

MONEY

YEAR END
STRATEGIES

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MATTERS



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Using effective feedback to improve business performance

Businesses should use feedback as a tool to improve employee performance and business operations during this time of the year.

Conducting performance reviews and providing feedback on the basis of these reviews can be useful for employees and businesses as suggestions can be implemented for the next financial year.

Employers are given the chance to review how an employee has been completing their tasks, the quality of their work, and where they might need to continue refining their skills. This gives employees the opportunity to reflect on their work, take on board the feedback provided, and determine what changes they can make with the new financial year.

For the feedback to be effective, employers should be specific and performance oriented as opposed to personality oriented.

- Specific feedback which can be implemented into the work is much more useful than feedback which is vague and generic.
- Performance oriented feedback is more

effective as it addresses the employee's work and what they do rather than what they are like as a person.

Performance reviews should always include an opportunity for employees to provide the company their feedback. Listening to what employees have to say can be highly beneficial as they are the ones utilising company operations. This feedback, where possible, should be used to modify operations so that they are more effective, and are easier for employees to follow.

During this time, when data is being collated for the financial year, businesses will also inadvertently receive feedback on how effective their processes have been. Businesses should be observant and alert to what aspects of the end of financial year operations are particularly difficult and attempt to find new methods for such operations for the following year.

Feedback is an excellent tool as it can be beneficial for the employer and employees. During this time of the year, it is particularly useful as there is an opportunity to implement it into processes for the following year.

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Giving employees the option to work from home

Throughout 2020, many businesses around the globe switched to work from home, back to the office, and back to work from home again.

During this time, there was an observable divide in how people felt about working from home.

A particularly divisive aspect is the work-life balance. While some believe that work from home allows for flexibility which gives individuals more control of how they spend their time, others believe that the lack of distinction between work and home can be harmful to an individual's mental health.

Preference for work from home also stems from the reduction of travel time for employees which reduces stress but also allows businesses to be more inclusive with their hiring. Flexible locations allow employers to hire professionals from different socioeconomic, geographic,

cultural individuals as well as those who with disabilities.

On the other hand, an aversion to work from home stems from isolation from other people and how decreased social interaction can impact mental health. It is also reinforced by potential difficulties in motivation as individuals are in their own comfortable environment rather than one which may encourage self-improvement by seeing others work.

The reality is that while some thrive and are most productive in the office, others will do so in the comfort of their own home. Giving individuals the opportunity to choose whether they prefer working from home can lead to increased productivity and efficiency in the workplace.

Continuing to have an office space means that when it is necessary for employees to come in and participate in more collaborative work, this can be conducted in person.

A potential drawback of offering this choice is that procedures may need to be reworked so that they accommodate some work-from-home and some in-office staff. Although, if working in preferred environments will lead to increased productivity, then these extra steps may be worth taking.

Changing tenancy rules for healthy homes

Recent updates in the healthy homes standard law could help landlords and property managers make sure that they are complying with the standards set out by the law.

The healthy homes standard law aims to ensure that all rental properties are warm and dry. The law was introduced with the intention of helping landlords maintain healthy and safe properties which will require lower maintenance costs.

The new update requires that landlords and property managers include a compliance statement with the newest or renewed tenancy agreements signed on or after 1 December 2020. A fixed-term tenancy that ends before July 2024 may not need a compliance statement attached to it.

The statement describes the progress that has been made towards meeting the following standards:

- Insulation
- Heating
- Ventilation
- Reducing moisture and improving drainage
- Preventing draughts

Failing to provide a statement can lead to a fine of up to \$500.

The statement does not necessitate that the rental property should meet all compliance standards, it is simply an account of the progress that has been made.

Discount tax for your first year of business

New businesses that pay their income tax early may be eligible for a discount.

Businesses are able to pay their tax a few months after the end of the financial year in the first year of business. However, businesses that are sole traders, contractors, and partnerships and pay their tax before 31 March may be eligible for a 6.7% discount on their tax.

The discount does not apply automatically, rather, businesses have to indicate that they are applying for it on their tax returns. Before choosing whether to apply, complete the following steps.

Determine whether applying will be ideal for your business

If you have funds, it might seem obvious to pay the tax returns early and obtain the discount, however, consider conducting thorough cost-benefit analyses before this. For example, having cash on hand for longer might be more useful in case there are unpredictable business expenses still looming.

Set up systems from the get-go

In your first year of self-employment, it is ideal to take the necessary time to set up systems that will support you during the taxation period. It can be easy to overlook these systems when you are focused on making a profit, however, this will make separating your personal and business finances much easier. Setting up doesn't have to be complicated, it can be as simple as setting up a business banking account.

Have an expert on board

Starting a business involves being new to a lot of things. It might be helpful to ask an expert for advice on setting up your finances to save yourself stress and time. An expert can suggest an accounting system appropriate to your business which you can use to track finances.

