

ZAZEN TAX

Pricing a Job for Profit

Day rates, materials, variations and retention. Why profitable trades run out of money, and what to change.

Eight chapters. Mostly arithmetic, honestly done.

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Chapter two is the one most trades need. Chapter six is the one most of them have never costed.

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CHAPTER ONE **Why the quote is not the problem**

Most trades that are struggling are not underquoting the work. They are underquoting everything around the work.

The labour on the job gets priced carefully, because that is the part you can see. What gets missed is the quoting time, the collection of materials, the day lost to weather, the callback in six weeks, and the five per cent held back for a year.

None of those are unusual events. They are the ordinary conditions of the trade, and a price that does not carry them is a price that only works on the jobs where none of them happen.

CHAPTER TWO Your day rate, worked backwards

Start with what you need out of the year, not with what the man down the road charges.

Fifty two weeks at five days is 260 working days. Then take off the holiday you intend to have, the days you are ill, the days spent quoting and buying and chasing money, and the days the weather stops work.

A realistic year	Days
Working days	260
Holiday	28
Sickness	5
Quoting, buying and admin	20
Weather and gaps between jobs	8
Days you actually bill	199

If you need £42,000 of profit and have £14,000 of overheads, you need to earn £56,000. Over 199 days that is £281 a day. Over 260 it is £215.

THE ARITHMETIC IS A RATIO

The correct rate divided by the naive one is always the working year divided by your chargeable days. Bill four days in five and you need to charge a quarter more than the easy sum suggests. Quote the £215 and you finish the year £13,138 short even if you bill every one of those 199 days.

CHAPTER THREE Materials: markup is not margin

Two words that sound interchangeable and differ by more than most trades realise.

A markup is measured on what the materials cost you. A margin is measured on what you charged. Add ten per cent to £100 and you get £110, and the £10 you made is 9.1 per cent of £110.

Markup added	Margin kept	For that margin, add
10 per cent	9.1 per cent	11.1 per cent
20 per cent	16.7 per cent	25.0 per cent
25 per cent	20.0 per cent	33.3 per cent
50 per cent	33.3 per cent	100 per cent

Margin equals markup divided by one plus markup. Markup equals margin divided by one minus margin. The error always goes the same way, which is undercharging.

On a job that is mostly labour it barely matters. On a bathroom or a kitchen where materials are half the price, the difference between ten per cent markup and ten per cent margin is most of what you thought you were making.

HANDLING IS NOT PROFIT

Collecting, storing, carrying and returning materials takes time, and some of what you buy gets damaged. If your markup only covers that, you are not making anything on materials. You are being reimbursed.

CHAPTER FOUR Variations, where the margin actually goes

The most reliably lost money in the trade, and it is lost for a reason that has nothing to do with arithmetic.

The customer asks for something while you are on site. You do it, because saying no mid-job is awkward and it will only take an hour. Then it takes three, it was never quoted, and by invoice day nobody can remember what was agreed.

A job can hit its quoted margin exactly and still lose money, because the quoted work was priced properly and the extra work was not priced at all.

ONE LINE, BEFORE THE WORK STARTS

Not paperwork for its own sake. A message saying what the extra is and what it adds, sent before you start it. That is enough to bill it and enough to prove it was agreed, and it takes about forty seconds.

CHAPTER FIVE Retention, and what it really costs

Two costs, and only one of them is obvious.

The obvious one is waiting. Five per cent held, typically half released at practical completion and half at the end of the defects period, so you are financing your own money for a year or more.

The one nobody prices is the share that never arrives. The contract ends, the contractor moves on, the final release needs chasing and sometimes a solicitor, and often it is written off because chasing costs more than the balance.

On a £120,000 contract at five per cent, half back at six months and half at eighteen, financed at ten per cent with fifteen per cent never recovered, the cost is about £1,410. On a job carrying an eight per cent margin that is a seventh of the profit.

IF YOU PRICE IT IN, GROSS IT UP

The uplift you add gets retained too, so adding the bare cost leaves you short. The uplift that leaves your profit whole is the cost divided by one minus the retention factor, which on those figures is about £1,427 rather than £1,410.

CHAPTER SIX Callbacks, and the day they break

A two hour callback does not cost two hours.

It costs the travel each way, the fuel, whatever you fit while you are there, and then the part nobody counts: the chargeable time it displaces. A morning gone is half a day off a rate that was calculated on the assumption you would bill it.

Two hours on site, an hour and a half travelling, 34 miles and £35 of materials comes to about £177, of which £123 is the lost time. Three a month is £6,365 a year, or seven jobs' worth of profit on a typical job.

THIS IS NOT AN ARGUMENT FOR REFUSING TO GO BACK

Callbacks are how you keep a reputation, and the ones you refuse cost more than the ones you attend. It is an argument for knowing what an hour of goodwill costs, because that tells you what it is worth spending to avoid one. Usually better materials, or another hour on site first time.

CHAPTER SEVEN Pricing for cash, not just for profit

Profitable builders run out of money, and it is not a profit problem.

Wages and materials go out weekly. Stage payments arrive when a valuation is certified and then paid, which is usually four to eight weeks after the work was done. That mismatch is why a profitable book and an empty account are the same thing, eleven weeks apart.

No profit and loss will show it to you. A thirteen week cash flow will, and thirteen weeks is the right window: long enough to see a stage payment arrive, short enough that you can still do something about the week it goes wrong.

Three levers, in order of notice required

- Bring an application forward, which takes days
- Delay a materials order, which takes a week
- Arrange a facility, which takes a month and should be done before you need it

CHAPTER EIGHT What to change on Monday

Six things, in the order they pay back.

- Work out your real chargeable days and reprice from that rather than from 260
- Check whether your materials markup is the margin you thought it was
- Send one line before you start any variation, every time
- Price retention in, grossed up, or negotiate it down
- Put a number on your callbacks and spend up to it avoiding them
- Keep a thirteen week cash flow, updated weekly, whatever the profit and loss says

None of this is about charging more for the sake of it. It is about charging for the whole job rather than for the part of it that happens on site.

Where to go next

The Day Rate, Materials Markup, Retention and Callback calculators do the arithmetic in these chapters, and the Job Costing Workbook and 13-Week Cash Flow keep it going.

Every calculator and workbook mentioned in this book is free on zarentax.com, with no email form. They use the same figures and the same rates as the chapters here.

Zarent Tax

Accountants for people who build things. If you would rather someone else did this, that is what we are for.

zarentax.com/contact

General information, not advice for your circumstances. Rates are 2026/27 for the UK and change from time to time.