

ACCELERATE

March • 2019

THE AUTUMN NEWSLETTER FOR GROWING BUSINESSES



While sorting your end of year tax paperwork sounds about as fun as spilling coffee on your keyboard, once it is done, it's done — and now's the time.

With not long until year-end, we encourage you to spend a few minutes this week reading our top tax tips plus the latest changes you need to be aware of in 2019.

10 SMART YEAR-END TAX TIPS

1. **Fill your drawers:** Can you stock up on stationery, postage and courier bags before 31 March? Claim now and save.
2. **Staff expenses:** If you owe employees holiday pay, bonuses, long service leave or redundancy payments, you can claim for these now — as long as they are paid within 63 days of the balance date.
3. **Can you fix it?** If you've got any significant maintenance or repairs on the cards, do it before year-end and save on tax.
4. **Turn fun into savings:** Do you know which entertainment expenses you can claim 100% of? It's worth finding out — ask us if you need clarification.
5. **Look at your fixed assets:** Do you have any you're no longer using or don't plan to use in the future? If so, you may be able to write off the book value.
6. **While you're at it, check your stock:** Look at your stock as well, especially obsolete stock. There may be an opportunity to write some of this off as well — check with us on what could be done in this area.
7. **Income boost:** Earned a lot more this year? Consider making a voluntary provisional tax payment.
8. **Logging car use?** Remember to jot down your odometer reading at year-end and if you've kept a logbook of business and personal use, mileage and costs, good work!
9. **Home office:** It's also a good time to review what home office expenses may be available for deduction, especially your home office. We can help with calculating this.
10. **Saving time saves money!** Accountants are required to ask for information to comply with AML-DIA obligations plus the IRD may ask you, via your accountant, for extra information in relation to your EOY tax. Having your identification and tax documents collated and correct saves your accountant time. Which saves you money, so get started this week.

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Financing business growth with provisional tax

There are several options available when it comes to accessing money to invest in your business.

However, did you know that provisional tax payments are also a source of finance?

Tax Finance, an option offered by an IRD-approved tax pooling provider such as Tax Management NZ (TMNZ), lets you free up working capital by deferring a provisional tax payment to a later date, without incurring IRD interest of 8.22 percent and late payment penalties.

The cost is cheaper than using your business overdraft or an unsecured loan. Approval is guaranteed, and no security is required.

Who might Tax Finance suit?

It will suit those who:

- Are looking for funding that doesn't affect other lines of credit or who want to keep headroom in their existing lending facilities.
- Don't wish to go through the rigmarole of the normal lending process.
- Want a fixed interest cost.

How does Tax Finance work?

1. You pay TMNZ an upfront finance fee, which is based on the amount of tax due and the future date you wish to pay, and TMNZ puts a date-stamped tax deposit aside for you in its tax pool account at IRD.
2. At the agreed upon future date, you pay TMNZ the tax owed.
3. TMNZ arranges for your date-stamped tax pool deposit to be transferred to your IRD account. IRD treats this as if the tax was paid on time once it processes the transfer, eliminating any interest and late payment penalties incurred.

Contact us for more information.



TRAVEL EXPENSES – WHAT CAN I CLAIM?

If your business involves hitting the road, you can claim business travel as an expense. The best way to prove the business portion of your travel expenses is to keep a diary of your travels. Hang on to your itinerary, invoices and tickets. Jot down the reasons for the trip, date of the trip, and costs of any car hire, air/bus/taxi fares, accommodation, meals and incidentals, as well as the time spent on business and non-business activities.

Mixing business with pleasure? If your trip contains a private or capital element you can claim a 100% deduction (where the holiday aspect is incidental to the work element) or an apportionment (where there are two purposes for the trip, both truly separate). If the work side of things is just incidental to the holiday, no deduction can be made.



How did My Food Bag manage rapid growth?

CFO Alex Boyo answers:

"There's always a lot of risk that comes with rapid growth for any business. For us, a big part of risk management is simply about making good business decisions. The three most important things that guided our decision making were:

- i. Staying focused on and never compromising our deeply held customer values.
- ii. Doing less things and executing them incredibly well. When you're growing rapidly and are very successful at the same time, the temptation is always to do more and more at speed. This can be a real trap for businesses.
- iii. Empowering people and teams 'on the ground', closest to the risks to identify and address them. We found we were less successful when we initially tried to do this mostly top down, by senior managers."



FBT... SO, WHAT CAN YOU DO?

For an SME owner, that's quite a daunting list, and a good reason to talk to your accountant. An expert, independent set of eyes will help you determine what you need to do in all cases, what you *don't* need to do, and also how to go about doing it (including creating proper documentation).

The value of expert advice is heightened by some of the finer points of FBT legislation. For example, did you know that if an employee takes a vehicle home one evening and returns to work with it the next morning, the laws says it's been available for private use on two days?

Did you know that IRD expects you to check that employees are adhering to restricted use policies at least once every quarter?

Did you know that just because a vehicle has your company logo on it, that doesn't automatically make it a work-related vehicle, which then means it doesn't automatically become exempt from the usual requirements of FBT?

Did you know there is also a new option for some companies that have one or two vehicles to elect to use the motor vehicle expenditure rules rather than pay FBT in certain circumstances?

If you didn't know all those things, take a bow – you're in great company! FBT is complex, to say the least!

The good news is that IRD also recognises this and will work closely with you to help you comply. The best approach is to get professional advice (that's us) and, where appropriate, go to IRD for a written opinion on any matters that aren't crystal clear.

That way, even if IRD disagrees with your FBT return, they'll see that you've taken reasonable care to get things right and may not impose penalties.

So, when are you liable for FBT? Any time you provide non-cash benefits to your staff – which means the list is potentially endless. In practice, however, most non-cash benefits fall into one of these categories:

- Insurance premiums
- Motor vehicles
- Subsidised transport
- Staff vouchers
- Offsite carparks



You could be selling the most innovative product on the market, using slick systems and the hottest marketing campaign in town, but if you don't have good people - good luck!

People are everything in business. That's why it's so important to know your employer responsibilities and how to manage the employment process to ensure high productivity, a solid reputation, and attract and retain staff that love their work. This month, find out what you need to do regarding domestic violence leave, payday filing and get HR tips to keep you and your staff smiling.

It's time to gear up for payday filing

Hundreds of Kiwi business owners are enjoying the benefits of payday filing - are you? If not, you'll need to be by 1 April when payday filing becomes compulsory. Now's the time to work out how you're going to integrate it into your payroll processes and save time on your tax obligations.

Payday filing means you need to:

- File employment information every payday instead of an Employer monthly schedule (IR348).
- Provide new and departing employees' address information, as well as their date of birth - if they have provided it to you.
- File electronically (from payday compatible software or through myIR) if your annual PAYE/ESCT is \$50,000 or more.

Remember, the due date for payment remains the same at the 20th of the month (or 5th and 20th of the month for twice-monthly filers).

How do I payday file?

There are three ways to file electronically - direct from payroll software, file upload from myIR or onscreen via myIR.

How do I shift over to payday filing?

1. Review your payroll processes and plan and schedule when to shift.
2. Ask your software provider when they'll have payday filing compatible software (Xero and MYOB already do).
3. If you're using myIR to file, let the IRD know you're switching to payday filing in myIR.

Need to know how payday filing works for schedular payments, shadow payrolls, employee share schemes and holiday pays?

Let us know and we'll talk you through it.

Payroll Pain Relievers

With New Zealand ranking as one of the most complex payroll environments in the world, it's no wonder many Kiwi employers choose to offload payroll headaches to bookkeepers, accountants, or payroll intermediaries. This trend is picking up steam: with Inland Revenue's "Payday Filing" scheme kicking off 1 April 2019, instead of reporting PAYE to Inland Revenue on the 20th of the following, you'll need to report every payday (though some employers may have different situations and can choose otherwise).*

The bad news? With anti-money laundering rules in effect, even getting someone else to do your payroll is about to get more complicated.

If we're handling your payments to staff or Inland Revenue, we might need to get more information about your business and identity.

