

trialbalance

March 2014 issue 46

The official newsletter of NZ CA Limited



In this Issue

Business plan.

Keys to sustainable business success.

Overseas Pensions, Foreign Superannuation and Remedial Matters Bill.

A rough idea is better than none.

Reflective time.

Proactive vs. Reactive.

Holiday homes oh dear!

Employing casual staff over holiday periods.

Minimum wage increase.

Employee allowances and meals etc.

Business plan

Have you got one?

How long since it was reviewed? If you do not have a business plan, or if yours is out of date, it is time to consider drafting a new business plan.

Benefits of Business Planning:

- The process focuses the team on looking at future developments.
- The process focuses the team on enhancing services to customers, which often results in profit improvement.
- Staff involvement results in more effective implementation as they "own the ideas" and are therefore more willing to implement the plan. Morale often lifts due to this teamwork.
- The process enables clear communication of business development, direction and focus.
- The process makes you stop and review the whole business (the "big picture" in its entirety), rather than a "piece-meal" approach of decision making forced by crisis.
- A plan based on who will do what (and by when) creates an action orientation in the business.

Some practical suggestions regarding the preparation of a Business Plan:

- Go through the process annually.
- Involve staff.



- Treat yourself to somewhere special to do it away from work (the 'retreat' concept).
- Have staff and management put their thoughts down on paper before the meeting so that people are prepared.
- Use a business plan questionnaire as a guide.

March/April/May is a good time to undertake a Business Planning Review.

Budget/Financial Projections

Incorporated in the business plan will be financial budgets (Budgeted Profit and Loss, Cash Flow and Balance Sheet). These budgets will usually be for a one year period with a longer five year plan available as a supplement. It is essential that all businesses have at least this component of the business plan. Now is the time to be preparing your 2014 Budget. Please contact us for templates and assistance with your planning.

Overseas Pensions, Foreign Superannuation and Remedial Matters Bill

This bill passed its third reading in Parliament on 20 February 2014 and is expected to receive Royal assent in the next few days. As outlined in our earlier newsletters it is important that you contact your regular accounting adviser if you have funds held offshore so that we can help your decision making in terms of the concessions provided under this bill. Please note that some of these concessions are only available until 31 March 2014.

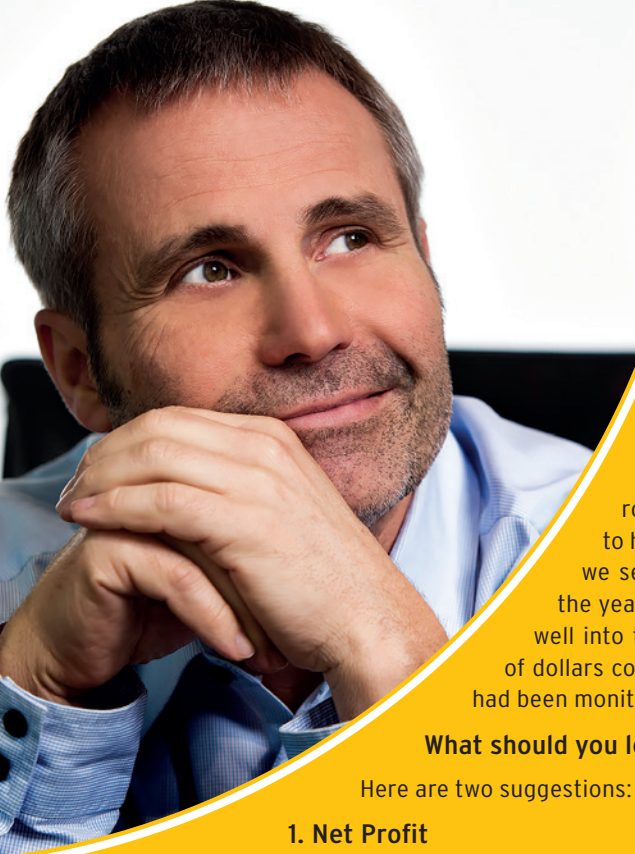
Keys to sustainable business success

- Have a dream or a vision.
- Find opportunities and be prepared to take risks.
- Do market research to ensure your project is viable.
- Have goals and a plan to achieve them.
- Be determined to succeed.
- Surround yourself with positive people.
- Choose a team committed to providing awesome service.
- Seek help from those who have skills you don't have.
- Run regular management reports, (you can only manage what you measure).
- Promote your product or service.
- Be decisive.
- Stay positive when things don't go well.
- Have honesty and integrity.
- Love doing what you do.

