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Targeting the Cash Economy

Inland Revenue's crackdown on 'cashies' continues with their focus on undeclared cash in the construction and hospitality sectors. Last year, the Auckland region saw the most activity. Inland Revenue are now widening their reach. They've been trying to change attitudes among tradies and subcontracting businesses and their efforts seem to be getting results.

Inland Revenue acknowledge people trying to cheat on tax are in the minority but stress that they're a very expensive minority. The so-called 'hidden economy' is a cost to all New Zealand taxpayers, who carry more than their fair share because of it. There's another hidden cost too, as business owners who are meeting their tax obligations find it hard to compete with operators who can undercut on quotes because they don't pay tax. What's this have to do with you, you may ask. Because we're sure you're up to date with your tax obligations. In which case: sweet.

However, if you are in the situation of having under-reported – or unreported – income, now is a great time to straighten it all out. We want to help you make sure your returns are accurate and timely and, as far as possible, help you avoid penalties and use of money interest on any tax owing.

If you think you might have got yourself into a mess with your tax, declaring it early and taking action to correct it goes a long way toward setting you apart from deliberate tax evaders. You may have made a mistake or filed an incorrect tax return, left out some income from your return or incorrectly claimed expenses. We can help you make a voluntary disclosure which may reduce shortfall penalties by up to 100% and protect you from prosecution.

Risk and Reward

Setting the record straight

Inland Revenue have signalled they will be looking at businesses' record keeping systems. Key targets will be that all jobs and all income are being recorded and that GST is being handled properly. Recent prosecutions indicate that PAYE records are another hot topic, along with the corresponding employment records. If sketchy records are a quick way to set off the IRD alarm bells, this could be a great time to do a sense check on your records and systems.

As a business owner you're required by law to keep certain records. Poor record keeping lets you down just in terms of the penalties that apply for record keeping failures (up to \$12,000). Inadequate systems also make it harder for you to keep track of what you owe, how much you have already paid, to whom and what for and who owes what to you. You lose track of things, miss key deadlines and your costs increase in proportion to how much of a nightmare it is to straighten it out. With the advances in online systems of recent years, many businesses have overhauled their systems and are in good shape to pull out regular management reports that detail their position clearly. However, there may still be areas where things fall through the cracks.

This applies particularly in industries such as construction where large amounts stay on the table as retentions until the job is completed and it is difficult to keep track potentially across several tax years. At the other end of the scale, the high volume and high speed cash transactions of the hospitality sector can also punch holes in the records.

If you are still making do with the basic systems you started out with, it is possible that your business has outgrown them and they now constitute a business risk. We can help you to look at this and do something about it, if necessary.



Mileage rates

Tax Talk

If you're self-employed you can use the Inland Revenue mileage rate to calculate the cost of using your motor vehicle for business purposes. Last year the commissioner reviewed the mileage rate for the 2015 tax year and decreased it from 77 to 74 cents per kilometre.

Timely Reminders

Note: these dates apply to those clients for whom we prepare tax returns. Different dates will apply for those clients for whom we don't prepare returns. Please ask us if you'd like more information.

Tax Type	Who/What	When it's due
PAYE	large employers return and payment	7 March (5th falls on a weekend) 5 April 5 May
	large and small employers return and payment	21 March (20th falls on a weekend) 20 April 20 May
GST	return and payment	29 March (28th falls on Easter Monday) 30 May (28th falls on a weekend)
FBT	quarterly return and payment (if you pay it quarterly)	31 May
	return and payment (if you pay it on an income year basis under the close company option) and you have a:	
	February balance date	7 March
	balance date between 1 Mar and 30 Sep	7 April
	annual return and payment (if you pay it annually)	31 May

Provisional and Terminal Tax

I pay provisional tax...	And my balance date is...	So my provisional tax is due next...
2 monthly (x 6 per year)	February, April, June, August, October or December January, March, May, July, September or November	29 March (due to 28th falling on Easter Monday) AND 30 May (due to 28th falling on a weekend) 9 May (due to 7th falling on a weekend)
4 monthly (x 3 per year)	February, June or October March, July or November April, August or December	29 March (due to 28th falling on Easter Monday) 9 May (due to 7th falling on a weekend) 30 May (due to 28th falling on a weekend)
6 monthly (x 2 per year)	February or August March or September April or October	29 March (due to 28th falling on Easter Monday) 9 May (due to 7th falling on a weekend) 30 May (due to 28th falling on a weekend)
Terminal tax	between 1 March and 30 September	Terminal tax payment due 7 April

Paid parental leave

From 1 April 2016, there are further changes to paid parental leave.

The amount of paid parental leave that eligible people can take will be extended from 16 weeks to 18 weeks.

Parental leave payments will also apply to more workers. Eligibility will be extended to people in less-regular jobs, in particular to people who have recently changed jobs, seasonal and casual workers, and workers with more than one employer. 'Home for Life' caregivers and people with similar permanent care arrangements will also be eligible.



News from ACC

Levy reductions

The Government has agreed to the following changes to levies in 2016/17:

- 11% reduction to the average work levy taking it to 80 cents per \$100 of liable earnings
- 4% reduction to earners' levy, taking it to \$1.21 per \$100 of liable earnings
- 33% reduction to combined average motor vehicle levies (the petrol levy and annual licence levy), from an average of \$194.25 currently, to \$130.26 per vehicle

However, with other levy reductions (see above), the number of businesses paying more may come down to around 21 per cent. We'll keep you updated.

No more residual levies

From April, employers, earners, and motor vehicle owners no longer have to pay residual ACC levies. However it won't mean reductions across the board.

The residual levy rate calculation was based on old injury rates which have become out-dated, going back 10 years or more. The residual levies themselves were a kind of catch up to make sure there were enough funds set aside to pay for ongoing claims predating 1999.

Now, all businesses will have their levies calculated on the most recent data around injuries and the likelihood of injury in their particular industries. Hence, while most will pay less, some will pay more. The removal of residual levies alone would have seen decreases in their ACC contributions for around 53 per cent of Kiwi businesses, while 47 per cent would be paying more.



Requesting ACC Adjustments

Do you receive PAYE or Shareholder Remuneration that exceeds the maximum earnings liable for ACC; or are your earnings sourced from one or more companies? If so, we can request that ACC reassess your liability and make a Multiple Employer Adjustment. This may affect how much you pay in ACC levies.

ACC cannot identify eligible customers from the information Inland Revenue provides, so levies are charged on all income. ACC rely on customers and tax agents advising that they need to reassess your liability so that you do not overpay. They then complete a Multiple Employer Adjustment.

Let us know if you think this applies to you and we can contact ACC on your behalf.

How's your New Year Resolution going?

New Year Resolutions are fun to make and they make you feel good at the time, because it's always about something you really want and generally about something you know you can do. Nobody really makes a resolution that's too hard for themselves.

The University of Scranton (USA) published in the Journal of Clinical Psychology, that roughly 1 in 3 people resolve to do better in some way or another. However, a much smaller percentage of people actually make good on these resolutions. Of the 33% that make a New Year Resolution, 75% stick to it for a week and only 8% achieve success. Studies also say (which should be no real surprise to anyone) that if you commit your goals to pen and paper and work alongside another person, you are more likely to achieve success.

Whether your goals are personal or business, it makes no difference. Success is determined by the same formula. Success does not just happen by accident, you have to work at it.

Today I saw a new client that wants to achieve a fairly big goal over the next 5 years. So in our meeting we talked about how they were going to achieve success and attain that big goal. My advice was to start with a 5 year Strategic Plan, pin it to the wall so they always have that vision in front of them, make sure they read it regularly and to ensure any decisions are aimed towards achieving that goal. Remember it's a BIG goal, so there is not a lot of room for messing around.

From their 1 page Strategic Plan (yes that's all it should be not a copy of "War and Peace") will come a 1 year Business Plan (we can allow two pages for this), with steps to achieve the first year of the 5 year Strategic Plan. Breaking it down into manageable steps within a 1 year Business Plan is what I call working "SMARTeR".

This is an acronym for goals that should be Specific, Measurable, Actionable, Realisable, Time Bound and Related to the Strategic Plan.

You can't do this in your head and keep it all there, and if there is more than one of you "not a hope", it needs to be written down. That's the first 2 great steps towards success, setting the goals and writing them down into "SMARTeR" plans.

If you then throw it into the bottom draw and keep doing what you have always done, you will get the results you have always had. Believe me, this happens often with businesses. The excuses: We are busy in our business and personal lives; Other interrupters just keep on demanding our attention, Something comes onto the horizon that looks like a good idea and diverts us from the ultimate goal; Or the most common problem (and no one is immune from this) just plain and simple procrastination.

So the third step to success is to monitor what you have achieved against the goals that you set and do it on a regular basis. This could be daily, weekly, monthly or quarterly, but I wouldn't suggest any longer than quarterly - It just won't work.

If you are working alongside someone, such as your accountant and/or business coach, then you can be assured there will be regular reviews of performance, goals will be set for the next meeting, along with the next meeting, date and analysis will occur for those goals that were successful and those that are going to take a bit more work and time. We usually advocate monthly or quarterly coaching with our clients. Let's face it, would the All Black's have won the Rugby World Cup once let alone twice in a row, without a good coach? So why should your business be any different? Remember, business success doesn't just happen by accident, it has to be worked at and it is never too late to start, so don't wait for the New Year to roll around once again.

