

# BUSINESS UPDATE

## Summer 2012

### December wind-down checklist

Consider what must be done before you pop the Christmas bubbles - it might save you a hangover and boost New Year celebrations!

1. If your business experiences a seasonal influx, make sure to plan the necessary marketing and increased staff measures. When will your staff be taking their holidays?
2. Follow up outstanding debtors: people (and businesses) are more cash strapped in the New Year so politely encourage payment prior to Christmas - it will help your cash flow, which may be light if you shut down over Christmas and New Year.
3. Are you sending emails, Christmas cards, or corporate gifts to top clients? What about presents or bonuses for your staff? Consider the rules around entertainment expenses and FBT.
4. Have lots of business cards and other marketing collateral on hand - unexpected networking can occur anywhere you're on holiday. Magnetic car signs attract welcome custom also.
5. Have you correctly calculated, set up and approved holiday pay for payroll to occur while you're on holiday?

## Risk and Reward



6. Need guidance or support from us, your lawyer or other business advisor? Engage them well before Christmas - most offices shut down for a minimum of two weeks.
7. Have you performed a year end computer detox, updated your virus software and backed up your server offsite?
8. If your business is shutting down, make sure your voicemail message and website mention closing date info and emergency contact details. Also, who will be responding to work related emails?



### Christmas closing period

Our offices will close from **Friday 21 December**, until **Monday 14 January**.

For urgent matter during this period please contact **Tony 021 911414**

To all of our fabulous clients, business associates and supporters, we wish you a great Christmas and a successful 2013.

### 'High' cost employee dismissal

A recent employment case shows the need for perfect process - even if your employee breaks the law. Mr O was employed as a full-time builder by Consortium Construction Ltd for 4 years until he was dismissed without notice for using drugs in the workplace. He denied the accusation and complained that there was no investigation.

**What happened:** Mr O and his colleagues were working at a demolition site high up on scaffolding when cannabis was smelt and identified as coming from Mr O. He was told to put it out and did so. A manager was later informed of the event, and that Mr O had grinned when confronted, admitting it was something left over from the night before. The manager told Mr O that his employment would immediately end due to his behaviour.

The Employment Relations Authority noted that, as part of the duty of good faith, an employer proposing to end an employee's employment must give that employee access to relevant information and the opportunity to comment on that information before making the decision. In this case, Mr O had no chance to mitigate his conduct as accidental or make reference to his employment history.

Despite Mr O having smoked marijuana - potentially putting himself and his co-workers at risk - his former employers were ordered to pay compensation for lost income and distress as well as a penalty for an illegal deduction on the final pay - totalling over \$12,000.

Moral of the story: seek advice immediately from an employment specialist and make sure proper process is followed and documented. Even when it seems a complete no-brainer.

## Employment court costs (and others) to rise

For the first time since 2001, the Ministry of Justice plans to raise the fees it charges court users to help minimize costs to the taxpayer.

Significant (and varied) increases will apply to the Employment Court, District Court, High Court, Court of Appeal and the Environment Court due to low cost recovery levels in these specific courts.

When it comes to employment law, this highlights the need to follow correct process as you'll soon be paying even more for your mistakes. Final changes are likely to be implemented in the first half of 2013.

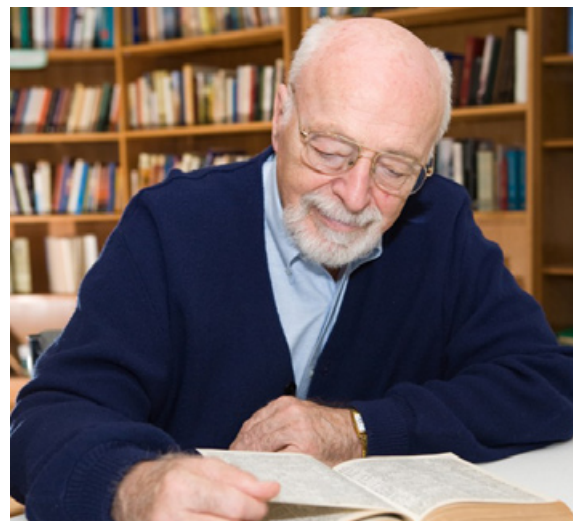
## Timely reminders

- Provisional tax payment due Jan 15 for March, July or November balance dates, or Jan 28 if you have a December balance date
- Terminal tax payment due Jan 15 for Dec balance dates (where filed by us) and for Feb balance dates (not filed by us)
- November GST return and payment may also be due Jan 15 and December GST return and payment due Jan 28
- Interim student loan payments due Jan 15
- Quarterly FBT return and payment due Jan 21 (due to 20<sup>th</sup> falling on a weekend)

## Changes to student loans and allowances

The following changes will come into effect on **1 January 2013**:

- Student Allowances will no longer be available for postgraduate study commencing from 1 Jan (except for Bachelor degrees with honours)
- All exemptions to the 200-week limit for Student Allowance will be removed from 1 Jan 2013 (except for special circumstances)
- Borrowers making significant under-deductions will be forced to make a compulsory extra student loan deduction - IRD will arrange directly with their employer to recover the outstanding amount
- Those 55 and over will no longer be eligible to borrow living or course-related costs (with exceptions, depending on when you were enrolled)



*'Find a job you like and you add five days to every week.'* **H. Jackson Brown**



## Accounting for mistakes

With IRD taking a stance on outstanding tax we need to be proactive if an error is made - for whatever reason.

The IRD have a guide to *'Putting your tax returns right (IR280)'* explaining the required action for minor, genuine mistakes - it also outlines how to make a voluntary disclosure.

If you are concerned about a potential error please contact us as it might be easier to fix than you imagine and it won't go away on its own.

## Introducing the starting-out wage

The starting-out wage is the latest government initiative designed to help get more young kiwis into jobs by giving employers incentive to take them on.

The starting-out wage will be simple for employers to implement and should provide more 16- to 19-year-olds with the opportunity to earn money, gain skills and the work experience they need in this tough labour market.

**Those who'll qualify for the starting-out wage are:**

- 16 and 17-year-olds in their first six months of work with a new employer
- 18 and 19-year-olds entering the workforce after more than six months on a benefit
- 16 to 19-year-old workers in a recognised industry training course involving at least 40 credits a year

Expected to be effective from 1 April 2013, the starting-out wage will ensure 16- to 19-year-olds are paid no less than 80 per cent of the minimum wage for the first 6 months with a new employer. After the first 6 months, they'll be eligible for the minimum wage.

Workers between 16 and 19 years of age who fill training or supervisory roles must at least be paid the minimum wage.

## Mixed use assets - gearing up for change

With summer set to sizzle no doubt you'll have serviced the motor home and prepped the launch or bach to reap the seasonally high rents.... Let's consider the proposed new rules around mixed-use assets and how they could affect you from 1 April 2013.

### As previously signaled:

- You'll be required to apportion deductions based on actual income earned and private use of the asset, instead of based on the availability to produce income
- Expenses relating to the asset (power, rates, insurance), maintenance and interest on debt will also be apportioned to the number of days it was actually rented
- If annual rent received for assets exceeds \$60,000 then the owning entity is required to be GST registered - this may affect the tariffs you charge and if you sell the asset you may have to account for GST

It's complicated and we suggest you get into the habit of diarizing the days you (plus family and friends) use assets. If you're concerned, do call us to discuss your situation.

## Business Perspective

### Business New Year resolutions

Generally, we want to indulge less, exercise more and be better people.... However it's time to ponder some specific (and accomplishable) new year's resolutions for your business.

1. **Nurture your most loyal and profitable clients.** Chances are they'll sing your praises and refer more business to you.
2. **Give something back to your community.** Help a cause that matters to you and you'll potentially give your team new purpose whilst boosting your reputation.
3. **Promote your business effectively.** Join a networking or business group and get your business in the public arena. Consider the benefits of social networking and marketing.
4. **Read a business book every month.** Keep up with the changing world, enhance your knowledge and leadership skills.
5. **Get professional education and development.** As a leader you must continue evolving, extend your education to remain engaged and focused on the future of your business.
6. **Learn to listen more.** Be available and engage your team daily to see how they're tracking. You'll diffuse potential problems before they arise and witness valuable raw idea creation.
7. **Empower your team.** Only your team can grow your business - they need to share your vision and have the necessary drive or incentive to achieve the goals that you set.
8. **If it's not working, get rid of it.** Whether it be a product offering, a machine, a supplier or even an employee, don't waste time and energy squeezing a round peg through a square hole. Trim the fat and invest in new muscle.



### Importing goods? New GST risk

The administrative penalty regime for NZ Customs has been amended to include GST errors - affecting incorrect import entries, from June 4, 2012.

The minimum penalty has increased to \$200 per import entry for goods subject only to GST on importation.

Incorrect entries for goods subject to both duty and GST on importation will now carry a maximum penalty of \$50,000 per entry - up from \$10,000.

Businesses importing goods into NZ should review procedures for valuing and classifying goods for Customs purposes, taking into account tariff classification, royalties, transportation and insurance costs.

If an error results in the underpayment of gift duty or GST, it's likely customs will seek to impose an administrative penalty which could cost your business dearly.

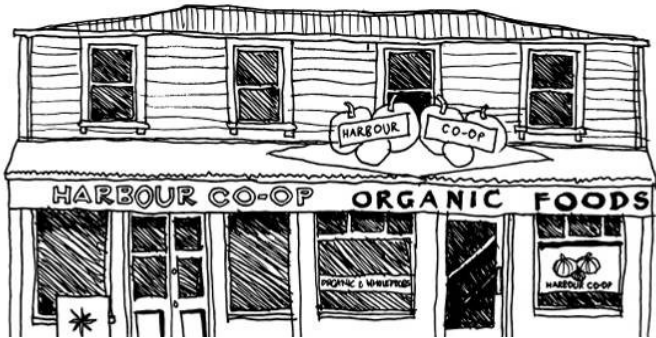
9. **Prioritise and leverage your time.** Implement efficient systems to allow effective delegation. Employees with greater responsibility often have greater job satisfaction. Work more **on** the future direction of your business rather than **in** the everyday running of your business.
10. **Take time for yourself!** Be a good role model - don't skip lunch or work endless overtime. It could lead to burnout. Enjoy breaks for exercise or a new hobby and achieve a healthy work-life balance.



## A Lyttelton community ownership model

When closure threatened a small Lyttelton organic store, the community rallied together, with many investing a little to help buy the business and ensure its future.

Soon, a new look Harbour Co-op community store emerged.



The Harbour Co-op format is unique, with member incentives including free and discounted community workshops as well as discounts on organic products. Managing director Brian Rick says 'We're profit aware but not profit motivated. Providing a better service to members and the community is the main objective'.

A holistic approach is proving successful - trade is busy, profits are tracking nicely and shareholders have surpassed 165.

**How does the co-op work?** Each member or household invests \$365 - a one off fee bringing long term benefits. Any profit in the first 2 years goes towards loan payments and growing business capital.

Beyond this, if the board distributes profits, a member's share will be proportional to the amount they spend at the co-op: spend more and get a better return. Non-members can also volunteer at Harbour Co-op, in return for discounts.

An initial board of directors formed to oversee the set-up of the co-op and any member can now nominate themselves - pending approval from shareholders.

With quarterly shareholder meetings (and regular business update reports), everyone has a say in future direction of the Harbour Co-op organic store.

Members have just completed an exciting rebrand project off the back of a logo design competition. A process that has further demonstrated the varied benefits of running as a co-op organisation.

**The consumer-owned cooperative is a common concept overseas.** With co-op experience, Brian saw no reason why it couldn't work here. After much research, and due diligence (but no suitable precedents), board members broke new ground adhering to the Companies and Securities acts to form a limited liability company - effectively owned by the community.

Since the store reopened in June, there has been heightened awareness of the co-op and its potential for similar initiatives within New Zealand.

**Future Plans:** They're actively pursuing local growing programmes, including one for 'micro-producers' - a verification system that allows small local growers to sell to the shop without being certified organic. It's about sourcing direct, reducing dependency on big consolidators that are farther afield and thus supporting the local economy.

The co-op also hosts a number of great workshops and demonstrations to engage the community and promote sustainable living.

## Mixed ownership model set to roll out

A recent announcement from John Key gives revised timelines for the much debated public offering of Mighty River Power shares.

**In summary:** The government will not implement the Waitangi Tribunal's 'shares plus' concept before the sale of shares.

Up to 49% of Mighty River Power shares should be up for sale in the second quarter of 2013, subject to market conditions.

New Zealanders will be able to register their interest in purchasing shares prior to the offer being made. Registering your interest will be without commitment or money sought, it will simply put investors at the front of the queue for shares.

Thunder birds are go - if you're considering purchasing shares or registering interest, it's time to do the necessary due diligence.

The Harbour Co-op mantra is defined by several principles, including: voluntary and open membership, democratic member control, education, and concern for the community.

It's clear that the business (and surrounding community) is socially and environmentally conscious. They have hope for a more resilient local economy and are positively excited about the future of the Harbour Co-op Community organic store.

Visit [www.harbourcoop.co.nz](http://www.harbourcoop.co.nz) for more information.



“Helping you master the business of business”



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