Source: RSM Prince



www.barnesmossman.co.nz



A rough idea is better than no idea

Good Businesses should be preparing accounts more than once a year, even if the result is only an approximation. There are many software options (cloud/live) that can assist with preparation and allow you time to work on rather than in the business. It is better to have a rough idea of how you are doing than to have no idea at all. From time to time we see a client turn in a poor result for the year, not knowing it has happened until well into the following year. Often thousands of dollars could have been saved if the business had been monitored regularly.

What should you look for in your accounts?

Here are two suggestions:

1. Net Profit

This is the amount left over once business owners have been fairly paid for their efforts. There should be enough net profit to provide a reasonable return on your investment in the business. Allowing for risk, 25% after tax would be a reasonable return on your investment.

2. Gross Profit Percentage

For many businesses the ratio of gross profit to sales should be reasonably constant. Gross profit is the amount left over after deducting direct costs from sales (direct costs are the costs that vary with sales, such as purchases, as opposed to fixed overheads).

To improve this ratio, look for:

- Wastage of materials and/or time.
- Theft of goods or cash.
- The proportion of high to low profit margin sales (sales mix).
- Quoting errors.
- Under-pricing.
- Discounting to achieve increased sales volume.
- Ways to maximise trade discounts.
- Regular review of margins and mark-ups.
- Systems in place to ensure that all costs (materials, labour, travel, etc) are on-billed.
- Maintenance of accurate inventory records.
- Regular review of inventory for slow moving and obsolete stock, monitoring stock turnover.

Source : RSM Prince

Believe you can and you're halfway there"

Theodore Roosevelt

Reflective time

The ability to drive business execution at a rapid pace is a vital ingredient on the path to success. If you are not careful, you can become so stuck in "busy-mode", that you spend all of your time "doing" and not enough time "thinking, reflecting and learning".

Here are some tips to help you create more reflective time.

Speak slowly, and pause often

When speaking with your team, be comfortable with silences, and take the time to collect your thoughts in-between sentences. Frequently, the most interesting part of your speech will come after the pause. Watch great orators and notice how slowly they speak, and how they take the time to pause.

Build in quiet time

Filling up your calendar with back to back appointments, with barely enough time to squeeze in a quick phone call or email in-between each meeting is not conducive to quality thinking. Force yourself to build in a few minutes every hour to get away from people and away from your communication devices to go somewhere quiet and ponder these five questions :

- What went well in my last appointment?
- What did I learn?
- What could I have done better?
- How is my emotional state right now?
- What emotional state do I need to bring into my next meeting?



Don't get bogged down in the details

Strategic thinking means getting clear on "what" needs to be done. Encourage your people to figure out the "how". Surround yourself with great people who can be relied upon to do what they say they will do, and are willing to be held accountable for results. Give them the tools and training they need to do their job, give them clear goals and standards, and get out of their way. If you insist on getting involved in every detail you will not have time to step back, reflect, and think strategically.

Go to conferences

Go to the lectures. Learn from the thought leaders. Mingle with other people from your industry after hours and learn from them too. Take an extra day to drive the long road home so that you have time to ponder what you have learned.

One Minute of Silence

To be honest, I have not tried this practice yet - but it sounds like a great tip that I want to try. Begin all meetings with 1 minute of silence so all participants can gather their thoughts, put away their devices, and be fully present in the room before you start.

Take Proper Vacations

It can take 1 full week of being fully unplugged (no email / no phone calls) to even begin to feel like your batteries are being recharged. Business leaders need time out. No one can keep their pedal to the metal forever; eventually your mental and physical health starts to break down.

Book some meaningful time out. Slow down. Relax. (Note to myself - follow my own advice here and book a holiday now). How will you make more time for reflection in your life?

Source: Results

Proactive vs. Reactive

In today's aggressive business world, an organisation must adapt and create new pathways and strategies for long term success. Proactive and creative thinking can lead to product development, open up new doors and reduce risk through diversification. The small and medium-sized businesses that are proactive in their approach will have a far greater chance of success than a reactive old fashioned business that is set in its ways.

