

MONEY

END OF YEAR
UPDATE

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MATTERS



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Marketing for holiday season

The pandemic has led to financial suffering for small and large businesses. Holiday season could be an ideal time to recover from some of the loss experienced throughout this year.

Individuals and families will be looking to make large purchases for the holiday season, and with the right plan for marketing, businesses may be able to utilise this period for their benefit.

Enjoyable customer experience

Holiday season can be as stressful as it is enjoyable for many people. Businesses should aim to simplify the customer experience and try to make it less stressful for customers. This could be as simple as adding a chat function to your website so that customers are able to ask for more information about a product online rather than go through the hassle of calling or coming into store for clarification.

Start your marketing campaign early

Provide customers with the opportunity to buy their presents in advance through early-start marketing campaigns. For existing customers, send out holiday advertisements so that they are aware there

are sales to motivate early buying. This will also promote a spread of purchasing over time rather than crowding around the holidays which is extremely important at the moment.

Businesses who have struggled to make consistent income may want to pursue this option to encourage buyers into their stores.

Webroom your products

Webroom allows clients to view a given product from every angle (as they are able to do in showrooms). Customers may be hesitant to go into stores due to concerns of their safety, having a webroom will simplify this process and make it easier for them to purchase products.

Email marketing

Holiday season doesn't leave customers a lot of extra time for dedicated phone calls or in-person encounters. Sending targeted emails that let customers know about new products and alert them of sales is an excellent way to simplify the search process for customers.

Planning and preparing marketing strategies will make it easier for both the buyers and businesses. It will allow for a less stressful holiday period when there is a sudden increase in sales.

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COVID Safe Christmas parties

Fortunately, New Zealand has dealt with the pandemic exceptionally well. While other countries are still being limited in the way they celebrate events, the restrictions on events in the country have been lifted.

However, it is important that precautionary measures are taken for events, and this

extends to Christmas parties that employers may be planning to hold.

Employers should make sure that each individual attending the event has downloaded the NZ Covid Tracer app. This will help keep track of the premises that individuals enter and any potential contamination that could have occurred in the relevant premises.

Attendees should have access to alcohol-based hand sanitiser, and appropriate hand washing facilities with soap and the ability to thoroughly dry their hands. This also involves making sure that the venue uses appropriate cleaning methods and regularly cleans communal areas such as bathrooms and high-touch surfaces like door handles and payment machines.

Employers should also inform employees and other potential attendees to take COVID precautions themselves. These include avoiding the gathering if attendees are unwell, a confirmed or probable case of COVID-19, waiting for a COVID-19 result, or self-isolating.

All of these precautions might seem unnecessary given how well New Zealand is currently performing in terms of cases. However, if we are to continue avoiding a surge of cases and any future lockdowns, then these precautionary measures are necessary.

Christmas parties are a great opportunity to celebrate the success of the business, and after overcoming this stressful year, employers and employees are deserving of this. But make sure to do it safely!

End of year checklist

At the end of the year, it is important for businesses to set time aside to reflect and ensure a strong finish and a fresh start.

- Review last year's revenue goals: Reviewing your goals can let you know if any changes need to be made before the final holiday season stretch.
- Run year-end financial reports: Gives you an opportunity to look at the bigger picture rather than the day-to-day details.
- Update employee and payroll information.
- Update vendor information and files.
- Checking physical inventory: Important for tax purposes as well as evaluating which products do or don't do well.
- Back up of data: Conduct an end of year data back-up as well as regular back-ups.
- Website check: Ensure your website is updated with any end of year sales/information.
- Consider potential staffing needs: Reflect on the load and whether hiring new staff could be beneficial.
- Business accomplishments: Noting down your business' accomplishments can be motivating and increase morale.

Creating a budget for the new year

Businesses should review their yearly financials and aim to create a budget which reflects any adjustments that need to be made.

Gaining a good understanding of your revenue is the first step that you should complete when creating a budget for the new year. Ensure you have taken all income sources into consideration and determine the revenue, not the profit. By separating this income into the past months, up to a year if possible, and using information from the previous year will provide information about seasonal patterns and changes you might need to prepare for.

Fixed costs are the simplest to take into account. These may be recurring expenses or one-off costs which you can anticipate before the year begins. These can include rent, supplies, payroll and a range of other expenses that might be unique to your business.

Variable expenses are more difficult to calculate. The data you accumulated at the first step may help with determining these costs. Although these costs won't be identical to the previous year, they may provide some indication as to the types of variable expenses that may occur. These can include professional development or marketing costs.

Although the previous year might give some indication of anticipated costs, it is best to set aside a contingency fund for the coming year. This year and the global pandemic is an example of unexpected costs that may arise. Spending this extra money on other expenses may be tempting, but saving them for emergencies in the long term will prove beneficial.

Create a profit and loss statement which contains all the information you have gathered. This will allow you to project into the future and make educated decisions. Using your profit or loss statements, examine the trends you need to watch out for and how you can move forward using that information.



Tasks businesses should complete at the end of the year

The end of the year is an excellent time to review the year and start preparing for changes that could be useful in the future.

Review your documentation

Utilise this time to update documentation. There may be paperwork that you no longer need or that you no longer need to store in certain premises. Updating and reviewing paperwork can help correct any mistakes that may have been made and alert you of any new documentation that needs to be attained. Making sure that your records are in good order for the New Year will mean there is one less thing you need to worry about.

Prepare tax paperwork

Once your documentation is updated, consider reflecting on your taxation. Ensure that you have fulfilled all the necessary requirements and your business is abiding with all regulations. Resolving any issues

during this period rather than waiting till the last minute will prevent further complications. Consulting an advisor regarding any concerns might simplify this process and make it more efficient.

