



Are you a Professional Milliner or do you just have a hobby?

**A presentation custom made for the
Millinery Association of Australia**

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Disclaimer

The information contained in this presentation is a summary of certain budget announcements and current taxation laws. You should not act on this information without specific professional advice that is relevant to you.



Agenda:

Why do you do what you do?

Pricing

Opportunity cost

The impact of price increase

The impact of price decrease

Pricing Power

Employees

Paying yourself

What can I claim

Business loss rules

Why do you do what you do?

Simon Sinek (Ted / youtube)

Is it your dream?

A great idea without action is a dream.

Is it your passion, hobby, business or all of them?

Have you commercialised it?

Do you make a profit?

Selling price

Less: Direct Materials

Less: Direct Labour

Less: Other Direct Costs

Equals

Gross Profit

Less: Overhead expenses

Equals

Net Profit

Opportunity cost

The Impact of Price Increase

After a Price Increase, what percentage drop in unit sales will result in the same \$ Gross Profit?

Gross Profit Margin

Price Increase		10%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%
	2%	16.67%	11.75%	9.08%	7.41%	6.25%	5.41%	4.76%	4.26%	3.85%	3.51%	3.32%
	3%	23.08%	16.67%	13.04%	10.71%	9.09%	7.89%	6.98%	6.25%	5.66%	5.71%	4.76%
	4%	28.57%	21.05%	16.67%	13.79%	11.76%	10.26%	9.09%	8.16%	7.41%	6.78%	6.25%
	5%	33.33%	25.00%	20.00%	16.67%	14.29%	12.50%	11.11%	10.00%	9.09%	8.33%	7.89%
	10%	50.00%	40.00%	33.33%	28.57%	25.00%	22.22%	20.00%	18.18%	16.67%	15.38%	14.29%
	15%	60.00%	50.00%	42.85%	37.50%	33.33%	30.00%	27.27%	25.00%	23.08%	21.43%	20.00%
	20%	66.67%	57.14%	50.00%	44.44%	40.00%	36.36%	33.33%	30.77%	28.57%	26.67%	25.00%
	25%	71.43%	62.50%	55.56%	50.00%	45.45%	41.67%	38.46%	35.71%	33.33%	31.25%	29.41%
	30%	75.00%	66.67%	60.00%	54.55%	50.00%	46.15%	42.86%	40.00%	37.50%	35.29%	33.33%

If you INCREASE the price by 10% at a 20% gross profit margin, turnover can drop by one third and you will still earn the same return.

The Impact of Price Decrease

After a Price Decrease, what percentage drop in unit sales will result in the same \$ Gross Profit?

Gross Profit Margin

Price Decrease		10%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%
	2%	25.00%	15.38%	11.11%	8.70%	7.14%	6.06%	5.26%	4.65%	4.17%	3.77%	3.45%
	3%	42.86%	25.00%	17.65%	13.64%	11.11%	9.38%	8.11%	7.14%	6.38%	5.77%	5.26%
	4%	66.67%	36.36%	25.00%	19.08%	15.38%	12.90%	11.11%	9.76%	8.70%	7.84%	7.14%
	5%	100.00%	50.00%	33.33%	25.00%	20.00%	16.67%	14.29%	12.50%	11.11%	10.00%	9.09%
	10%		200.00%	100.00%	66.67%	50.00%	40.00%	33.33%	28.57%	25.00%	22.22%	20.00%
	15%			300.00%	150.00%	100.00%	75.00%	60.00%	50.00%	42.86%	37.50%	33.33%
	20%				400.00%	200.00%	133.33%	100.00%	80.00%	66.67%	57.14%	50.00%
	25%					500.00%	250.00%	166.67%	125.00%	100.00%	83.33%	71.43%
	30%						600.00%	300.00%	200.00%	150.00%	120.00%	100.00%

If you **DECREASE** the price by 10% at a 20% gross profit margin, you need to double turnover to earn the same return.

Pricing Power: The extent to which prices can be increased without affecting demand.

How do you value your product?

How do your customers value your product?

How much demand is there?

How unique are your products?

Timing - Seasonal

Timing - Event based

Employees

How many of you employ others?

Award Rates

Fair work Australia minimum standards

Superannuation

Tax (PAYGW)

Paying Yourself

Sole traders

Structures

What can I claim?

**Issues with claiming conventional clothing
(non-uniform or industry specific)**

Events - Conferences - Fashions on the field

Education

Travel

Business loss rules

The four tests:

The assessable income test

The business has assessable income of at least \$20,000.

The profits test

The business had a profit for tax purposes in three out of the past five years (including the current year).

The real property test

The value of real property or of an interest in real property that you used in the business on a continuing basis was at least \$500,000.

The other assets test

The value of assets (excluding real property, cars, motor cycles and similar vehicles) you used on a continuing basis in carrying on the business was at least \$100,000.

From <<https://www.ato.gov.au/business/non-commercial-losses/eligibility/>>



Questions?