The overall goal of any business should be long term growth and success rather than short term gains. The progressive forward thinker will always win the long race and long term planning and budgeting are an essential way to pave your road to success.

Take a step back from the day to day operations of the business and think how these processes can be improved. What systems can I put in place to ensure greater productivity from my employees? How can I entice or reach more customers effectively without a large price tag? How can I plan for future growth and out-do my competitors through product offerings? These are vital questions that should be asked so that action can be taken to ensure longevity and maximise the potential of the business in question.

Your accountant has the ability and experience to assist you to develop effective systems and design processes for your business. They have significant experience with employee payroll and productivity and can assist you to get the most out of your team. They know the questions that need to be asked in and around your business and can help you reach the solutions you desire. The closer and more proactive you are in seeking solid financial advice from your accountant, the more accurate and calculated your decisions become, giving you confidence in the long term success of your organisation. Don't be a reactive business and cry out for help when it is too late. Make an appointment with your accountant to get the information you need to be proactive and confident in your business decisions.



Holiday homes oh dear!

If you're registered for GST and rent out your holiday home, you will pay GST on the rental income. This is because the only exempt rental income is where a person lives, as their principal place of residence. IRD was suggesting that for this type of situation you would be able to opt out of GST but they appear to have changed their mind. Important? As well as paying GST on net income, you will pay GST on the property when you sell it. Input tax can be claimed on the purchase of the property, based on cost with a deemed acquisition at 1 April 2011, provided the property has been bought after 30 September 1986. The recent GST apportionment rules and/or (from the 1 April 2014) the new GST mixed-use asset rules will apply, unless the owner has no personal use of the asset.

What to do? This is still only a Bill. You could lobby your MP. Watch out for clients who will be caught and warn them of this IRD U-turn.

The law has changed slightly so that a client is not required to register for GST when the renting of the holiday home pushes them over the GST threshold, they can choose not to register. However, this is of no assistance to a client in a similar situation whose other activity exceeds the GST threshold on its own. This applies to holiday homes acquired between 1 October 1986 and 1 April 2011.

Employing casual staff over holiday periods



It's a good idea to revisit your obligations if you employ students or casual staff over holiday periods.

Like any new employee, they'll need to complete a Tax code declaration (IR330) form that includes their IRD number. If they don't give you a completed IR330, you need to deduct tax at the no-notification rate. For employees, this is 45 cents in the dollar plus the ACC earners' levy. For workers receiving scheduled payments,

it's generally 15 cents in the dollar on top of their normal tax rate.

Students with student loans

If you employ full-time students they may qualify for a student loan repayment exemption. If they're working for salary or wages and expect to earn under the annual repayment threshold (\$19,084 for the 2014 tax year) they can apply for a repayment deduction exemption.

Students who qualify can apply for the repayment deduction exemption through their myIR secure online services account with Inland Revenue.

If they get the exemption, they'll need to give you a copy of the exemption certificate.

KiwiSaver

If you hire employees on a temporary contract for less than 28 days, you don't have to enrol them for KiwiSaver.

If they're already KiwiSaver members and they want you to make KiwiSaver deductions they must give you a KiwiSaver deduction form (KS2). *Source: Business.Govt.nz*

Minimum wage increase

From 1 April 2014 the minimum wage will increase from \$13.75 to \$14.25 an hour and the training and new entrants' wage will increase from \$11.00 to \$11.40 an hour.

A new entrant is an employee who is 16 or 17 years old unless they have:

- Completed 3 months or 200 hours of employment, whichever is shorter, or
- Have been supervising or training other employees; or who are trainees.

Source: RSM Prince



Employee allowances meals etc

The recent tax Bill sets out a new way for determining the extent to which accommodation expenses, meals etc can be claimed as tax deductible.

Employee accommodation and related Allowances

Sets time boundaries around expenditure on accommodation etc paid for employees rather than base claims on facts such as whether the employee has a house to maintain. Special rules apply for Canterbury.

There are three tests:

1. How long is the project expected to take?
2. How long is the employee away from home?
3. Could the employee be reasonably expected to get home for the night?

Two year time limit – short term job

The job is expected to take less than two years. You can claim employee costs for up to two years.

Three year time limit – long term project

The example provided is building a dam. The project is expected to take more than two years so you can claim expenses on employee accommodation etc for up three years.

If circumstances change

If, for example, the employee decides to buy a house in the area where he/she works, the allowances cease to be tax deductible. There are also anti avoidance rules. You can't make the costs part of a salary package and devices to restart the time limit are not allowed.

Multiple workplace rule

The example given is an employee who manages offices in Christchurch and Dunedin (home town). Costs relating to being in Christchurch are deductible without a time limit.

Conferences and training

Sometimes the employees could get home at night. However, if they are required to stay for team building or similar reasons, the costs are fully tax deductible.

What if costs become taxable?

The general rule is market value. However, this can be unrealistic if it is an overseas posting. In this case apply market value in the area the employee lives.

Meals and light refreshments

Three months maximum when employee is away from home. Reimbursements and allowances allowed. The rules also cover conferences, when the employee is not away from home. Exemptions under S. CW 17C are not affected.

Timing and details

Most of the proposed amendments will apply from 1 April 2015. However, subject to meeting certain conditions, there will be a choice of applying the revised accommodation rules to accommodation arrangements put in place on or after 1 January 2011.

"It is never too late to be what you might have been."

George Eliot



Contact:

Hastings
Corner Eastbourne and
Market Streets, PO Box 1040
Hastings 4156
Tel: 06 876 7159
Fax: 06 876 6434

Waipawa
52 High Street
PO Box 132, Waipawa, 4240
Tel: 06 857 8901
Fax: 06 857 8906

Directors:

Tony Mossman
Nick Chrystall
Donna Drake

Associates:

Kate Laugesen

Email:

bm@barnesmossmann.co.nz

Website:

www.barnesmossmann.co.nz

Members of NZ CA Limited

Accountants Hawkes Bay Limited - Napier	(06) 843-4868
Barnes Mossman Limited - Hastings	(06) 876-7159
- Waipawa	(06) 857-8901
Bavage Chapman Ltd - Warkworth	(09) 425-9835
Brophy Knight Limited - Ashburton	(03) 308 5104
Capper Macdonald King Limited - Stratford	(06) 765-6178
Candy Gillespie - Matamata	(050) 888-7089
CooperAitken Ltd - Morrinsville	(07) 889-7153
Darren Knight Chartered Accountant Ltd - Warkworth	(09) 425-9833
Duns - Christchurch	(03) 365-0768
Focus Chartered Accountants - Whakatane	(07) 307-1141
Gambitsis Crombie Ltd - Lower Hutt	(04) 939-1975
G S McLauchlan & Co Ltd - Dunedin	(03) 477-8192
- Queenstown	(03) 477-8192
Gyde Wansbone	
Chartered Accountants Ltd - Te Awamutu	(07) 872-0585
Harris Taylor Ltd - Hawera	(06) 278-5058
Iles Casey - Rotorua	(07) 348-7066
Marshall Heaphy Ltd - Greymouth	(03) 768-7186
Martin Wakefield Ltd - Christchurch	(03) 343 4012
- Timaru	(03) 687-7122
McIntyre Dick & Partners Limited - Invercargill	(03) 211-0801
McDonald Vague - Auckland	(09) 303 0506
Midgley Partners - Christchurch	(03) 365-6900
Naylor Lawrence - Palmerston North	(06) 357-0640
- Dannevirke	(06) 374-5730
nsaTax Limited - Auckland	(09) 309-6505
RSM Prince - Auckland	(09) 271 4527
- Auckland North	(09) 414 6262
Strettons - Taupo	(07) 376-1700
Sudburys Limited - Whangarei	(09) 430-4888
Tararua Chartered Accountants Ltd - Pahiatua	(06) 376-7476
Vazey Child - Hamilton	(07) 838-2169
Whitelaw Weber Limited - Kerikeri	(09) 407-7117
- Kaikohe	(09) 401-0991
- Kaitaia	(09) 408 1220
Winstanley Kerridge - Blenheim	(03) 578-0180

Changes in Particulars

Please remember to let us know of any changes in:

* Physical address * E-mail address * Phone and/or fax numbers *
Shareholdings * Directorships * Trustees

Or anything else that may be relevant.

Disclaimer

All the information published in Trial Balance is true and accurate to the best of the author's knowledge however it should not be a substitute for professional advice. No liability is assumed by the authors or publisher for any losses suffered by any person relying directly or indirectly on this newsletter. Views expressed are the author's own. Articles appearing in Trial Balance may not be reproduced without prior approval from the editor and credit being given to the source.