service known as Uber. The other popular service that is part of the new 'sharing economy' is Airbnb where thousands of taxpayers are letting out a room in their home or apartment on a short-term basis. Make no mistake, this service is big and getting bigger. In December 2016, some 22,000 properties in Sydney and another 13,000 properties in Melbourne were listed on the Airbnb website.

Globally Airbnb hosts share their spaces in 190 countries and 34,000 cities. Like other sharing services including Uber, Airbnb is all managed online. As a consequence, the audit trail of income is very clear and the ATO can access these records. If you are involved in renting out your property (or part thereof) through Airbnb, it is important that you understand the taxation implications. The most commonly asked questions include:

- Does the rental income need to be disclosed in my tax return?
- What deductions can I claim on the property?
- Am I subject to Capital Gains Tax on the sale of the property?
- Do I need to register for GST and lodge regular Activity Statements?
- Do I need an ABN?
- What records do I need to keep?

Let's address each of these six questions.

1 Does the Income Go In My Tax Return?

The Australian Taxation Office's guidelines are clear. Renting out a property (or a room in a property) via the sharing economy is treated the same as more traditional rental properties. The rental income needs to be disclosed in your income tax return and the only exception to the rule is where the property is offered at a rate below market value (as a



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Accounting for Airbnb (Continued)

favour to family members or friends) and you are looking to claim a loss for tax purposes. The only other circumstance that could potentially fall outside the conventional interpretation is where rooms in a shared house are listed on Airbnb to simply recover costs while the regular occupants are on holidays, etc. This is quite common amongst the generation of 20 something year-olds paying high rents in inner Melbourne and Sydney. As such, renting part or all your property through Airbnb is no different to other rental properties and you must keep detailed records of rental income and expenditure.

2 What Deductions Can I Claim?

The types of expenses that you can claim for renting out all or part of your property through Airbnb are the same as if you had an investment property. Common expenses you can claim include:

- fees or commission charged by the facilitator or administrator
- council rates
- interest on a loan for the property
- heating and lighting
- property insurance
- cleaning and maintenance costs (products used or hiring a commercial cleaner).

Whether all or part of the expense can be claimed will depend on:

- a. the proportion of the year you rent out the room or property
- b. the portion of the property you have rented out (for example, a room or the whole property)
- c. whether you use the home or part of the house for personal use when it is not rented out.

You can only claim the full deductions if the whole property is rented out for the entire year. The claim will need be apportioned for time rented, including when it's on the market and empty/available for rental. If you are only renting part of your home, for example a single room, you can only claim expenses related to that portion of the house together with a percentage of common areas like the kitchen and bathroom. You can only claim expenses for when the room was available for rent. If you use the room in any capacity, for example for storage or as an office when you do not have guests staying, then you cannot claim deductions for expenses when the room is not occupied.

There are several examples on the ATO website that illustrate the need to pro-rata expense claims but let's assume you have leased one of the two bedrooms in your unit out for six months of the financial year and your guest also had equal access to the common areas. In this instance you could claim 50 per cent of the expenses in relation to the area available for rental then you need to reduce this amount by 50% given you only had the place available for rent for 6 months of the year. The net claim would therefore be 25% of your expenses against the six months' rental income. For more complex rental arrangements you would need to base your calculations on floor area sizes.

All of the expenses directly related to the letting of the property can be claimed, such as the facilitator or agent's fees and depreciation on furniture and fittings in the leased room.

Types of Deductions

The expenses you can claim fall into two main categories.

- The first type are cash or out-of-pocket expenses including fees or commissions from the facilitator or agent, electricity and gas costs, council rates, land tax, insurance, cleaning and maintenance, repairs and interest charged on the mortgage.
- The second claimable expense category is non-cash deductions that include capital allowances being depreciation or deductions over time for identified building (structure) costs (2.5 per cent per annum where eligible and higher rates for furniture and fixtures such as carpet, stoves, hot water systems, air-conditioning, curtains, light fittings and so on).

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Accounting for Airbnb (Continued)

The cost of these items is usually embedded in a property's purchase price, but claims will apply where the taxpayer purchases new items or undertakes renovations where that expense doesn't qualify as a 'repair'.

3 Capital Gains Tax

Most people assume that Capital Gains Tax won't apply on the sale of their family home because it is normally exempt from Capital Gains Tax (CGT). However, if you have used part of your property for income earning activities including rental, your property will no longer be exempt unless you purchased the property prior to 20 September, 1985. Assets bought before that date are not subject to CGT, regardless of whether they are used to derive rental income.



The reduction in the CGT exemption will be based on the proportion of the floor area you rented out and the length of time it was rented. It can be a relatively complex calculation and it is important to seek advice from one of our tax experts if you are using your principal place of residence in the sharing economy.

4 Do I Need to Register for GST and Lodge Activity Statements?

GST does not apply to residential property which covers most of the properties on Airbnb. However, there are always exceptions and if you are leasing out something that looks and feels like a hotel room, boarding house or hostel and you provide things like food and board, internet, concierge, transport services etc., it may be considered a commercial residential premises. This could mean GST applies.



If the property is commercial or industrial, or indeed does not have a house on it (such as a spot to camp or park a caravan) then please consult with us as you may need to charge GST. Having said that, there is a \$75,000 annual income threshold before you need to register, so if your rental income is below this amount you won't need to register and charge GST.

5 Do I need an ABN?

Hosting guests in your property through Airbnb, whether it is a room or your entire house, is essentially the same as having an investment property. The income is treated as residential rental income so no ABN is required. On the other hand, if you are running a commercial enterprise through Airbnb and GST applies, then you will need to register for an ABN.

Australian business number (ABN) or withholding payer number (WPN)

1 2 3 4 5 6 7 8 9 1 2

6 Record Keeping

The ATO is looking carefully at the shared economy so you need to ensure you are keeping adequate records. Regardless of how much you earn and whether you are renting out just a room in your home, your entire apartment or your whole house, you need to keep records of all income earned, your expenditure and dates the place was available for rent.

As an Airbnb host, you need to understand your tax obligations. It is important to remember that every host's individual situation is slightly different and while the above information is a general summary of the tax issues facing Airbnb hosts, we recommend you consult with us if you are earning or looking to earn through the sharing economy.

We would like to take this opportunity to thank you for your support and to wish you and your family a safe and Merry Christmas, a Happy New Year and a Prosperous 2018.



Questions You Must Ask Before Buying A Business

When you're looking to buy a business it's important that you do your homework. Your research should include a detailed review of the industry, your competitors, the financial statements of the business and emerging trends that could impact operations.

This 'due diligence' process is designed to give you peace of mind regarding your buying decision. You can't rely on 'gut feel' when investing in someone else's business and while buying a business is an exciting time, it carries considerable risk.

While the due diligence process covers a range of issues, it all starts with a financial health check. If the business doesn't satisfy the financial examination then it's probably not worth investigating the other aspects. As a starting point, here are some key questions you should ask regarding the financial aspects of the business.

- ✓ Have you received and analysed the financial records for the past 3 years including balance sheets, profit and loss statements and tax returns? There is no substitute for certified copies of financial statements and never rely on statements simply generated by the vendor's accounting software.
- ✓ Is there a list of plant and equipment plus fixtures and fittings that the owner intends to sell and where has the valuation come from for these items? Are any of the items under finance agreements or contracts?
- ✓ Details of any stock being sold with the business and the valuation method. How will it be counted and valued at settlement?
- ✓ Do sales and purchase records reconcile to bank statements? Have the records been well kept? Are the total sales broken down by product or service line?
- ✓ Does the business have potential for growth and if so, what is your plan to turn that potential into profit? Can you increase sales with the current resources?
- ✓ Based on past financial results, have you done a future cash flow projection and profit forecast? What is the break-even point and are profits adequate to warrant the risk of buying?
- ✓ What are the sales patterns year-by-year and month-by-month? Is there a seasonal pattern? What is the sales mix (the ratio of each product sold to total sales)?
- ✓ Do a small percentage of clients represent a large percentage of sales?
- ✓ Are there any one-off sales that won't be recurring? What is the impact on profit?
- ✓ Are you buying the accounts receivable/debtors? If so, do you have an aged listing of them?
- ✓ Has the existing owner received any pre-payments (e.g. deposits) that they should turn over to you at settlement?



These questions are really just the tip of the iceberg and every business is different. Before you start negotiating with the vendor we urge you to consult with us regarding the financial statements and additional questions you need to ask the vendor.

The Warning Signs of a Cash Flow Crisis

Cash flow is the life blood of any business and it can be the difference between success and failure.

A lot of business owners walk a tightrope when managing their accounts receivable (debtors) and their accounts payable (creditors). It can be a fine line chasing your outstanding debtors so you can pay your suppliers and other creditors on time. Of course, you also need sufficient funds to pay your employees and money to reinvest in your business to increase stock levels that can drive additional revenue and profit.

Let's briefly examine some of the most common causes of a cash flow crisis.