If you need help preparing a Strategic and/or Business Plan, to devise some strategies and/or to talk to someone about your goals to help you achieve success, then we are very happy to help with both our expertise and experience. We will give you the first hour free to have a chat and see how we can help you.



Alison Lemon, Director

Business Perspective

On My Hand Props, Styling and Flora

Shaye Woolford comes from a family of entrepreneurs. She always knew she'd start her own business. It was just a matter of what that might be. Wandering around her grandmother's flourishing garden as a young girl, she never imagined it would lead to a lifelong love affair with botanicals, let alone her chosen career path. Fast forward a few years to her time in the hospitality industry. Shaye quickly identified a lack of unique styling at the events she was catering for, so decided to start her own floral design and prop hire business. On My Hand was born in 2011, styling private and corporate events. On My Hand has opened up opportunities to diversify and collaborate on projects such as workshops and styled magazine shoots.

Over time, Shaye has seen the need to grow her team as the demand for her business increases, especially during busier times of the year when things can get a little frantic. 'Over the course of the year, I can be liaising with as many as 40 girls at any one time about weddings, while also working on a number of corporate events, so I often need to employ a little extra help. Because I'm a freelance stylist as well as running the business, I'm moving from a self-employment role to a managerial director role depending on the time of year. With that comes a slight change when introducing new staff members and getting to know them and how they work. I find I have to be a little less relaxed and make sure that everything I do sets a positive example.' Much of On My Hand's business has previously been generated through word of mouth but Shaye also turns to social media, using this extensively to promote and develop brand awareness. 'This industry bodes very well with social media because it's so visual and it has been an incredibly useful tool for the business. I use a range of mediums which are beneficial in different ways and each has its own community that I've cultivated.' 'I analyse my Facebook data now and then to make sure I'm on the right track and I also believe it's crucial to spend a little money with Facebook so that you can broadcast your message effectively.'

Shaye has run On My Hand successfully and single-handedly for over four years, but recently sought advice from a secondary business mentor. 'I've always had a mentor but recently took on another due to my increased workload and the simple fact that this is my first business and I don't know everything!' 'There is always something to learn about business and I love to talk about it, not just mine but anyone's. As the business grows from strength to strength, with that comes a new way of managing and because I'm learning as I go it's great to have a seasoned business owner to bounce ideas off and steer me in the right direction.'

If you've ever been to an On My Hand event, it's likely you won't see them. But you'll know they've been there. Their silent presence is evident, accenting and highlighting the moment to take it from ordinary to extraordinary. Behind the scenes, Shaye is also taking steps to grow her business and manage that growth.



Cash is King

If there was a book of business poetry, it would be full of poems to CASH, for the good and for the bad. Cash is the real life and death issue for business. There are lots of important things to worry about in business – people, products, service – and they are all important because they impact on cash. Businesses with cash will live. Businesses without cash will die.

Profit is important and it is the reason businesses exist, but it is not more important than cash. If you have the cash, you can run an unprofitable company for as long as the cash holds out. For example, there are a number of dot-com companies that have never earned a profit. They are in business because they have cash in the bank, so someone or something is financing them.

Enron was one of the most spectacular business failures on record. Arrogance, greed and corruption are among the many reasons given and it grabbed the headlines. The reason for the actual failure though, was that they ran out of cash. As long as they had cash (and could continue to get more) the doors stayed open and the lights stayed on. Moral and ethical failings may have led to it, but the collapse did not come until the day the cash was gone.

The real power of cash is that it creates opportunities. With cash you can move more quickly than your competition, you can exploit opportunities before anyone else and you can create new opportunities by putting the cash to work. Cash can literally be money sitting in a bank account or it can be securing a line of credit that the business does need or doesn't need now but may need one day. Credit applications take time, whether a Bank has sufficient security or not.

The way cash flows and how much is needed to have on hand is different for every business and it also depends on what the goals and aspirations of the business owners are. But the universal truth is that cash needs to be well managed. Isn't that one of the reasons parents give their children pocket money? So they can start to learn how to manage their cash.

For business, managing it means understanding it, measuring it and being disciplined to financial planning. That's why Cashflow Forecasting is important. It helps to identify potential cash shortfalls such as seasonal demands, assist with finance, smooth payments, identify the highs and lows, plan for the future and dare I say it... Tax planning. Don't get me wrong, Financial Forecasting is important and it should be done in conjunction with the Cashflow Forecast.

Looking at the different results on a month to month basis between a cashflow forecast and a profit and loss forecast, has certainly made a few business owners rethink some of their business decisions and where the cash is going to come from.

You should know how much cash your business has on hand every day. You should know how much cash you will have for the next week. It's a good idea to know how much you will have for the next month and a plan for how much you will have for the next year.

Cash is safety. Cash is opportunity. Cash is power. Cash is king.



Alison Lemon, Director



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