Provide feedback to employees

Taking the time out to provide your employees with specific feedback is integral to progress. This information will let them know what they are doing well and what your expectations are for areas you believe require improvement. This is also a good time to ensure that your employee agreements and records are correct and reflect accurate and up to date information.

Goal-setting

Reflect and analyse your business at the end of the year so that you can prepare for the year ahead. Assess whether your business is performing according to the goals you had set. Different strategies will need to be

adopted depending on if you are or are not meeting these goals. Goal-setting will allow you to plan early on what type of strategies are appropriate.

Executing these tasks will prepare you for the New Year and relieve additional stress that may come with starting up after the holiday season.



Summary of New Zealand's support for businesses in response to COVID-19

The New Zealand government's response to COVID-19 has been commended by leaders and citizens across the world.

The government took both precautionary measures required to ensure the health and safety of its citizens while also providing businesses with all-round support for a smooth recovery from the financial detriment that occurred.

This included support was categorised into five main sections: people, property, leave, tax and cash flow.

People

- Wage subsidy program: Provided businesses with wage subsidies so that businesses were able to retain their employees.
- Consultancy support: Assisted businesses with understanding and managing impacts of COVID-19 and planning for recovery.

Property

- Commercial property law changes: Commercial tenants and landlords were able to keep their leases in place during recovery.

Leave

- Leave support scheme: Financial assistance provided to workers who were required to self-isolate due to the pandemic.

Tax

- Tax administration act changes: Businesses helped with cash flow and stability by making the tax requirements more flexible.
- R&D tax incentive: Help businesses retain their R&D capacities during COVID-19 and receive their tax credits faster.
- Depreciation tax deductions: Increased the low-value asset threshold and allowed deductions for commercial and industrial buildings to help businesses with cashflow and reinvestment.
- Remission of penalties and interest: Reduce the pressure on taxpayers who are

facing interest and penalties for late tax payments due to COVID-19.

Cash flow

- Small business cash flow loan: A quick and low-cost loan that can help businesses manage cash flow.
- Business finance guarantee scheme loans: Participating banks are able to provide businesses with operating cash flow needs and response or recovery projects due to COVID-19.
- Temporary tax loss carry-back: Businesses are able to use tax losses to offset prior-year profit.
- Business debt hibernation: Allows businesses to place their existing debts on hold while they recover from financial difficulties caused by COVID-19.

Businesses that feel they would benefit from these schemes should research any contingencies and eligibility requirements before applying.

Hiring workers for holiday season post COVID-19

Holiday season often requires businesses to take on employees for the surge of shoppers during this period. While in the past businesses might have known what their strategy for hire is going to be for this period, the current situation may have led to some confusion.

Although risk of transmission is low in New Zealand, the situation remains unpredictable. Therefore, if businesses are looking to onboard staff, they should consider the following:

- Hiring the minimum number of staff required: Businesses should aim to hire the minimum number of staff members that will be required so that they are meeting safety requirements and minimising inefficient spending.
- Practicing safety when onboarding: Ensure that the hiring process takes any guidelines regarding safety into

consideration. Conducting online interviews and training new employees on safety procedures is an effective method to tackle this.

- Conduct health checks and minimise cross-location shifts: Businesses should conduct regular checks and assessments of employees health and restrict employees to one location to avoid infection to multiple facilities.

Additionally, businesses should consider hiring workers that have the skills to support different types of roles that might be needed. For example, staff that has knowledge in retail work as well as some understanding of providing online support. This improves a business' agility and ability to revert back to more socially distant practices.

Businesses should also explore the support provided by the government for hiring. Wage subsidy schemes are available for employers impacted by COVID-19. Businesses should utilise this benefit particularly during the holiday period.

Reasons to change business structure

Changing your business structure might be the appropriate next step following COVID-19 and the impact it has had. Following are potential reasons to change business structure:

- Economic downturn or downsizing: Downsize or simplify the business structure in response to economic changes.
- Change in management: Addition of a business partner might mean that you change the structure of your business to partnership from sole trader.
- Change in ownership: Acquiring a new business could mean that you need to change the structure to suit your needs.
- Financial reasons: Changing the structure might assist in meeting financial objectives and improve profitability of your business.
- Operational reasons: Internal functions and roles may have changed during this period and you may want to change the structure to reflect this.
- Business growth: Your business may have profited during this period or expanded into different areas, such as online forums, therefore requiring restructuring.

Remember that changing business structure has implications on the business' tax and legal obligations. It may also have additional implications on your personal liability. You should take these into consideration before making changes.

Gifts for employees

Employers may want to reward their employees with gifts during the holiday season but may be concerned about whether fringe benefit tax (FBT) applies.

Gifts or promotions provided to employees are tax deductible as long as they do not exceed the maximum employer exemption

figure for FBT. At the moment this figure is \$300 per employee per quarter with a maximum of \$22,500 employer exemption per year. If these amounts are exceeded, then employers will need to pay FBT on the total value of benefits.

Businesses should note that this 100% exemption does not apply for in-work celebrations, food or entertainment provided to employees. In the case that the Christmas reward provided to employees is some sort of food or entertainment, whether consumed on premises, at a local restaurant or hotel, the regulations only allow a deduction of 50%.

Businesses may opt to give their employees Christmas bonuses. Although these are fully tax deductible, they will receive a PAYE deduction at the employee's marginal tax rate.

Therefore, employers are able to reward their employees for their hard work throughout the year without taking a big financial penalty.

