

# MONEY

YEAR END  
STRATEGIES

# MATTERS



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## Maximising your investment property expenses claim

Property investment involves multiple processes that contribute to smoothly run transactions between landlord, resident and the IRD.

As a property owner, you have to manage your rights and responsibilities when dealing with your property and the occupants. When managing investment properties, you will need familiarise yourself with your income, claims and tax obligations you will encounter.

### Income:

It is important to know what forms of income you are receiving as they will be needed for tax purposes. General income from the property will be counted under income tax so it will need to be included in personal tax returns as such. This can come from property leased to tenants or flatmates/private boarders within your own home. If you are receiving rent payments in advance before the end of year, they must be counted, even if the rent covers a period into the next year.

### Claims:

Claims can be made for a variety of expenses in the case of owning investment properties. You can make claims on:

- Insurance
- Interest

- Agent commissions or fees regarding rent collection
- Accountant fees
- Motor vehicle expenses for travelling to and from the property
- Repair and Maintenance costs depending on the nature of the repair

You should also make note of expenses you cannot claim such as:

- Purchase price of the property
- Capital portion of mortgage repayments
- Costs of property additions or improvements
- Repairs or replacements that increase the property's value
- Agent commissions or fees regarding buying or selling of the property

### Tax:

There are many obligations around tax time regarding investment properties. You must have detailed records to accurately calculate income and expenses claims including: bank statements, invoices, receipts, list of assets, rental agreement, loan mortgage agreement and any working papers for calculations. If you receive payments for accommodation within your home you can also be eligible for claims. When you have five or more boarders/students, you must complete an annual tax return.

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## Supporting a grieving employee

Losing a loved one is a deeply painful, yet inevitable experience, which is why your business should be prepared to support a grieving employee.

In difficult times, your workplace should treat mourning staff members with as much compassion and sensitivity as possible. Sometimes this is easier said than done as fulfilling the needs of a distressed employee cannot compromise your business' productivity.

Follow these steps to make sure you can help a grieving employee get back on their feet while keeping your business on track.

### Have a face to face:

Once your employee is able to make it back into the office, you should call them in for a face-to-face chat. You can offer your condolences, show empathy for their suffering and give them the chance to vent in a safe and private space. This meeting also gives you the opportunity to check in on how your employee is doing

and assess whether or not they are ready to continue working.

### Offer time off:

Your employee may need a break to get their affairs together, manage funeral arrangements, and process their emotions. Your full time and part time employees are entitled to two days of paid bereavement leave after the death of a close family member. Keep in mind that the grieving process takes time and your employee may need to take extended leave.

### Adjust their workload:

If your employee returns to work shortly after their loss, ensure their workload is manageable. You may need to relieve them of some of their responsibilities and limit client facing tasks.

### Get your staff on board:

Your staff should be notified of your employee's loss so they are treated with sensitivity. Encourage your employees to take on extra work and provide emotional

support to assist your grieving team member in their time of need. Consider organising a fundraiser to help with funeral costs or make a donation to a relevant charity to show your office support.



## GST Offshore Supplier Registration Bill New Zealand

### How does the GST Offshore Supplier Registration Bill affect your New Zealand business?

The GST Offshore Supplier Registration Bill, expected to come into effect on 1 October 2019, is a legislation proposed to collect GST on low-value imported goods (under \$1000). Supplies to New Zealand GST-registered businesses will be exempted unless the supplier decides to zero-rate the supply. Are you a GST-registered recipient of distantly taxable goods?

Under the Bill, the supplier would have to treat the recipient as a non-GST-registered person unless the recipient explicitly notifies the supplier or provides them with their GST registration number or New Zealand business number. However, it is important to note, and advised by the Government, that if you intend to use the goods for non-taxable purposes you should not identify yourself as such.

## Introducing Payday Filing

Payday Filing is a new method of submitting and processing employment information to the IRD, meaning you will have to file more information and more frequently.

This process will become compulsory from 1 April 2019. There are three ways to file online: direct from your payroll software, by file upload to myIR, and onscreen in myIR (if you have smaller pay runs). On 11 March, the IR-File service in myIR will be discontinued and replaced by the Payroll Returns account. File upload and online entry options will still be available.

The due date for employer deductions filing and payment remains the same on the 20th of the month (or the 5th and 20th every month if you file twice a month).

### Employers must:

- File employment information (the pay details of your employees) every payday.
- Provide new and departing employees' address information, contact details, and their date of birth- if they have provided it to you. Ensure your employees are aware that the information is now requested from the IRD.

- File electronically (from payday compatible software or through myIR) if your annual PAYE/ESCT is \$50 000 or more.

### How to use Payday Filing:

Payday Filing is very straightforward, there are two methods to using the system:

- In myIR through the payroll returns account through file upload (payday filing compatible software is required) or online data entry.
- Directly from your Payday Filing compatible software. With this option, employers will file directly from their software.

It should be noted that paper filers can't shift to Payday Filing before April 2019.

### Steps to shift to Payday Filing today:

There are several steps employers can undertake to start Payday Filing as soon as possible:

- Review payroll processes, plan and schedule when to make the shift.
- Ask the software provider when they will have Payday Filing compatible software.
- If the decision is to use myIR to file, the IRD must be notified when the change is made to Payday Filing.

## Cash flow management tips for small businesses

Small businesses with cash flow problems put themselves at risk of failing or suffering financial hardship.

Cash flow provides a business with stability so they are able to pay employees, avoid loan defaults and pay the overheads necessary to keep their business up and running. Follow these tips to boost your cash flow so you can secure your business' future.

### Perform a business health check:

Preparing financial statements will give you an objective insight into the health of your business. Identifying if you have a cash flow problem is the first step to coming up with solutions. Looking into the following reports will allow you to see if your cash flow is up to scratch.

- A balance sheet will tell you what your business is worth on any given day. The value of your business is calculated by subtracting your liabilities from your assets.

- Profit loss statements reveal if your income is meeting your expense requirements. If your profit is dipping below your expenses it is time for a change.
- Cash flow reports reveal the money that is going in and out of your business over a set period and identify peak and off-peak periods.

### Use a business budget:

After analysing your cash flow situation, is your cash flow cyclical? Creating a yearly budget is not only imperative to receive financing in future, but will also help you identify the best months to save to cover the quieter months. Where applicable, business owners can consider flexible rostering, whereby employing casuals and using a flexible roster can help you cut back on hours when you need to improve your cash flow in quiet periods.

When you have identified your quieter periods of the year, try to find additional revenue streams for

when cash is low. Is there a product or service that could be introduced? Work with your team for new ideas to cover low cash months.

### Get on top of your accounts receivable:

Allowing late repayments jeopardises your cash flow and can put you in a tight financial spot. Avoid being out of pocket by implementing some of these credit policies:

- Collect debts on time
- Offer an early bird discount to incentivise early repayments
- Set credit limits and payment terms
- Make credit applications and carry out credit checks on all new customers
- Penalise late payments with interest
- Consider cutting down on inventory
- Request upfront payment or a non-refundable deposit where viable, especially when dealing with large orders.



## 2019 End of Year Tax Tips

In the lead up to the end of the financial year, it is important for your business and financial records to be reviewed in preparation.

Looking at your accounts can help you find ways to maximise deductions and help plan ahead for future tax seasons.

Here are our 9 top tips for year-end tax planning:

### 💰 Donations

Businesses that make a charitable donation over \$5 can deduct the amount of the donation from their income at the end of the tax year. Keep tax receipts/invoices and claim donation tax credits within a period of four years, following the year in which the donation was made.

### ⚙️ Repairs and Maintenance

Undertake repairs and maintenance prior to 31 March to be eligible to receive a full deduction. At year-end, review repairs and maintenance expense accounts to identify if they contain capital expenditure.

### 🌟 Holiday pay and bonuses

You can claim amounts paid to your

employees as a deduction for the current financial year, so long as the full amount has been received within 63 days of the balance date.

### 📦 Stocktake

If you're carrying stock you are required to do a stock take, with the figures being at cost, excluding GST. If this is your first year and your stock is under \$10,000 there is no requirement to include it in your financial reports. If you've had stock on hand in prior years financial reports, you are required to keep reporting it.

### 💰 Prepaid Expenditure

Some prepaid expenditure can be claimed, under the condition it has not been capitalised to the balance sheet as prepayment. Some categories can be prepaid without limitation but others have a cap on claims per year.

### 🏠 Losses

Companies in a loss position, (total expenses exceed total income), do not have to pay income tax. Loss offset elections must be filed with the IRD no later than 31 March. Once approved they cannot be reversed.

### 💰 Legal Costs

Businesses with \$10,000 or less in legal

expenses can claim a full deduction. These fees must be business related.

### 🏠 Property

Rental of a residential property is excluded from GST but within an IR3 (personal tax return), income from a taxable property sale comes under "Other Income" and must be filed as such.

### 📅 Payday Filing

It is important to note that Payday Filing comes into effect 1 April, 2019. This means information from employers will be received more regularly which will aid in helping prevent people paying incorrect tax.

This guide is merely a starting point, designed to help you identify areas that might have a significant impact on your tax planning.

Feel free to consult us for help in taking advantage of tax-saving opportunities and tax efficient investments.

## Are your business practices ethical?

Safeguarding your ethical business practices and introducing new ones could be the best thing for your business.

### Do ethics matter for your business?

In short, yes. Living in the 'Information Age' has meant that employees, businesses, and the general public have access to more information than ever before. Not only are your business' public behaviours increasingly scrutinised, but also your employees'. Combining this with the recent growth in consumer activism and the increase in litigation related to corporate social and environmental behaviour, it doesn't take long to realise that a single action of unethical behaviour can take down a company. Fortunately, the converse is also true - actions supporting ethical behaviours are given a greater focus and have



bigger impacts for businesses when promoted.

Even without increased scrutiny, public perceptions of business practices and the costs of criminal and civil liability are simply the reflection of society's concerns. A recent university study found that 86% of millennials find it a priority to work in companies that are socially responsible and ethical. What's more, a 2018 study saw that less than half of millennials believe businesses behave ethically. Ethical practices not only affect whether your business attracts new talent but also whether your business has the potential to thrive in the future with increasing competition. In essence, good ethical and sustainable practices mean for good business too.

### Recognising ethical and unethical behaviour in your organisation and industry

Although defining whether something is ethical is highly subjective, this article judges ethics along these indicators:

- **Corruption and fraud:**

Ethical businesses do not engage in fraud and corruption in any and all areas of their business. This includes supply chain, operations, employment, marketing, accounting and finance. Unethical behaviours can include exploitation, manipulation, misrepresentation, inaccurate financial reporting, hiding losses, embezzlement or unethical investing. By not engaging in corruption and fraud, you are recognising that these actions can not only cause harm to your business but also the society and environment as well.

- **Sustainability:**

Engaging in sustainability practices requires long term thinking and considers the needs and rights of future generations. Sustainable practices value diversity in natural, economic, and cultural systems in all areas of business. These include supporting sustainable development, having social or environmental objectives (rather than just purely economic objectives), and improving supply chain management. By engaging in sustainability practices and showing corporate social responsibility, you are recognising the importance of uplifting other businesses, societies, and environments. It is the recognition that your own business is part of an interrelated system.

### Ensure your operational practices and systems support ethical behaviour

It only takes a single employee to commit an unethical act that could ruin the reputation of the business. Make certain all your employees practise ethical behaviours in the workplace. Recognise how and when your organisation or industry culture motivates unethical behaviour. Ensure and promote that your operational policies, procedures, KPIs, budgets, and incentive systems support ethical behaviour.

Ensuring and adopting ethical practices not only protects your business, but allows it to be competitive, motivates employees, and attract the best new talent. It allows your business to operate sustainably and thrive well into the future.

## Improve your niche marketing strategy

A niche marketing strategy is one that targets a specific subset of a market and is not a strategy that is ideal for every business.

However, if you have determined that a niche marketing strategy is right for your business, here are some things for you to consider to distinguish yourself from the rest.

### Knowing and serving your customer:

In a niche market, it is not only enough to just know your customers' demographics but also their beliefs, behaviours and desires. In doing so, you can better cater to their needs in your products or services and add more value to what you are selling. Customer service is especially essential for online businesses as there are no physical spaces to produce an in-store experience. Serving your customer digitally can involve the customisation of a product or service, promptly responding to queries, or packaging the product in a way that aligns with your brand.

### Storytelling:

An emotional connection with a product or service can influence a customer's purchasing decision - storytelling is one of the most powerful methods to draw an audience in. Changing the 'About Us' section to 'Our Story' on a niche family business website may be effective, but it's just as important for the story to reflect the brand. Some business stories are told through their employees' or customers' testimonials and successes. Niche retail businesses may tell the story of their product's symbolism, unique features, designer, artist, or maker.

### Be selective with your advertising platforms:

Using social media is one way to gain visibility and to have a digital presence, but social media channels are often saturated with competitors and other distractions. Depending on your product or service, some customers may prefer to visit industry-related websites or use a search

engine directly, rather than clicking on an advertisement on Facebook. Other customers would prefer to trust their friends and to gain knowledge through word of mouth. These businesses may gift an item to a circle they want visibility in. Ensure your marketing channels are cost-effective for your business.