If you've got someone else handling these payments, like a bookkeeper or a payroll service provider, they might need to do the same thing. If you can't get into the office to meet with them, this might include tasks like getting a copy of your driver's licence certified by a JP or lawyer. Good fun.



TAKE NOTE! MINIMUM WAGE GLIDES CLOSER TO \$20

More than 200,000 New Zealanders and their families will benefit from the minimum wage going up to \$17.70 an hour on 1 April 2019 — an increase of \$1.20. The starting-out and training minimum wage rates will increase from \$13.20 to \$14.16 per hour (remaining at 80% of the adult minimum wage) and the Government has set indicative rates of \$18.90 from 1 April 2020 and \$20 from 1 April 2021.



IS A FAMILY TRUST RIGHT FOR ME?

Family trusts are a popular way to protect and manage your assets, such as the family home, for you and your family, now and in the future. They can have a valuable role to play, but they're not suitable for everyone. Here are the pros and cons of family trusts to help you decide if it's worth investigating further.

FIVE GOOD REASONS TO FORM A FAMILY TRUST

1. Protect your assets against claims and creditors in the event of business failure or a lawsuit.
2. Set aside money for special reasons, such as a child or grandchild's education.
3. Ensure your children, not their partners, keep their inheritances.
4. Protect your children from squandering assets or falling prey to financial scams before they've gained sufficient life experience to make sound decisions.
5. They have a life of up to 80 years (or 125 years under the new bill) unless it's wound up and distributed earlier.

THREE DISADVANTAGES OF SETTING UP A FAMILY TRUST

1. Transferring your personal assets to a trust means you lose complete ownership and it will be the trustees' responsibility to control them.
2. The time and cost involved in setting up a trust and meeting its annual accounting and administrative requirements.
3. Disgruntled beneficiaries have the power to sue trustees where trustees have acted in breach of trust. While it's not common, it is happening more often.

WHAT'S NEXT?

Get professional advice from the start. We can answer any questions you have about trusts, being a trustee, administering a trust deed, and the proposed new Act. Contact us today to book an appointment to meet with us.



BUSINESS HEALTH CHECK

- By now you should be thinking about whether you have all the information you need to give us to complete your annual accounts. If you haven't, put getting the information together to give to us at the top of your to-do list.
- Run your eye over all your compliance activities – not just FBT. Are you recording all income accurately and paying the right amount of GST? Are your PAYE systems robust? Ask yourself: "If IRD audited the business tomorrow, would I be able to provide them with full and accurate records?" If not, put things right asap. And if you're not sure, call us for a chat.
- Being the beginning of a new income year, it's also crucial that you plan and budget for the coming year if you haven't already – cashflow is king! Managing your cashflow by having a good picture of your expected income and expenses (including tax payments) will help plan for the best timing of capital expenditure or coping with requirements of increased stock levels for your business. We can help you with this – give us a call.



Check your expenses and save

Know how much you're spending on printing, advertising, and taking clients out to lunch? Or does it come as a shock when you do your GST returns? If your company is growing, your expenses may too, but in some cases it could be a lack of attention causing spending to creep up. Take a few minutes this week to track your expenses and see where you can save money.

Our three top 'money-saving' tips

1. Ask yourself 'Do I need to be spending that much, on that?'. Maybe it's time to see what other suppliers are out there.
2. Invest in accounting software like Xero, FreshBooks or QuickBooks to make life easier.
3. Look out for the best deals on office expenses and buy in bulk at a cheaper price.

Six ways to 'do good' by your staff

- Celebrate! Write down one thing you'll do in the next six months to reward your team.
- Book in staff performance meetings now because setting and revisiting KPIs ensures everyone's on track.
- Lock in 30-minutes to revisit your strategic plan this month. List three things you can do as a team to stay competitive and grow your business.
- Write the steps you'll take when processing an application for domestic violence leave before 1 April. Not sure where to start? Call us.
- Need new staff or promoting someone? Make sure job descriptions accurately reflect staff positions to avoid confusion and misunderstandings.
- Inspire employees by offering professional development training in 2019 - a great way to grow your people and your business!

Disclaimer: Information in this newsletter is produced as a guide only. Before you act on anything mentioned, ensure you take professional advice regarding your particular circumstances.

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