

GIVE YOUR BUSINESS A MEDICAL

For businesses with a 31 March balance date, being half way through the financial year makes it a good time for a business health check.

Comparing your past six months to the same period in previous years can show if your business has been growing, and most accounting programmes will easily produce year-to-date reports.

When you identify changes and opportunities, look at the challenges you had, and work out your profit for the year, you'll be better able to make decisions about staffing or stock levels, and have a clearer idea of how much tax to put aside. There are other things:

- How do you think the next six months will go?.
- Do you expect better growth this year?.
- Will you need extra staff, equipment or stock?.
- Do you have the systems to run your business well?.



OF COURSE WE ARE ALWAYS HAPPY TO GIVE YOU A HAND

DO LARGE BUSINESSES REALLY CALL THE SHOTS

Large companies are “killing” New Zealand’s small businesses by making them wait too long for payments.

The need for a policy or terms of trade is crucial when it comes to smaller business working with larger companies. For example, New Zealand’s largest firm, Fonterra, changed its payment terms for contractors and suppliers last year, so now it can take a small business between 60 and 90 days to get paid.

According to a recent report from Dun & Bradstreet, larger companies were the slowest to pay, averaging 8.1 days later than normal.

The late payment problem is shared with the Australian economy, with more than 62 percent of small businesses encountering late or unpaid invoices in the past year.

Here are some tips to avoid late payment:

- Make sure you have clear and signed terms of trade agreement.
- Train your top payers to pay on time (regular calling).
- Offer a variety of payment options.
- Hire an expert or a specialist accounts receivable service to chase slow payers.
- Pay your professional service fees over a fixed term through fee funding.
- Don’t take no or later for an answer.
- Offer flexible payment options.
- Adjust your existing credit terms.

- Source: Dave Birch, SmartAR

Overdue
Account
Please Remit
Within 7 Days

YOUR ACCOUNT IS ON
! STOP !

THE RIGHT WAY TO COLLECT DEBT

Before you follow up on debt, you want to be sure you supplied the right goods and services, in the right quantities, to the agreed standard, for the agreed price and within the agreed timeframe. In collecting a debt, you must not use force or pressure, or harass or hassle anyone, or mislead or deceive the debtor. You must not pass on false or private information, and you cannot charge unreasonable debt collection fees.

Do not tell a debtor that they will be fined or face legal and court costs on top of the original debt. This is a breach of the Fair Trading Act.

One approach that's proven successful is to visit slow payers and ask them how they are finding your company's service. One businessman reports that with this approach he almost always got payment on the spot, or soon after.

NEW RULES FOR MILEAGE



If you are in the habit of claiming your vehicle running expenses based on your mileage, you will need to know the new rules.

The 5000 kilometre limit has been abolished. Instead, you look at your first 14,000km of total running. This is called tier 1 and the mileage rate is higher than it is for tier 2.

You calculate the business proportion of that first 14,000km. Shall we say that is 20%, which amounts to 2800km. Next, you work out the rest of the total mileage. This is called tier 2. Shall we say you did 29,378km in the year? This means the rest of the mileage is 15,378km and your 20% would be 3076km.

The rates have recently been announced and they vary according to the type of vehicle you have, be it petrol hybrid, electrical or diesel. You should make a point of telling us which source of energy you are using.

As you can see, you really need to know the total number of kms you travel each year. Make a diary note to have a look at your odometer at the end of the day on the last day of your financial year. If you sell your vehicle, note the final speedo reading on the old card and the starting figure on the new car. Similarly, note the reading on the new car.

Vehicle Type	First 14,000 kms	After 14,000 kms
Petrol or Diesel	76 cents	26 cents
Petrol Hybrid	76 cents	18 cents
Electric	76 cents	9 cents

HOME BUSINESS CALCULATION

There are now two ways of working out the use of home calculation.

Inland Revenue will provide a standard rate per square metre for variable costs such as power, telephone/mobile/Internet services and house/contents insurance. The rate is \$41.10 per square metre. A share of fixed costs such as rent or rates and interest on mortgage can be added to this.

The following expenses do not seem to have been considered by Inland Revenue when calculating the square metre rate: repairs and maintenance, rubbish removal, house cleaning and gardening.

The square metre rate has the advantage of saving you time because you don't have to work out the actual costs. However, there might be a price to pay for your laziness!

You will also notice telephone and Internet service are included in the square metre rate. This means you cannot claim them separately.

Alternatively, you can stay with what you have always done and use the actual figures. For many, this may be the more attractive alternative. You are also entitled to choose which method you want to use, each year.

INLAND REVENUE DEPARTMENT BIG CHANGES AHEAD

Say goodbye to filing your PAYE returns monthly or twice a month for bigger organisations. From 1st April 2019 you will have to send in details of your PAYE within ten working days of paying your staff. IRD will no longer accept the paper copies of PAYE through the post, and all employers who file their own PAYE will need to have a MYIR to file online. (If you pay weekly you will need to file weekly.)

