

# MONEY

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# MATTERS



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## Managing rental property with the Residential Tenancies Amendment Bill

The Government passed the Residential Tenancies Amendment Bill this August with changes to improve tenants' security and protect landlords' interests.

Rental property owners need to consider how these changes may impact their tenancy agreements and prepare for the new rules to come into action.

Periodic tenancies, or continuing leases can now only be ended by the landlord for a specific set of reasons:

- Three tenant notices were issued on separate instances within a 90-day period for antisocial acts.
- A notice was issued when the tenant was late with their rent by at least five working days on three separate occasions within a 90-day period.
- The landlord may suffer greater hardship than the renter if the tenancy continues.
- Current conditions relating to rent delays, damage, assault and breaches still apply.

The landlord can apply to the Tenancy Tribunal to end the tenancy, and the Tribunal will inform the landlord about the notice period based on the reasons that led to the end of the tenancy.

Landlords could previously not end a fixed-term tenancy agreement early unless it was mutually agreed upon, or a Tribunal order was issued. However, the new changes proposed make it possible to end a fixed-term tenancy with a 14-day notice period if the tenant physically assaulted the landlord or their family, and was charged by the police.

Additionally, fixed-term tenancy agreements convert to continuing leases unless one of the following conditions apply:

- A landlord issues a notice to end the tenancy using the reasons listed above for periodic tenancies.
- A tenant gives a notice at least 28 days before the end of the tenancy.
- Both parties agree to renew the fixed term or end the tenancy.

Rental property owners are also now required to give permission when the tenant makes a request for minor changes within the rental space. The Residential Tenancies Act 1986 outlines what changes will be minor. The landlord can still set reasonable conditions around how the minor changes are carried out. Tenants must pay for these changes and are responsible for any resulting remedial work at the end of their tenancy, to return the property to a condition that is similar to the state it was in before the change was made.

**dfk oswin griffiths carlton**  
LEADING CHARTERED ACCOUNTANTS AND BUSINESS ADVISERS



## DFK Oswin Griffiths Carlton

LEVEL 4  
52 SYMONDS STREET  
AUCKLAND 1010  
  
PO BOX 6077  
VICTORIA STREET WEST  
AUCKLAND 1142

TEL +64 9 379 3890  
FAX +64 9 309 3304  
EMAIL  
office@dfkocg.com  
WEBSITE  
www.dfkocg.com

### PARTNERS

David Griffiths	Sanjay Kumar
Navin Patel	Mike McNab
Mukesh Parshottam	Anit Patel
Shane Browning	Steve Darnley

Business Advisory Services  
Accounting & Taxation  
Audit & Assurance  
Forensic & Litigation

## Small Business Cash-flow Scheme extension

In response to continuing financially uncertain times for small businesses, the Government has extended the Small Business Cash-flow (loan) Scheme (SBCS) to the end of 2020.

Applications for the Scheme opened on 12 May 2020 and can now be submitted up to and including 31 December 2020.

### What is the SBCS?

The SBCS was introduced by the Government

in May 2020 to provide eligible small businesses with financial relief in the form of a one-off loan. The maximum amount available for loan is \$10,000, with an additional \$1,800 per full-time equivalent employee.

The loan is interest-free in the case that businesses fully pay it back within one year of the loan's issuance. However, businesses taking more than one year will be charged at 3% interest per annum, starting from the date of the loan being provided.

### Is your business eligible for the SBCS?

Businesses must have 50 or fewer full-time equivalent employees to be eligible for the loan. Businesses must also be 'viable', meaning the directors or owners have good reason to believe that it is likely the business will be able to pay its debts as they fall due within the next 18 months. Record-keeping

is essential to proving your business is viable and may include:

- a short-term cash-flow forecast for the business,
- a plan for where future revenue will come in market conditions,
- financial statements showing the business or organisation has enough resources (including the SBCS loan) to sustain itself,
- an accountant's assessment that the business is viable.

### How can you apply for the SBCS?

Businesses can only apply for the SBCS loan through myIR. In the case that your business is receiving a wage subsidy, only apply for the SBCS when your wage subsidy is \$351,490 or less when applied to all of your employees.

## How to market your business for free

The fundamentals of any business today is a strong marketing strategy. However, not all businesses have the resources to pay for elaborate marketing initiatives.

Instead, consider using these simple and free marketing tips before sinking finances into an expensive campaign.

### Email signatures

Add an email signature with links to your website, email and social media accounts in all your communications. Stamp your brand name and website on all your products to improve visibility.

### Improve your website

Add extensions to your web browser which work by constructing page titles and description tags for your web content. These tags then ensure that your website is visible within the first few results of an organic Google search. This is an effective way to maximise traffic, or interaction, with your website.

### Set up and claim your Google My Business Profile

This is an easy, cost-effective way to make sure that your community is aware of your business. When customers search for a particular service on Google, results include contact details, photos and reviews of nearby businesses that offer that service. By claiming this listing, the accuracy of this information is improved and local customers are more likely to engage with your business.

## Managing losses with the new carry-back scheme

The IRD has introduced a temporary loss carry-back scheme to provide financial support to businesses expecting to make a loss in the 2020 or 2021 income years.

Under the temporary loss carry-back scheme, businesses can carry losses made in 2020 (or predicted to make in 2021) back to the preceding income year to offset them with the previous year's profits. Businesses doing so will receive a refund of some or all of the tax paid in that previous year.

In addition to incurring a loss in 2020 (or expected to in 2021) and having made a profit in the previous year, businesses also need to meet certain conditions throughout both the loss year and preceding year to be eligible for the scheme:

- The company maintained a 49% common ownership.
- The group retained a 66% common ownership.
- The business has a sufficient imputation credit balance to cover any refunds.

Businesses receiving an automatic income tax assessment in the year the loss was made, with income sourced solely from any one of the following, will not be eligible for the scheme:

- salaries,
- NZ Superannuation,
- income-tested benefits,
- taxable Māori authority distributions,
- benefits under an employee share scheme,
- interest or dividends, or
- schedular payments.

The IRD encourages businesses looking to use the loss carry-back scheme to register online through their income tax account in myIR. Refunds of overpaid tax from claiming a loss under the carry-back scheme will be issued quicker for claims made through myIR.



## Is your business prepared for a Wage Subsidy audit?

As the Ministry of Social Development (MSD) cracks down on non-complying businesses under the Wage Subsidy Scheme, businesses should be revalidating their eligibility to have made a claim.

Incorrect or unqualifying claims made under the Wage Subsidy Scheme can result in a partial or full clawback of funding. Businesses who are uncertain of whether they continue to meet the eligibility requirements to qualify for the Scheme should reassess their situation and look to repay amounts claimed if they don't have an entitlement to it.

Businesses deliberately providing false or misleading information in order to claim a wage subsidy will not only be required to repay the funding, but may also be taken to court for Crimes Act 1961 charges.

Businesses that applied for the original

Scheme based on a predicted 30% or more decline in revenue should assess whether this predicted decrease happened and whether or not it was as a result of COVID-19. Businesses under the Wage Subsidy Extension should do the same, but in regards to a 40% decline in revenue for a continuous 30 day period within the 40 days before applying. The MSD will typically require proof of their drop in revenue due to COVID-19 for any month compared with 2019. Employers should be able to provide documentation of this if they are audited.

The Wage Subsidy Scheme also requires applicants to declare that they will, within their best efforts, pay and retain employees at 80% of their regular income after receiving the subsidy. Employers should be able to prove that this effort has been made using their payroll data to demonstrate their employees' pay either:

- remained the same, or
- is at 80% of their regular pay, or

- is at a lower amount in agreement with the employee.

Even if a business is confident that they meet the eligibility requirements for their Wage Subsidy claims, it is still a good idea to consider actively taking steps to document their eligibility. Having adequate evidence will make a potential audit go much more smoothly and quickly. Relevant documentation should show:

- The necessary decline in revenue.
- How the business took action to mitigate the impact of COVID-19 on the business.
- What cash reserves the business had at the time of making the claim.
- The payments made to employees and how these were calculated.
- Whether any employees ceased employment during the Wage Subsidy period and on what basis.

## The critical steps to a successful partnership

It is a tall order to ask for a business owner to manage everything alone, much less lead their business into success. This is why many successful businesses are born from partnerships.

Partnerships can be advantageous to business owners looking to balance their complementary talents and personalities. Sharing the experience of running a business can make the whole process more enjoyable, especially with a partner who is liked and respected.

However, partnerships are not without their disadvantages. Disagreements are bound to happen over time so it is important to formally structure the relationship. To ensure business success and the longevity of your relationship, there are a few important steps to take when laying out the groundwork for your partnership.

### Sort out the basics with your partner first

Be sure to cover issues such as:

- Business ownership division. Who owns what percent?
- Decision-making processes. How

are business decisions made?

Who has final authority? How are disagreements settled?

- Partnership responsibilities. What are each partner's responsibilities? How much time and money will each partner contribute? Can partners work in other positions at the same time?
- Partnership breakdowns. What happens when a partner wants to sell? What happens when a partner dies or becomes disabled? What happens if you want to bring on an additional partner?

### Draw up a written partnership agreement

Solidify all the key issues that you have discussed in a legally binding contract. This is to ensure that parties involved are held accountable to the agreed-upon terms of your partnership. Also make sure that contract is drafted with professional legal advice and assistance.

### Choose an appropriate business structure

Discuss with an accountant what legal form your partnership should take. This is important to determine your level of involvement in a partnership. For example, a simple partnership does not provide protection for any party's personal assets.

### Consider a buy-sell agreement

A buy-sell agreement acts as an insurance policy for partnerships in the event that a partner dies or becomes disabled, wants to sell their share of the business, or leaves the business. Buy-sell agreements can resolve disputes or differing goals by transferring business ownership and reducing the risk of business failure after a partner leaves. Always seek professional advice before drafting a buy-sell agreement to ensure all situations are covered and the contract is neither too advantageous or disadvantageous for one party.



## What to consider before opening another business location

Expanding your business to open in multiple locations can offer more opportunities and profitability. However, it is crucial to examine and prepare for the implications of opening up a second store.

Managing one business location can be challenging enough; here are some considerations that business owners need to keep in mind before deciding to open up a new branch.

### How successful is your current business?

Before opening up multiple stores, your current business should be stable and successful. If your business is struggling in key areas such as cash flow, sales, employee skill sets, and customer retention, then it's a good idea to address these needs first. Consider whether your current store's shortcomings will also put

new locations at risk.

### What are the characteristics of the new locations?

Choosing the right location plays a key role in the success of your business. Research potential locations and consider how selected areas could affect your new branch due to factors such as busyness, competition, demographics, transport accessibility, rent prices, and attractiveness to employees. Assess whether the differences between your current and potential new locations will require you to make any changes to your business - perhaps you will have to adjust your marketing strategy, prices, or products/services depending on your new demographic.

### Do you have the resources to expand?

Expanding your business will require extra financial commitments for rent, utility bills, more inventory and

equipment, employees, insurance, and extra advertising. While your income may increase with your new location, it may take months to make the returns required for expansion. Financial security is important when opening up a new store to avoid overextending your funds and putting your business at risk. If you don't have the assets required, a business loan is an option, provided that you can prove your financial ability to repay the loan.

Opening up a new location also means that you will have to manage your time between the two branches. This may require delegating business responsibilities, hiring managers, or promoting current employees to management positions. To keep your new business on track and identify early risks, you may also have to initially spend more time at your new location.

## Managing employee morale through company change

Change and adaptation is integral to business survival. However, not all employees may be receptive to change, so it is up to business owners to learn how to manage employee morale.

Whether it is introducing new employment policies, management systems, or day-to-day business procedures, it is important to address your upcoming business changes with your employees. Sudden and major company changes can lead to uncertainty and distrust amongst your employees. To keep employee morale up, here are some strategies to implement when introducing changes to your business.

### Emphasise team-building

Major workplace changes can cause confusion and team disconnection, subsequently causing productivity and work quality to suffer. When implementing your company changes, ensure

you are also involving your employees in the process and encouraging communication between your employees. A great way to involve your employees is to initiate team-building activities.

Give your employees a break from their usual work routine and plan some fun and relaxing team-bonding exercises to improve the atmosphere. Reinforcing a supportive workplace community will help your employees adapt to any changes you are implementing into your business.

### Ensure open communication

Open and honest communication is key to boosting employee morale and eliminating feelings of uncertainty and stress. To avoid the rumour mill and keep employees focused, inform your staff members about the changes taking place as quickly as possible. Include details such as how and when changes will

be implemented or addressed to ensure employees are ready for the changes. Communicating openly with your employees will build long-term trust as they will appreciate your efforts to keep them involved and alleviate their concerns. Employees will also feel valued, boosting company loyalty.

### Provide extra support

Adapting to change is not an easy feat and some employees are bound to struggle with it more than others. As a result, it is important to provide vulnerable employees extra support to embrace the changes you plan to introduce. Offering counselling and therapy services, educational resources, or even emotional support in the form of time and space can boost employee morale and motivation. Be sure to encourage regular employee feedback and have open discussions between management and employees to better connect with your employees' concerns and desires.



## 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.