

# MONEY

YEAR END  
STRATEGIES

ISSUE

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# MATTERS



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## Not only a new year, but a new decade

Going into 2020 is a great time for business owners to take a step back and think about what they can do to improve on previous years.

The beginning of the year offers a sense of renewal, a chance to take time and hopefully perform better going forward, both personally and in business. Even if you are satisfied with your business's performance, it is no excuse to sit back and leave things to be done how they were before. There is always room for improvements in every business, so with that in mind here are a few areas you can focus on in the new year.

### Go green

Consider the ways your business could be more environmentally friendly. There are simple steps you can take in your efforts to improve your business practices. Reducing waste, using eco-friendly products and turning off electronic equipment are all quick and easy ways to start. An environmentally positive approach can also become a profitable part of your business strategy and marketing. It may be possible to offer 'green' products or services to your customers. This creates a positive public

image for your business and helps you to stand out among your competitors.

### Be social media savvy

The rise of social media dominated the majority of the last decade and doesn't look to be slowing down. Technology is ever-evolving, meaning the way it can be used as a business and marketing tool is too. Now is an ideal time to do your research; investigate emerging trends for social media marketing and try to analyse the direction in which these trends are travelling. Concentrate on making sure that your social media marketing is informative, creative, and, most importantly, reaching the right audience. Businesses who adapt their website to the more compact screen size of contemporary devices will also benefit from more frequent mobile access.

### Create a productive work environment

The physical characteristics of a workspace can have an enormous impact on productivity, health, safety and comfort. Elements such as lighting, colour, layout and noise all contribute to a positive and productive work environment. Ideal work environments are exposed to a significant amount of natural light, are free from clutter and control noise.

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## Should you work with family and friends?

One place small business employers often fail to search for new job applicants is the families and friends of their best employees.

Before rushing headlong into hiring family or friends, consider the people and all areas of business that will be affected. Hiring friends and relatives can be a balancing act. If not handled well, it can sour the working environment. But hiring friends and family can have great benefits too, as long as you proceed carefully with these following points:

### Business is not a charity

Don't hire an employee's relative just because they 'need' a job. If someone has trouble holding down a job, you don't want them either. Make it clear that if the relative or friend doesn't perform as expected, he or she will have to go. Hire on a probationary basis, establishing a two-week or month-long period to see how things work out.

### Hire for the right reasons

People rarely see their own relatives clearly and are therefore likely to make general and positive statements that don't tell you if they have relevant work experience or training, rather than analysing their capabilities. With this in mind, ask specific, detailed questions about their qualifications before you agree to interview them.

### Be aware of spouses

Spouses or domestic partners working together can present a number of difficulties. There are logistical issues that can arise, such as holidays or family emergencies, which could leave you doubly short-handed. There are behavioural issues to consider as well, a terrific, eager worker may change dramatically with a spouse around. The dynamics of a couple's relationship is stronger and usually more emotive than an employer/employee relationship.

### Never play favourites

Be toughest on your own relatives. Before you hire a relative, make it clear to them that they are going to have to prove themselves, and they will be held to the highest standards. Make sure all the rules apply to all employees. Everyone has to be qualified and do their jobs well, otherwise, they're not hired.

## Telecommunication usage and plans within employment

Employers will now be able to make an allocation between business and private use of devices by their employees due to the IRDs new Determination EE001.

Designed to provide flexibility and reduce compliance costs, this Determination provides the option of applying certain percentages to usage plans related to telecommunications tools such as laptops and mobile phones used by employees.

The determination applies to three types of situations: Class A (principally business use), Class B (principally private use), and the De Minimis Class (a reimbursement payment of no more than \$5 per week per employee).

All three classes must meet the following requirements:

- An employer enters into an arrangement with the employee where the employee will use their own telecommunications tools and usage plan.
- The employee incurs the cost of the telecommunications tools and the usage plan or the cost of the usage plan alone and there is reimbursement, or
- A reimbursing allowance represents a reasonable estimate of the likely expenditure to be incurred by the employee.

Reimbursements or reimbursing allowances in relation to employee use of devices and usage plans in their employment are taxable and subject to pay-as-you-earn (PAYE) tax unless specifically exempt.

Introduced 20 December 2019, this option is not compulsory for business owners.

## What does the Zero Carbon Bill mean for your business?

The new Climate Change Response (Zero Carbon) Amendment Bill requires the Government to enforce policies for climate change adaptation and mitigation, which may affect your business.

The Bill was granted royal assent on in November 2019, and binds New Zealand's commitment to the Paris Agreement into law, with the aim to achieve zero net carbon dioxide emissions by 2050.

Businesses are currently not held to any immediate obligations under the Bill, however, it can act as a guide for businesses to understand the eco-friendly direction they should follow. Businesses now need to factor in the implications of the Bill when creating business strategy, growth and investing.

Businesses should consider the increase in the cost of carbon under the Emissions Trading Scheme (ETS) and how this will affect trading. From the use of transport for delivery drivers to electricity in commercial buildings, business owners can plan for the change in costs and consider how they can use alternative climate friendly technologies for business.

The government states that the Bill will give businesses the confidence to invest in existing and emerging low emissions technologies. Larger businesses and sectors directly affected by rising emission costs have the incentive to innovate and use low carbon equipment in order to be stable for the zero carbon future.



## Establishing a businesses terms and conditions

Establishing terms and conditions for your business provides clarity and protection for you and your clients. Otherwise, your business can be at risk of legal and financial stress.

The terms and conditions of a business act as a contract that aims to protect intellectual property, control liability and enforce rules. This can help to prevent disputes and save time and money on collecting debts. Specific terms and conditions can be the difference between chasing up late payments to ensuring your business gets paid first.

While there is no legal requirement to include terms and conditions on invoices, it is highly recommended that you establish written terms and conditions in case things go wrong with one party. The terms and conditions you decide to incorporate will vary depending on your business' needs, but generally should include some variation of the following topics:

### Goods and services

A clear definition of the goods and/or services that will be provided. Including a section for

definitions of the words you use throughout your terms and conditions will prevent any misunderstandings or misinterpretation.

### Price and payment terms

The price should be defined and state whether GST (or other taxes) are included or not. The payment terms should outline when the payment is due and if the price is payable in cash on delivery or on pre-agreed terms.

### Warranties or guarantees

Include any warranty that will be provided, the warranty period and clearly outline any limitations under the warranty. If you offer any guarantees, be sure to include them and remember guarantees should be given before any goods and services are provided.

### Credit terms

If credit is provided, include the credit terms, limits and any penalty or default terms. It is important to request permission to conduct a reference check to verify the creditworthiness of the other party before providing credit. Remember offering credit increases your chances

of receiving a late payment, or not being paid at all, so consider upfront payment or payment on delivery for customers with large payments.

### Defaulting and terminating

Specify what will happen if either party does not deliver or pay on time. The terms should also state what notice is required to get out of an agreement or if one party wants to end the relationship.

## We Are Here To Help

Make use of us! This guide is merely a starting point, designed to help you identify areas that might have a significant impact on your personal and business planning.

We are always pleased to discuss matters with you and advise in any way we can.



## Changes to investment property laws

The Residential Tenancies Amendment Act introduced and refined several areas of renting agreements for both landlords and tenants.

### Liability for damage to rental properties caused by a tenant

In the event a tenant or their guests damage a rental property as a result of careless behaviour, the tenant will be liable for the cost of the damage up to a maximum of four weeks' rent or the landlord's insurance excess, whichever is lower.

### Insurance statements

Insurance information will need to be provided in any new tenancy agreement, including whether the property is insured. The statement in the tenancy agreement must also inform the tenant that a copy of their insurance policy is available on request. Landlords who don't provide this information, or don't tell tenants in writing, may be liable for a financial penalty of up to \$500. Tenants on existing tenancies will be able to ask their landlords for this insurance

information, which must also be provided within a reasonable time.

### Contamination of premises

Landlords can now test for methamphetamine in rental properties while tenants are living there after providing at least 48 hours notice to tenants before entering the property. For boarding house tenants, they must provide at least 24 hours notice before entering the boarding house room. Landlords will have to tell the tenant what contaminant they are testing for and share the test results with the tenant within seven days of receiving them. Landlords will not be able to knowingly rent premises that are contaminated above the prescribed level without decontaminating in accordance with the regulations. If they do so, they will be liable for a financial penalty of up to \$4,000.

### Unlawful residential premises

All legal requirements relating to buildings, health, and safety that apply to the premises must be met. Landlords must also ensure that their property can legally be lived in at the start of the tenancy. Previously, tenants who lived in

premises such as converted garages, sleep-outs, warehouses or industrial buildings were not always protected by the Residential Tenancies Act. The new Act amends the definition of "residential premises" so that regardless of whether premises can be legally lived in, if they are lived in or intended to be lived in they will be considered residential premises under the Residential Tenancies Act.

These updates were first passed on 30 July 2019 and came into effect on 27 August 2019.



## 2020 year end tax tips

As the end of the financial year approaches, so do your tax obligations, both personal and business related.

Business and financial records should be reviewed in preparation for year end. Looking at your accounts can help you find ways to maximise your deductions and help plan ahead for future tax seasons. Here are our 7 top tips for year-end tax planning:

### Prepaid Expenditure

Certain incurred prepaid expenditure can be claimed as a tax deduction in the current income year, provided it has not been capitalised to the balance sheet as a prepayment. Some categories of business expenses can be prepaid without any limitations, meaning that you can claim as much as you like whereas other expense categories have caps that limit the amount that can be claimed in a year.

### Property

You cannot charge or claim GST for the rental of a residential property, therefore

there are no GST implications for this type of activity. However, individuals are legally required to file an Individual Tax Return (IR3) for the income earned from a taxable property within the previous financial year.

### Write-off bad debts

Bad debts can be used as a tax deduction to reduce your taxable income for the year. Any outstanding balances that are unlikely to be recovered from customers can be written off as a bad debt. To claim a deduction, you must ensure that you formally write off the debt in your accounts and it is written off prior to 31 March. In addition, you must be able to provide evidence to the IRD that you have taken reasonable steps to recover the amount.

### Imputation credit account

Companies with a debit balance for their imputation credit account (ICA) on 31 March will automatically incur a 10% penalty on the further income tax due. To avoid this, consider making voluntary payments prior to 31 March to clear the debit balance.

### Review assets

Reviewing your fixed assets before the balance date to ensure assets are correctly classified and the correct tax depreciation rates are being applied. Sell any surplus assets that can be sold and write off any assets no longer in use.

### Home office expenses

For those who are self-employed and run their business from home can claim for any space you use primarily for the business. Expenses, such as insurance, rates, power, rent and mortgage interest can be claimed based on the proportion of the home being used for business purposes.

### Employee expenses

Amounts payable to employees at balance date, including holiday pay, bonuses, long service leave or redundancy payments, are deductible in the current year to 31 March if paid to the employee within 63 days of balance date.

## Giving out staff awards to your employees

Staff awards can be an easy and fun way to boost employee productivity and can be done without exhausting time and resources.

Showing our employees that you appreciate and recognise their effort can increase their incentive to work harder and be more motivated in your business. Whether your award ceremony is as simple as getting a certificate in the office or hosting a formal event at a function room, handing out staff awards can give your workers something tangible to show their friends and family and feel good about. Here are some types of awards employees may appreciate:

### Employee of the month/employee of the year

Having a notable employee of the month or year award can give your workers something to strive towards. This can motivate your employees to perform consistently well throughout long periods of time, and show appreciation for high achieving workers.

### Outstanding leadership award

Leadership is often an important factor in

the workplace, whether it's in teamwork, management or actively helping other employees learn and grow. It can be challenging for a leader to be empathetic and understanding whilst also being assertive and confident, so rewarding good leadership in the workplace can improve the culture of your business.

### Customer service award

Customer service is an integral part of a



successful business, so it can be helpful to give your employees an extra incentive to excellent customer service. Dealing with customers is not always easy and can be frustrating and showing employees appreciation for their efforts with handling customers can prevent them from losing motivation.

### Innovation award

It can be easy for employees to simply follow traditional ideas and procedures and not think creatively. Having an innovation award can encourage employees to think outside the box and figure out the best ways of producing quality work, which can benefit your business enormously.

### Years of service awards

These awards are given out to employees who hit a long-term work anniversary, typically when they reach 10, 15, 20, 25 or 30 years of employment. This acknowledges the employee's dedication and commitment to the business, as well as recognising their accomplishments, knowledge, work ethic and experience in the job.