Tax Refunds:

Also from 1st April 2019 IRD will no longer send out cheques for any tax refunds so it is imperative that they have your bank details on file to pay directly into your nominated account.

RENTAL LOSSES LAW CHANGE COMING

The law is to be changed regarding rental losses.

For many years, investors in property have had a tax deduction, against their other income, for losses on rental property. Starting from 1 April 2019, residential property owners will no longer be able to set off their losses as previously. They will have to accumulate them until sufficient profits have been made to wipe out the accumulated losses.

The details are yet to be worked out. For example, if you have several properties, some making profits and others making losses, will you be able to offset the losses against the rental profits? Also, under the current proposal, these rules are going to be applied to residential property and not commercial property.

QUOTE

**“Nobody made any money being paid once for a job they had to do twice”
(Len Southward, - Engineer)**

TECH TIP

GET RID OF EMAIL PROMPTS AND KEEP WORKING

Do you find emails very distracting when you are busy, especially if you are inclined to check an email as soon as it lands in your inbox?

However, it's a better habit to check emails, and respond if necessary, at regular intervals that suit your work flow – perhaps every hour or two hours.

Most email programs, however, automatically prompt you when an email comes in.

It's distracting, so turn off the prompts (or shut down the email program until you're ready).

To turn off prompts in Outlook (the most common email program), go to File / Options >/Mail /Message Arrival.

The four boxes will be ticked, so just untick them.

CLEANING OUT THE DIRTY MONEY

NEW LEGISLATION PUTS LAUNDERING IN THE SPOTLIGHT



While New Zealand is hardly the money laundering capital of the world, we still see our share of shady activity. Every year, around \$1.35 billion of fraud- and drug-related money is laundered through legitimate New Zealand businesses.

As you'll recall from our previous newsletters, the Government has extended the reach of the Anti-Money Laundering and Countering Financing of Terrorism Act.

From October, we will be required to comply with this revised Act. So you might notice us asking for information about your business that we didn't use to – especially if it involves large cash transactions, or multiple companies or trusts.

One reason for the change is that criminals target high value dealers to launder money. If you've seen the Netflix series Ozark (it's worth watching) you'll know how it works. A common ploy is to buy expensive things with cash, then sell them and get 'clean' money back.

If you deal in high value goods, you will need to consider these new rules as cash payments of \$15,000 or more in one transaction or which add up to \$15,000 or more in a series of cash payments are caught by the Act from 1 August 2019. The Department of Internal Affairs has also set up a team to help businesses comply. Go to justice.govt.nz and search for AML/CFT supervision and support for businesses.

Even better, call us and we can advise you on what the Act means for your business.

IRD SCAM ALERT

A common tactic used by fraudsters is to send out 'phishing' emails or make calls to people and pretend to be from IRD or another reputable organisation, in an attempt to steal the recipient's personal information or gain access to their IRD or bank accounts. That's why it's important to be vigilant and stay aware.

Recently there have been significant reports of a tax refund scam email being sent to customers (below). It is a very good copy of a legitimate IR email. It can be detected by the following:

- The From Field does not end in ird.govt.nz
- Hovering the cursor over the weblink does not point to an IRD.GOV.T.NZ website.

From: "alerts@ironline.ird.govt.nz" <alerts.ironline.ird.govt.nzd@nz.public.com>
Date: 10 July 2018 at 1:42:11 PM NZST
To: -
Subject: A message from Inland Revenue. DO NOT REPLY
Reply-To: <no_reply@refund.com>

Check the From: field to ensure it ends in ird.govt.nz

Inland Revenue IRD Transaction Confirmation : NZD10004821 - (Please retain for your records)



Hello,

You are eligible to receive a refund of up to \$320.95 NZD for (2016/2017).

We tried to send it to you automatically but were unable to do so as we don't have your Credit/Debit Card details on file.

Ready to claim it now?

- have your credit/debit card ready
- open the application in your browser
- follow the instructions on your screen

Customer form: [IRD Refund Form](#)

http://vmmb84856mv8m332e.boldlygoingnowhere.org/~artcollege/1rdnz/ Click to follow link

Hovering the cursor over the link exposes the real target URL.

Summary:
- Issuing No: 48402572199641
- Issuing date: July 10 2018

tax managementnz



Don't want to pay prov. tax on 29 October? You don't have to

There's an IRD-approved option which lets you pay provisional tax at a time or in a manner that suits you, without incurring late payment penalties. **Tax Management NZ** offers payment flexibility while reducing IRD interest costs by up to 30 percent. Please contact us if you would like to know more or visit www.tmnz.co.nz.

Disclaimer:

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation

