

SummerWilco2014



Risk and Reward

A way to solve Christmas cashflow

The period after Christmas can be tough for many small and medium sized businesses.

According to more than half the respondents in a poll conducted by the Employers and Manufacturers Association, January to March is when they tend to experience cashflow constraints.

It's hardly surprising, really. The period after Christmas is traditionally slow. Businesses are either enjoying their holidays or getting their finances in order following their festive season spending. Earnings will be down during the break. Others may also feel the pinch if they paid staff bonuses prior to the holiday season.

It is therefore, understandable how having to make a provisional tax payment on 15 January might be a bit problematic.

Still, it does not change the fact that Inland Revenue (IRD) expects this payment to be made on time and will charge payment penalties of up to 20 per cent per annum and use of money interest (UOMI) of 8.4 per cent if the tax is not due date.

However, those who wish to free up cash at a time when they need it most have an option.

Tax pooling is IRD approved and can be used to defer provisional tax payments to a time that suits them, avoiding late payment penalties and UOMI.

This method is cheaper than using many other traditional forms of finance. Tax Management NZ (TMNZ) starts from below six per cent and does not affect existing lines of credit.

No credit check or security is required.

The full amount of finance does not need to be paid back if less tax is owed than first thought. The finance arrangement is easily extended as well.

How it works

Say you wish to defer a \$500 provisional tax payment for six months.

You would pay TMNZ a one-off tax deductible interest amount and TMNZ would arrange the \$500 provisional tax payment on your behalf. The interest amount is based on the amount of tax financed and the period of maturity, so in this instance would be \$145.

The provisional tax payment is held in an IRD account administered by the Guardian Trust. Guardian Trust instructs the IRD to transfer the tax into your IRD account when you repay the \$5,000 principal in six months' time.

IRD treats the \$500 provisional tax as paid on time once the transfer is processed.

Visit www.tmnz.co.nz or phone us if you would like to know more.



Wishing you a safe and happy holiday from all of us here. Our office will close and reopen in the New Year on 20th January.

TaxTalk

Don't forget

IRD have changed their policy on when payments ~~would be~~ have been received on time. Payments made by post are now treated as made on the day Inland Revenue receives them; the date of posting ~~is~~ irrelevant therefore up to you to make sure you post your cheques in good time to reach IRD on time. There's no guarantee that a payment posted on the 18th will reach Inland Revenue by the 20th.

If you're sending a ~~post~~ posted cheque, Inland Revenue will not bank it until the date specified ~~is~~ even though it's physically received before the due date, it will still be treated as received late if the specified date is after the due date. You can also make payments in person, either at an Inland Revenue office or at a Westpac branch (note Westpac no longer accept cheques for tax payments) as long as you ~~do~~ do so close of business on the due ~~date~~ date. It might be a good time to think about making your payments online, if you don't already.

Timely Reminders

7 Jan	Terminal Tax FBT	Taxpayers (where we prepare tax returns) with a December balance date Close companies paying FBT on an income year (basis we prepare tax returns) with a December balance date
15 Jan	Provisional tax GST return and payment for period ended 30 November	Standard provisional taxpayers on March, May, July, September, and November balance dates GST ratio method taxpayers on January, March, May, July, September, and November balance dates 6 monthly GST taxpayers on May and November balance dates Taxpayers filing GST on a monthly basis (with March, May, July, September, and November balance dates) filing on a two monthly basis
20 Jan	FBT	Third quarter return (for the three month period ended December)
28 Jan	Provisional tax GST return and payment for period ended 31 December	GST ratio method taxpayers on February, April, June, August, October, and December balance dates 6 monthly GST taxpayers due and December balance dates Taxpayers filing GST on a monthly basis (with February, April, June, August, October, and December balance dates) filing on a two monthly bas
9 Feb (7th falls on a weekend)	Terminal Tax FBT Terminal Student Loan Repayment	Taxpayers (where we prepare tax returns) with a January balance date Close companies paying FBT on an income year (basis we prepare tax returns) with a January balance date. For those (where we prepare tax returns) with a January balance date

Note: these dates apply to those clients for whom we prepare ~~different~~ ~~return~~ dates will apply for those clients ~~for~~ whom we don't prepare returns. Please ask ~~us~~ ~~for~~ more information.

Party party party

Are you planning a Christmas function for special clients and/or suppliers and business contacts? Be ~~aware~~ aware that the entertainment regime for purposes of tax ~~deduction~~ ~~on~~ food and drink that your business provides off your business premises will be 50% ~~deductible~~ ~~to~~ any incidental expenditure on things like hireage of crockery, glassware or utensils, waiting staff, and music or other entertainment ~~for~~ ~~the~~ ~~event~~ you're planning.

If you're thinking of a more public event to promote the business during the festive season, expenditure ~~on~~ ~~the~~ food, drink and necessary incidentals could be fully ~~deductible~~ ~~however~~, be aware that the event ~~can~~ ~~for~~ your VIPs ~~alone~~ must be open to the public on the same footing as clients or business ~~contacts~~ ~~purpose~~ must be as a marketing event for the business.

If you're ~~planning~~ ~~an~~ event and you're not sure which tax ~~regime~~ ~~it~~ falls under, please contact us for information.

'Tis the season to be... on call

Do you have situations where some employees will be on call during a public holiday? If they are usually entitled to a contractual on call payment as well as at least a time and rates if they are called. Whether or not they are also entitled to an alternative holiday depends on whether the public holiday falls on what would normally be a working day:

If the public holiday falls on a day the employee would normally work	
If the employee is on call...	He or she is entitled to...
...and is called out	at least time and a half for the actual hours worked, (employment agreement may provide for more) plus an alternative holiday as well as contractual on call payment
... and is not called out but the restrictions on call mean the employee has not enjoyed a full holiday (for example employee is required to stay at home all day)	an alternative holiday as well as any contractual on call payment
... and is not called out but the employee's freedom is NOT restricted for example he or she chooses not to accept a callout	any contractual on call payment but she would only be entitled to an alternative holiday if he or she accepts a callout
If the public holiday does NOT fall on a day the employee would normally work	
If the employee is on call	He or she is entitled to
...and is called out	at least time and a half for the actual hours worked (employment agreement may provide for, plus any contractual on call payment)
... and is not called out	any contractual on call payment

Health and Safety heads up

It's expected that the Health and Safety Reform Bill will be passed before the year end and that the resulting Health and Safety Act will be implemented in stages, the first stage taking effect from 1. April 2015. This legislation is part of a major reform of health and safety practice in New Zealand.

The new Act imposes a primary duty on employers, with a wide range of duties to ensure health and safety in the workplace. The definition of a 'workplace' includes any place where a worker goes, or is likely to be, in the course of their work. The definition of a 'worker' is a person for example, an employee, contractor, person on a work site or a volunteer who carries out work in any capacity for a person conducting a business or undertaking (PCBU). The concept of the PCBU is central to the new reforms, placing responsibility on anyone who owns or controls a workplace and their role in the contracting chain from principal to all levels of contractor and subcontractor. Persons who are not necessarily visible at the workplace such as those who design, manufacture, import or supply plant, substances or structures can also have responsibilities under the legislation for the health and safety of workers and others who use them in the workplace. Company directors and those in governance roles will have an explicit duty of diligence to ensure that workplace health and safety is managed proactively.

Workers and other people in workplaces also have obligations to ensure care is taken for their own safety and the safety of themselves and others.

The changes will help everyone involved in the business to be clear on what they need to do to maintain sound health and safety practices in the workplace and ensure workers have the knowledge and ability to look after themselves and their colleagues. The regulator and the courts will have a wider range of enforcement tools including increasing penalties for breaches of duties.

It is envisaged that there will be an initial round of new regulations covering general risk and workplace management, participation, engagement and representation in major hazard facilities, asbestos and work involving major hazards. More industry specific regulations are intended to be developed over the following two years.

We'll keep you posted as to what the new measures will mean for your business.

There is a saying that after childbirth, women feel as if they can take on anything. Achilles Dunseath will attest, this was never truer than immediately after the birth of her second born. With a two year old already in tow, Erika found herself redundant partially through maternity leave and in a complete and utter rut. After a lightbulb moment she decided to 'stick it to the man' and embark on her own fashion label. Anyone's Daughter.

Erika noticed a gap in the Australasian fashion market between boutique stores, streetwear and chain stores.

'There was simply nothing that offered feminine styling with a distinctive edge to offer the intelligent, active and fashion savvy woman clothes that would take her to the office to the weekend and also be adaptable enough to wear on into the evening. It had to be effortless with the utmost importance placed on premium fit and quality.

Each piece of Anyone's Daughter is proudly made in New Zealand. There are no large factories or sweatshops and staff hours are flexible, with the work done from home.

Understanding that everyone has different things going on in their lives and all flexible working conditions has been one of the most effective management strategies Erika has made. 'It makes sense to me as they are doing the work required I don't mind where or what time of the day it's being done. We actually see the people with face to face and have met many of their families too. Our team and they will be loyal to you and your company.'

Gaining recognition in the fashion industry is tough though. How does one prove it just how wonderful a new label is upon starting out? Erika understood the risk of ordering a new product, so decided to offer trial stock on a limited basis to expand and grow her brand awareness. The risk paid off. Erika believed in her product and her stores now have trust and confidence in Anyone's Daughter, leading to increased sales each season.

There are so many things to think about when setting up a business. The excitement of creative souls needs grounding now and then and Erika's accountant does just that. 'I first set up the business, he did all the paperwork and helped me register the business for GST. Although I don't see him as much now, he still helps with my monthly reports and answers a lot of my decision making; why we do things in a particular way and how to do them better or more efficiently.'

To many, Erika would seem like wonder woman. Looking at her business, you could think she is humble while encouraging to other business owners. 'Don't be afraid to ask questions. Learn from people who know more than you and give them the advice: Don't try to do too much at once. Write down your ten best ideas. Cross out nine of them and put all your love and energy to your biggest one that keeps you up at night. If you can successfully focus on a singular vision, good things will happen. If you want something big enough you'll figure out how to make it happen.'

Exciting times lie ahead for the talented team and this cutting edge brand. Anyone's Daughter recently started working with a sales agency based in the United States with a new focus toward export and expansion internationally.

Disclaimer

This publication has been carefully prepared, but it has been prepared on general terms and the publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular