

# BUSINESS UPDATE

## Winter 2013

## Risk and Reward

### Encouraging employers to employ youth

The government has introduced a new initiative aimed at encouraging employers to recruit young New Zealanders, especially those who have been on a benefit. It allows the lower minimum wage rate - 80% of the adult minimum - to apply to a wider range of people. The new scheme came into effect on 1 May 2013.

The 'starting-out' minimum wage can be paid to certain categories of youth aged 16-19 years. Currently, the categories are:

- 16 and 17 year olds in their first 6 months of paid employment with their current employer
- 18 and 19 year olds who have received a benefit for 6 months or more and have not completed 6 months' work with any employer since starting on that benefit
- 16 - 19 year olds involved in a recognised industry training course of at least 40 credits per year

The starting-out wage replaces the new entrant minimum wage and the trainee minimum wage for under 20s. (There is still a trainee rate for those who are 20 years or older.)

### Vincent Redwood

We are sorry to advise that Vincent has resigned from the firm. Vincent joined us in June 2011 after graduating from Otago University and is now leaving to join the family firm.

We wish him all the best in his new career.



### Is your workplace safe?

ACC levies will not be rising this year but that's not the only good news. If you run a safe work environment, you may be eligible for a Workplace Safety Discount from April 1, 2013.

In 2012, Cabinet agreed to expand the Workplace Safety Discount programme from the current seven high-risk industries to all industry groups.

This decision was made for a number of reasons but came about after requests were made from major industries to be considered for Workplace Safety Discounts. It aligned with ACC's goal to make health and safety incentive schemes attainable for all self-employed people and all small to medium-sized businesses in New Zealand.

Most importantly the expansion of Workplace Safety Discounts is an opportunity to encourage small to medium-sized businesses in all industries to increase their focus on their health and safety systems and raise their standard of safety management.

What does the expansion of Workplace Safety Discount mean for New Zealand businesses?

It means that all self-employed and small to medium-sized businesses will have the opportunity to apply for a Workplace Safety Discount, regardless of their industry. It's a way to save 10% on the work component of the levy.

## Tax Talk

### To save or splurge?

So you had an exciting moment when you received a letter advising you of your tax refund. A clatter of thoughts tumbled through your mind about how you might use the money. A fancy item for your wardrobe? A deposit on a holiday? A new electronic device?

That little devil on your shoulder shook his head wildly when you made a conscious effort to think about using it for new car tyres, putting it into a savings account or doing anything remotely sensible. However, being sensible with your tax refund is not such a bad idea. Before you let the cash burn a hole in your pocket, think about the following options:

**Consider your business** - Perhaps you own your own business and need to replace particular assets within your business or purchase new ones? By doing this, you can substantially improve your business' health, which in turn can lead to greater cashflow down the track.

**High interest debt** - Are you currently paying off credit cards, hire purchase or a personal loan? By paying a large chunk using your tax refund, you will be surprised at how quickly you can bring down the remainder of your debt.

**Save it or set up an emergency fund** - It always pays to have a stash of cash on hand. A healthy savings account allows you to have the freedom to enjoy the things you like to do, without having to pull out the plastic. An emergency fund provides you with the comfort of knowing that if unexpected costs arise, such as car repairs or medical bills, then you are capable of paying them.

**Consider your children** - If you have children, remember that they can get refunds too and your accountant can help you with this. Talk to your children about the importance of saving and look at opening a high interest savings account in their name. Monitor their access so they can learn to budget effectively.

**Home improvements** - If you own your own home, take a look around your house and assess whether any repairs and maintenance need taking care of. Often if left, general repairs can become expensive so it's best to deal with these early on to save additional cost.

If it's a substantial sum, you may have the option to use part of it for something nice but receiving a tax refund does not necessarily mean it's a good time to splurge. Take the time to assess all your options and put the money to good use.



### A bit late with your payment?

If you missed payments on end-of-year income tax, Working for Families Tax Credits or your student loan bill for the 2012 tax year and you can't make the payment in full, you may qualify to make payments by instalments.

The original cutoff date was 7 February (or 7 April if you had an extension.)

Be aware use of money interest will still apply for the payment duration, together with any late payment penalties already imposed.

If you want to know if you qualify for this arrangement, call us and we can request this for you.



## 'Mondayisation' ahead

Previously, when New Zealand celebrated Waitangi Day or ANZAC Day, and it fell on a Saturday or Sunday, it wasn't recognised with a day of paid leave unless the employee normally worked on that day. For some New Zealanders, this projected the idea that these dates, marking significant moments in our history, weren't important enough. Many also wanted to see employees enjoying their full entitlement of 11 public holidays every year.

We will now see the Mondayisation of these holidays. That means that if the date in question falls on a Saturday or Sunday, the public holiday will be treated as falling on the following Monday for those staff who do not normally work on the day upon which it actually falls. (Of course, the employee will only be paid for that Monday if it would otherwise be a working day.) And the public holiday will continue to be treated as falling on the Saturday or Sunday for those staff who normally work on the day it actually falls.

The changes do not mean that the actual observance of the two holidays will occur at different times.

The cost to businesses following the law change is not enormous since these holidays fall on weekends in only two out of every seven years. Although the relevant amendments come into force on 1 January 2014, the first time one of these holidays falls on a weekend is not until 2015.



*'Wise are those who learn that the bottom line doesn't always have to be their top priority.'* - **William Arthur**



## Keeping the wolf from the door

The first few years in a new business can be the most delicate and you really don't want any unwanted surprises when your initial tax bill arrives. There have been constant murmurs recently about what to do if you're facing tax debt but what about some guidance as to how to avoid it altogether?

It's that age old solution: planning. By planning ahead and ensuring you have a surplus set aside for tax payments, you'll prevent any over the top or unexpected bills. The key is to start putting money aside from the beginning. And the trick? Once it's there, don't touch it. This is an essential point for new businesses because in the first year of operation, the IRD do not charge tax. However, these first year taxes will be lumped in with the second year tax charges and this is often where businesses get into trouble and wind up facing tax debt.

It's not just about the additional cash though. Always ensure you keep hold of your receipts and ensure your records are as accurate as possible.

- Understand your tax obligations and budget for them
- Keep money aside from a capital gain when selling an asset such as property or shares
- If you are collecting GST, always keep it in a separate account
- Update your financial records regularly (at least once a month)

We may be able to help you forecast for potential cashflow and assess what you may expect in your first few years of business. Avoiding tax debt should be on the radar for all businesses, new and established. Call us today if this is something you'd like to discuss.

## Creating a passionate work culture

Company culture is a term for the way an organisation behaves collectively. A culture is based on the shared attitudes, customs, visions, beliefs, habits, written and unwritten rules, and the values that affect team interaction.

Company culture can change as the company grows and business increases. Check in regularly on your company culture and ensure it remains positive. Display your values in a prominent area where all staff can see them and allow them to contribute their thoughts and ideas.

Establish a culture that makes you proud of what you've created:

- **Hire the right people** - start with passion and commitment when hiring and take the time to hire enthusiastic staff
- **Communicate** - a poor company culture can undermine your business success and what you're trying to achieve, so regularly check in with your staff at team meetings and discuss what is going well and what isn't. Remember to listen
- **Work hard and play hard** - remember to reward your staff and they will be more willing and productive
- **Shoot for the stars** - make your goals big, encourage your staff to verbalise their individual goals at team meetings
- **Embrace difference** - different ethnic cultures and demographics encourage a diverse and passionate working culture

In building a company culture, you create trust and respect and a safe working environment for your employees. This allows your team to focus on prioritising to achieve great results and in turn, you will have happy and positive employees.



*'Vision without action is a daydream. Action without vision is a nightmare.'* Japanese proverb



## Netiquette - Focus on fonts

Whenever you're tempted to style your emails with a particularly smart font remember! Plainer also means easier to read. If your readers scroll through hundreds of emails a day, they'll want to delete anything that looks choppy or hard to read. And then you've lost them.

**Uniformity** - establish a font that you want your business to use and set up everyone's email to default to this. It projects professionalism.

**Stay away from fancy fonts and multiple font colours.** They're harder to read and can make your email look as if you scrapbooked it.

**Be cautious of downloaded fonts** - if your recipient doesn't have the same font, the text in your email could default to something unattractive or unreadable.

**Avoid emoticons** in professional emails unless you know your recipient really really well. Nothing undercuts your business image like a smiley face. 😊

### 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.*

“Helping you master the business of business”



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