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September Newsletter

Welcome to all our new and existing clients to our first official newsletter for Mark Trovato Chartered Accountants.

We've had a busier start to the year than normal with establishing new processes and systems internally for the business. You will witness some of these changes over time.

We would also like to thank all existing clients whom have referred new clients to us over the past few months or so. We do appreciate your thoughts in recommending us to others.

Our starting team increased in late July when Caitlin O'Shea joined us as our Front Office Administrator. Refer to our website for more details on our team. Mark, Alison, Jeanette and Anita are all on hand to assist you with your tax and business affairs anytime. Just call or email us directly.

For our direct contact details, please click here...

XERO

Many business clients we work with use MYOB for their record keeping. It's a well-known accounting package that has been in the market for many years.

We have extensive experience in the use of MYOB, and continue to support and use this product. But as is our mantra, we are always looking ahead for tools or solutions for our clients.

XERO is one such solution which we identified 12 months ago as a valuable addition to any business. We see it as the future for businesses dealing with their financial management.

A number of our business clients have made the transition from MYOB and other software to XERO - which we have assisted them in this process.

As a result, we are very excited to announce that we now offer full business packages to all clients including subscriptions to XERO.

For more information, please see our website....

Featured Articles This Month:

Create A 'Service Profit Chain' to Help Performance In These Difficult Times - Part 1

Create A 'Service Profit Chain' to Help Performance In These Difficult Times - Part 2

Government Grants for SME'S - Are You Planning To Export?

Do I Need A Power Of Attorney?

Characteristics Of A Well Run Business - Part 1

Tax Changes Under The New Government

Seminars

Our seminar series for 2013 had to be put on hold in the past few months, however we are pleased to announce that we are currently preparing the content for a new topic to be held soon. Keep an eye on the newsletter's for more information.

[Click here to review our past Seminar Series Topics...](#)

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For any other enquiries, please find our contact details below.

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Kind Regards

The Team

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Create A 'Service Profit Chain' To Help Performance In These Difficult Times

Part 1

There is no doubt that the vast majority of Australian businesses are operating in difficult times. There are number of factors at play.

- Federal election uncertainty – now partly solved with the announcement of a definite election date.
- Extravagant promises and 'porkies' by political parties, and they have only just started the election campaign!
- Currency changes, which in the main, are benefiting exporters, but causing some problems for importers.
- Interest rate lowering to 2.5% – good if you are a borrower, but no good for depositors. The lowering of interest rates underlines the difficult economic circumstances in which businesses are operating. "A bit below trend over the past year" – RBA Governor Glenn Stevens – undoubtedly, most SME operators will agree with him!

To navigate through this 'maze' of uncertainties, businesses need to embrace strategies to develop a 'healthy and engaged workforce', which will encourage 'loyal customers', and should result in a healthy bottom line – a 'service profit chain' (a term originally coined by Harvard Business School in the 1990's).

The challenges that business owners need to face are:

- What experiences do you want your customers to have when they do business with you?
- What type of culture are your customers going to encounter when they do business with you?
- What are your business' goals?
- What's the philosophy of why you are in business?

This will undoubtedly lead you to the development of people. To be successful in business, you need to develop capable people. Attention to the development of capable people will lead to productivity improvements. Greater satisfaction and team loyalty will then contribute to the profitability of the business.

The other big benefit is, that this will lead to, greater customer service and customer satisfaction. An investment in people to deliver greater services will result in business improvement.

Where do you start?

- What do you want your customers to experience when they deal with your business?
- What type of culture exists within your business?
- From a team member's point of view, culture is about:
 - management style;
 - team work;
 - developing pride in what is achieved within your business; and
 - an appropriate behaviour must be experienced at every level (from the most junior team member to the most senior classification).
- Consideration needs to be given to rewards, but rewards are not all monetary. In many cases, an appropriate reward can be acknowledgement and recognition of a job well done and, ultimately, allowing the team members to participate in the fruits of the enterprise, thus creating an overall sharing in the benefits of the organisation's success.

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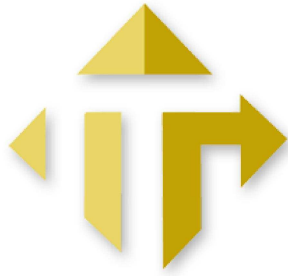


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Create A 'Service Profit Chain' To Help Performance In These Difficult Times

Part 2

- How will these strategies show themselves?
- Team members will solve problems.
- Creating ideas should lead to greater innovation within the business.
- Team members should not be scared to take the initiative and go the extra mile to solve customers' problems.

The effect of these activities will be shown in customer surveys, the business' results and, ultimately, in the bottom line. This will contribute to a better retention rate and a more inclusive culture within the business.

How should you go about implementing this?

- Empower front-line people to fix the problem without having to refer complaints or suggestions from customers further up the line.
- Why not have a policy of 'just fix it'?
- Some organisations are using technology to add value to their customers' experiences by creating activities, such as 'chat facilities', to hear about and solve customers' problems.
- Drive positive behaviour in team members by being absolutely clear on the purpose of the business.

What doesn't work?

- People not being appreciated.
- Insufficient communication, especially to the front-line team members.
- Inappropriate behaviour at various levels, senior levels in particular.

The 'service profit chain's' ultimate goal is customer loyalty. Loyal customers think differently about an organisation, because there is now commitment to a brand. This can lead to referrals to other potential customers. In many cases, loyal customers are easier to deal with, and price is not a factor to them. Loyal customers have already decided that they want your services, as long as the prices are reasonable. From a business' point of view, it's how you add value and how your customers enjoy doing business with you that leads to businesses gaining loyal customers.

What can you do to develop loyal customers?

- Have discussions within your organisation.
- What are the differences between your various customers?
- What do they complain about?
- How can the items, that they're complaining about, be fixed?
- Are there follow-up phone calls after a job is completed?
- Are customers encouraged to make comment?
- What internal goals need to be set relative to dealing with customers?
- Create key performance indicators and measure KPIs, as appropriate, on a daily, weekly and monthly basis.
- Encourage success by rewarding positive behaviours within the team.
- Encourage and lead the workforce to build customer loyalty.

Ultimately, all of these activities will benefit the business' overall performance and improve the bottom line profitability of the business. There is no doubt that there are tough economic times at present. In tough times, businesses need to utilise all of the resources they can gather to ensure that the business is successful. This will keep your team in jobs and provide a great service to your clients.

Now is the time for a complete review of your business activities to see where the improvements need to be made, with particular emphasis on these two key areas. Happy, engaged workforce and happy loyal customers lead to bottom line success.

If you would like us to undertake a business review of your business, utilising our 'Surviving in Difficult Times' system, please do not hesitate to **contact us**.

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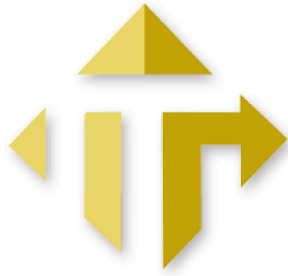
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Government Grants For SMEs

Are You Planning To Export?

If you are planning to commence export operations, the Australian government has an Export Market Development Grant, at which many SMEs, who are exporting, avail themselves.

If you spend more than \$20,000 in the financial year on eligible export development activities, you can claim a grant of 50% of the eligible expenditure, up to a maximum grant of \$150,000.

For first time claimants, you can combine two consecutive years of expenses to achieve the \$20,000 of eligible export expenses. For example, in the first year, the business spends \$11,000 on eligible export expenses, and spends \$17,000 on the second year. With the total of \$28,000, you would be able to claim as the 'first year's' eligible expenditure. This would be a grant of \$14,000.

Eligible expenses for export market expenditure can include:

- overseas representation;
- marketing consultants;
- overseas market visitations;
- communication costs;
- supply of free samples;
- trade fairs and promotional events;
- promotional literature and advertising being sent to overseas market;
- overseas buyers to Australia; and
- registration and/or insurance of eligible intellectual property.

There are some limits to expenditure that you are able to claim under some of these items.

The export market development grant is available to businesses with turnovers of under \$50M.

If you would like to have a discussion relative to your exporting activities, or proposed exporting activities, please do not hesitate to [contact us](#).



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Do I Need A Power Of Attorney?

Every business owner should consider what would happen to their affairs if they were unable to manage their affairs personally. Before you find it difficult to deal with your own affairs, you should consider the appointment of a person to handle those affairs. A Power of Attorney is a legal document, by which you can authorise another person, or a number of people together, to act on your behalf.

- [General Power of Attorney](#) - This is where you appoint someone, usually for a specific period of time, to make financial or legal decisions for you.
- [Enduring Power of Attorney](#) - This is where you appoint someone to make financial, legal and/or medical decisions for you in the event of you losing, at some time in the future, the capacity to make those decisions for yourself.



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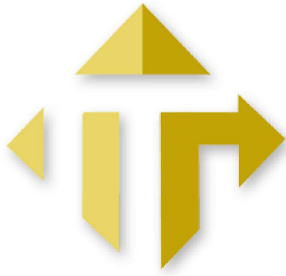
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Characteristics Of A Well Run Business – Part 1

There are many characteristics for successful businesses. Many businesses have specific characteristics that relate to their industry or geographical location.

Generally, the key areas that business owners should be monitoring, to achieve a well-run business, incorporate:

- personal capacity development;
- do your homework on your customers;
- drive and energy;
- can you walk in their shoes?
- high levels of self-confidence;
- do you have empathy with your customers?
- ability to solve problems;
- treat your customers differently from what everyone else does.
- willingness to take advice;
- communicate with your customers.
- ability to see the big picture;
- let your customers know how much you appreciate their custom.
- excellent customer knowledge and service.;
- offer better and more personalised services than big business.
- know your target market;

For small business to effectively compete, specialist and always be certain to have the product on hand, or always be able to deliver that service.



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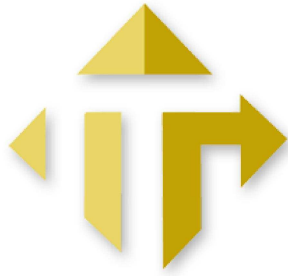
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Tax changes under the new Government

While limited detailed information has been provided, we have set out below a summary of some of the changes to the tax system proposed by the coalition in the lead up to the Federal Election on 7 September 2013.

The promised changes include:

1. **Repeal of the Minerals Resource Rent Tax (MRRT)**
2. **Repeal of the Carbon Tax**
3. **A reduction in the corporate tax rate by 1.5% from 1 July 2015**

The decrease in the corporate tax rate will reduce the tax payable at the corporate level; however Australian resident shareholders receiving franked dividends will receive dividends franked at a lower rate. This means the taxpayers with a marginal tax rate at greater than 28.5% will pay more top-up tax and those with a marginal tax rate of less than 28.5% will receive less refund of franking credits. However, the impact of this should be offset by an increase in the after tax profits of affected companies allowing such companies to pay higher dividends.

Subject to the impact of the 1.5% levy on corporate profits above \$5 million (addressed below), it is to be hoped that the lower corporate rate makes Australia more internationally competitive in attracting and retaining corporate investment.

4. **Imposition of a 1.5% levy on companies with taxable income above \$5 million a year**

The 1.5% levy will be imposed on the taxable income of such companies that exceeds \$5 million. This was announced as a means of partially funding the new paid parental leave scheme promised by the Coalition. It appears that this 'levy' will not produce franking credits for the paying companies. No details of the likely grouping provisions for determining whether a company's taxable income is more than \$5 million have been released.

5. **Discontinuing the 'instant asset write-off'**

Currently small business taxpayers can immediately deduct the cost of an asset which would otherwise be depreciable for tax purposes, where the cost of such an asset does not exceed \$6,500. The basis for the removal of the concession is that it was introduced in the context of, and was to be funded by revenue from, the MRRT.

6. **Removing accelerated depreciation for motor vehicles**

An immediate accelerated depreciation deduction of \$5,000 has been available for small businesses who acquired a motor vehicle for business purposes in the income year for more than the \$6,500 instant asset write-off amount. The basis for the removal of the concession is that it was introduced in the context of, and was to be funded by revenue from, the MRRT.

7. **Discontinuing the tax loss carry-back measure available to companies**

The loss carry-back measure is to be discontinued on the basis that the measure was introduced in the context of the introduction of, and was to be funded by the MRRT. The loss carry-back measure which applies to assessments for the 2012-13 and later income years and which had a transitional one year carry-back period, applies for the 2012-13 and following income years. It allows the carryback of up to \$1 million of losses where threshold conditions are met. It is to be hoped that the repeal of this regime will not be retrospective.

8. **Reversing the change to the fringe benefits tax on motor vehicles,**

This change was announced by the Labor government in July this year, whereby the statutory formula of calculating car fringe benefits was to be repealed. This was seen as reducing the incentive for employees to take salary sacrificed car benefits and had the effect of reducing car sales. The Coalition will reverse this change as part of its plan for the automotive industry.

9. **R&D Incentives**

It is proposed to instigate a review process to examine the potential for creating a second stream of the existing R&D Tax Incentive. It is to be based more closely on the definitions and eligibility criteria of the former R&D Tax Concession. The review will also examine the potential applicability to Australia of the 'patent box' model that has been implemented in a number of overseas countries.

10. **SGC Phase Up**

The phase up of superannuation guarantee percentage from 9% to 12% is still proposed to occur, but with a changed timeline as follows:

2013-14	9.25%
2014-15	9.25%
2015-16	9.25%
2016-17	9.5%
2017-18	10%
2018-19	10.5%
2019-20	11%
2020-21	11.5%
2021-22 and beyond	12%



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