1) Slow Paying Debtors

The last thing you want to do is lose customers. Your marketing has worked and you have won these customers but they are slow payers. While it's never easy asking a customer to pay your invoice, it's a fact of business life.

Some business owners don't chase their accounts receivable because they fear they might upset their customer which could impact on future sales. It's an awkward but essential conversation you need to have with your delinquent customers because a non-paying or slow paying customer can bring your business to its knees.

It might sound obvious, however, some businesses still don't list their payment terms on their invoices. If you don't specify the payment terms on your invoice or in your original contract, you are inviting trouble. You need to monitor your accounts receivable and mail or email regular statements to your customer. The squeaky wheel eventually gets oiled. Identify the problem customers early in the relationship because extending their credit with you is a recipe for cash flow problems.

2) Insufficient Sales

Without sales your business has no cash flow or future.

Try and find some easy add on sales (would you like fries with that?) or 'low hanging fruit' from your existing customers. Develop an irresistible offer for your existing customers and make sure you build a list of customers to target with your offers. Statistics show that 80% of sales are made after the fifth contact with a potential customer so make sure you also keep building a list of prospects via your website by exchanging a piece of your valuable content (or even a product sample) for the prospect's name and email address. You may have to give away an e-book, whitepaper, newsletter or checklist but this strategy lets you build a pipeline of prospects that you have permission to market to in the future. Remember, not everyone who lands on your website is ready to buy so building a list and adding them to future marketing campaigns is a key strategy to winning more sales.

It can also help if you have a systemised approach to selling. Where possible, automate and systematise the process so your customers get a consistent and positive experience. Also, create sales forecasts. They say, if you don't know where you are going, all roads lead to nowhere. Establish sales targets so you can monitor your own performance. It could mean identifying how many new customers you need to win each week or month. In business, if you don't measure you can't manage.

3) Wrong Pricing or Discounts

To win more business it's common for business owners to discount their prices. The strategy of reducing prices to win a bigger share of the market and luring customers away from your competitors is sound, however, it could have an impact on your cash flow.

You need to review your pricing at regular intervals because your suppliers have probably increased their prices so the cost of your product 'inputs' is on the rise. What impact are those costs having on your profit margins? It's no surprise to find that businesses that don't regularly review their pricing and gross profit margins often experience cash flow problems.



The Warning Signs of a Cash Flow Crisis (Continued)

To illustrate the impact of discounting your prices, let's look at how many extra products you need to sell to generate the same gross profit amount. Using the chart below, find the gross profit margin of your product in the left hand column, then find the column that shows your price decrease. Where the two numbers intersect, this is how many extra units you will have to sell (following the price reduction) to maintain the same gross profit in dollars.

For example, if you have a 30% gross margin on your product and you are contemplating offering a 15% price decrease, you must get an incredible 100% increase in unit sales to end up with the same total gross profit. The message is clear, think carefully before you discount because the whole strategy of generating more cash flow may backfire.

If you <i>decrease</i> your prices, how much must unit sales <i>increase</i> to maintain the same gross profit dollars?				
	Price Decrease			
Current margin, before a price decrease	-5%	-10%	-15%	-20%
30% gross margin	+20%	+50%	+100%	+200%
35% gross margin	+17%	+40%	+75%	+133%
40% gross margin	+14%	+33%	+60%	+100%
45% gross margin	+13%	+29%	+50%	+80%
50% gross margin	+11%	+25%	+43%	+67%

4) Too Much Debt

A business with too much debt will inevitably experience cash flow issues. If you are having trouble servicing your loans and credit cards then red lights should be flashing. It could be time to look at all your loans and consolidate them or refinance.

Preparing a cash flow budget to identify any future cash flow shortages is a great strategy. There's no point chasing an extension of the overdraft when it has reached the limit. You need to anticipate the need to extend your loans and apply to the bank well in advance. As you probably know, loan applications don't happen overnight and it can be a lengthy process that requires considerable documentation including up to date financial statements.

If your business is experiencing cash flow issues or you anticipate the need for extra finance, we urge you to talk to us today.



Beware - Business Name Renewal Emails

There are currently at least two emails targeting businesses with business names due for renewal in Australia. Both appear to be from the Australian Securities and Investments Commission (ASIC). The senders are sourcing company details using publicly available tools (ABN Lookup and the companies own website) then sending emails to businesses with upcoming business name renewal dates using the contact information listed on the websites.

One of these emails currently hitting Australian business inboxes is from a private company, Online Business Registrations. This company sends an email just prior to the official ASIC renewal notice advising the business owner that their business name is due for renewal and offer to renew the name for one year for \$99 or \$199 for 3 years. The same business renewal price from ASIC is only \$35 for one year or \$99 for three years! This is a legitimate business and they are not doing anything against the law – so buyer beware.

A scam email that continues to circulate is a malicious malware sent to Australian company inboxes. This email appears to be from 'ASIC Messaging Service' and is sent from a domain ending asicdesk.com or ato.govsec.biz or similar.



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Beware - Business Name Renewal Emails (Continued)

At first glance this email looks genuine as it contains ASIC branding and the Australian Government coat of arms. It provides details on how to renew a business name and details on payments via credit card or requesting an invoice. The payment side of this email is not the scam, the cybercriminals want you to click on the links to download the malicious attachment, rather than dipping into your wallet.

Per our article in this edition on Cyber Safety, the take home message is that any email lacking personalisation, demanding payment or including an invoice should be carefully reviewed. ASIC issue their renewal notices 30 days prior to your renewal date. Rather than clicking on any link, login separately to your ASIC online account using ASIC Connect to look up and check when your business name is due for renewal.

Do You Need a .com or .com.au Domain Name?

Your domain name is your online identity. Your online shopfront if you will. It helps your customers or clients find your business online and just like a physical shop front, it should be memorable and easy to find. One question that is often posed is, should my business register for a .com or .com.au domain? The answer to this question will depend on the nature of your business and below are some guidelines to help you decide which website extension suits your needs:

1. What is Your Location?

If the bulk of your customers are based within Australia, or if you only target people living within Australia, then a .com.au extension will best suit your needs. This address helps search engines, such as Google, to direct traffic to your site from Australian browsers. This is pertinent if you have an e-commerce store or services that only caters to Australian residents.

By registering a .com.au domain name for your Australian business, you indicate to Google that you are based in Australia, and this could lead to greater visibility when Australian consumers are searching for local suppliers of products or services like yours. If you mainly cater for customers in your local area within Sydney or Melbourne, a .Sydney or .Melbourne domain name may be of benefit. In the same way a .org domain name is synonymous with not-for-profit organisations, a .Sydney or .Melbourne domain name assists in signifying local presence, which would be especially relevant for products or services where people are likely to prefer local suppliers. Builders, plumbers, local shop owners and professional services providers i.e. dentists could benefit from a .Sydney or a .Melbourne domain. These domains can always be obtained and re-directed to your main domain name also.

If your products or services are a worldwide offering, a .com domain may be the best option.

Of course, your domain name won't be the only driver for relevant traffic, but it does add weight to how your site is ranked. Your website content, page speed and user experience amongst other things will influence your page rankings in Google and other search engines.

2. Do You Intend to Expand Your Business Globally?

If you plan to offer your product or services globally, you'll need a .com domain as it is the most recognised domain extension. Even if you are unsure about scaling your business in the future, it may be prudent to register the .com extension now, just in case your competitors are eyeing it off.

3. Is Your Domain Available?

It's a fairly obvious question but an important one. If your proposed domain name has already been taken you can contact the owner of the domain name and request to buy it but this might prove costly. If both your proposed .com and the .com.au domains are unavailable, a local domain like .Sydney or .Melbourne may serve as a suitable domain extension.



ATO Ready to Perform GST Swoop on Ride-Sharing Drivers

We have previously published articles on the ATO's focus on taxpayers who work for ride-sharing services like Uber, Shebah, GoCatch, etc. to supplement their income.



The ATO has now issued fresh warnings of public crackdowns specifically in regard to drivers who are not meeting their obligations.

"We are getting data from financial institutions and directly from facilitators, so we know who you are, and we know if you aren't correctly meeting your obligations,"

Assistant Commissioner Tom Wheeler then went on to warn:

"If drivers that we have been in touch with continue to ignore our prompts and don't apply for an ABN and register for GST for their ride-sourcing enterprise, we will register them for GST and backdate that registration to the date of their first ride-sourcing payment. They will be required to lodge and pay all outstanding tax obligations, Penalties and interest may also be applied."

Common mistakes ride-sharing drivers are making include:

- Expenses not being apportioned between private and business use;
- Claims for GST credits over the luxury car tax thresholds; and
- Claims for fuel tax credits, which ride-sharing drivers are not entitled to.

The ATO highlighted that drivers needed to register for GST over two years ago but many drivers have not complied yet. The ATO obtains information from banks and other financial institutions and has sent out tens of thousands of letters as a result, with some success at getting drivers to register for GST, however, there are plenty that still haven't complied which has prompted the latest reminder.

Adding to the issue of ride-sharing drivers registering for GST is the problem that the population is changeable and the work is often new to the taxpayers involved.

Many ride-sharing drivers have only begun quite recently while others start and stop – many driving for only a short

period and they then find something else to do. They may not know that they needed to register and account for GST even though they may have performed comparatively few shifts.

Because it's a relatively new industry, the ATO initially took an educative stance first, but with significant non-compliance still occurring it will be imposing penalties to those non-compliant taxpayers.

RIDE SHARING AND FBT IMPLICATIONS FOR EMPLOYERS

Ride-sharing services have been an increasing area of focus for the ATO for individual taxpayers but the ATO is now also focusing on monitoring organisations' taxable fringe benefits.



Because a significant number of employers are now using Uber and other ride-sharing services for their employees' travel, implications arise due to the fact that under the FBT Act, a taxi is defined as a 'vehicle that is licensed to operate as a taxi'. Therefore the Section 58Z exemption cannot apply, as Uber drivers are not lawfully required to hold a license to operate as a taxi.

A second area of focus is the use of ride-sharing services for taxi travel between home and work locations, which aren't included in the fringe benefits tax (FBT) exemption.

The ATO has contacted over 120,000 taxpayers about their GST obligations and will be monitoring the compliance of ride sharing workers this tax season.

BUSINESS BUILDERS **Quick Tips to Grow Your Business**

Before launching any marketing campaign or new strategy - begin by doing your keyword research. It may sound simplistic but, having knowledge of your keywords, your competitor's keywords and trending keywords in your industry will help you to drive more traffic and create more effective campaigns.

4 Ways to Protect Your Business Against Cyber Threats

The recent WannaCry Ransomware attacks have highlighted real consequences for businesses of all sizes who do not have Cyber Security processes in place.

As a small to medium sized business, you may think you are too small to be of interest to hackers. In reality, you are their ideal target. Ransomware attacks often impact individuals or small and medium sized businesses who are less prepared to defend against such an attack.

The recent high-profile infection of ransomware 'WannaCry' made headline news in over 100 countries because once this infection was in a network, it spread through the entire system on its own. This means you don't have to be big enough to catch a hacker's attention, as the virus is designed to spread to as many computers as possible, without consideration of size or type of business.



60% of Australian Businesses Experienced a Ransomware Incident

What is Ransomware?

Ransomware is currently the biggest cyber threat to small to medium businesses. Ransomware, such as that used in the recent WannaCry attack, hacks the files on your computer system and blocks your access to them. They then demand a ransom (usually to be paid in BitCoin) for the release of your files.

Why should I worry about Ransomware as a small to medium business owner?

What would happen if you lost every file on your business computer system? Would you be able to continue to run your business? How much revenue would you lose while you rebuilt your files and systems?

Would confidential data about your customers and business be in the hands of hackers? How would that effect your reputation? What would happen if that data was released to your competitors? The answer to all those questions, is why you should worry about Ransomware.

According to the *Telstra Cyber Security Report 2017*, 60 per cent of Australian businesses experienced a ransomware incident last year. Of these incidents, 57 per cent paid the ransom - but at least one third of those did not recover the impacted files.

How do I Protect My Business From Ransomware?

There are a number of simple things you can do that will go a long way towards protecting your business from cyber threats such as ransomware.

1. Back up your data regularly. This should be done on a device not usually connected to your network, or else you run the risk of having your backup infected too. Use an external hard drive, that is disconnected from your network when it is not actually in the process of backing up your files.
2. Keep your key systems and software up to date including operating systems, browsers and applications. How many times have you seen a pop-up on your computer stating "There is an update available for XXX software", and you've thought "I don't have time for that now"? These updates often include cyber security measures designed to protect your computer, so you should always accept the updates as soon as possible.
3. Have security software (i.e. antivirus) installed on your computer. Again, maintain this software and install software updates as they become available.
4. Malicious software such as ransomware is often downloaded via malicious emails, so be cautious before opening attachments or links on any suspicious email. Be wary of emails from unknown senders or where contact is out of context (they wouldn't usually contact you via work email) or the email is simply unusual (blank with only a link/attachment)

Remember to apply these measures at home as well as work and finally, like the flu, viral software does not discriminate. These types of attacks will infect any network it gains access to, regardless of what type of business you have. Practicing good cyber "hygiene" using these simple, convenient and low cost tactics, could save you a lot of money, frustration and heartache in the future.

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