The discount could mean that your business saves a significant amount of money, which can be helpful in the first year of business. However, ensure that you choose the best option fit for your circumstances rather than immediately opting for the discount.

Benefits of continually updating business processes

Continually updating processes means giving your business the chance to be as efficient and productive as possible.

For a workplace to run smoothly, there are hundreds of operations in place which help streamline the way work is completed. Updating these operations has many benefits:

- **Satisfied staff:** Staff that is frustrated and confused by regular processes are not going to be efficient. Instead, if employers find ways to better these processes, then employees will work more effectively and be more satisfied with their roles.
- **Match company needs:** Certain processes may have been suitable to the business structure when it was first established, however, as the business progresses they may be slowing staff down or be too time consuming. Adapting to a new structure will allow a better allocation of resources.
- **Integrate new technology:** There are constantly new technologies that can help

you complete a task much quicker than the last, updating processes allows you to integrate these into the workplace.

- **Stay compliant with regulatory requirements:** New regulations that affect business operations are not rare, continually updating processes will allow your business to adapt to these changes
- **Economic benefits:** Improved processes likely lead to more efficient and productive workplaces which means that you are saving time, and making more money.

The best way to practice regularly updating processes is to map out your current processes first. Both simple and complex processes should be mapped out in a way they are easy to understand. This should be accessible to all staff.

Inform employees that they should note down any suggestions they have. Each employee will come into contact with different procedures more often than others, therefore their insight is extremely valuable.

Organise regular meetings where teams can discuss their suggestions. Collaboration is key. The discussion which encourages innovation is more likely to produce smooth processes that take the employee's concerns into account.

Once your team has come up with a few suggestions, managers and owners should discuss how these can be implemented in the workplace.



Claiming tax credits for donations

Charitable donations can be claimed in tax returns as long as certain conditions have been met.

Individuals are able to claim 33.33 cents for every dollar they donate to an approved charity or organisation. Individuals may only claim donations that add up to or less than their taxable income for the financial year.

Tax credits can be claimed for donations over \$5 as long as they were to an approved charity and they did not provide any direct benefit to the individual or their family. Further, the donation cannot be claimed if it was given, bequeathed, done, or appointed by will or made by the way of full or partial debt forgiveness, according to the government website.

The claim for your donation needs to be made within 4 years of either:

- 1 April following the end of the financial year in which the donation was made (if you have an early or standard balance date)
- Day after the end of the individual's income year that corresponds to the financial year in which the donation was made (if you have a late balance date)

Tax credits are applied to the year in which the donation was made, not the year the receipt was submitted.

Payroll giving, which allows employees to make regular donations to approved charities through their employers does not need to be claimed by the individual. Tax credits for payroll giving (also 33.33 cents per dollar) are instead claimed by employers.

If an individual is making regular donations to the same charity, then they should consider payroll giving, given that their employer

offers this scheme. Through the scheme, the amount and frequency of donations can be set (employer's rules may affect this). Further, the tax credit is instant, so donations don't need to be claimed at the end of the year.



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.



2021 end of year tax tips

Leading up to the end of the financial year, it is important for businesses and individuals to prepare for their financial records to be reviewed. The following are questions you should ask before tax time rolls around.

Are all your records in order?

Make sure that you have details about your income, assets, expenses and deductions all in one location and easily accessible before your taxes are due. It can also be useful to cross check the record requirements for different things and confirm that they are being met. You can also take this as an opportunity to reflect on your record-keeping and how it can be adjusted for the next year.

What deductions are available to you?

Make sure that you know which deductions are available for your business. Due to COVID-19, there may be more that you need to take into account than usual. Identify and determine whether you meet the requirements for these deductions, if you are unsure, consider consulting an accountant to confirm.

Which purchases are necessary?

Often businesses are tempted to make last-minute purchases so that they can be claimed during tax time. Although this might make sense to do on paper, you might end up spending money that you don't need to spend. Therefore, only make necessary purchases that you had planned for beforehand and avoid tempting additions.

Do you need to make changes to your

business plan?

The period leading up to tax time is great for reflecting on your business plan. It's a good time to identify concerns in the processes you are currently using, and brainstorm solutions that will address them. This will make the following year easier for you.

Have you consulted your accountant?

Once you have gone through your own processes you should consult your accountant to ensure that everything has been done correctly. You should also take the opportunity to ask your accountant how you can improve your business and accounting processes.

Tax time is a great period not just to finalise your accounting for the year, but also to prepare for the following year.

What you can do if you used your home for business purposes

Businesses that were forced to shift to work from home are able to claim a portion of their household expenses.

There are a few different elements to consider when claiming business expenses:

Splitting your household expenses

If a portion of your home needs to be set aside specifically for business use, then you will need to calculate the floor area it occupies when determining how much to claim. If the area is not set aside completely, you will also need to take the period of time it is used specifically for income-earning purposes into account.

If your business is registered for GST then business expenses claims will not include GST, if your business is not registered for GST, then they will include GST.

Those with mortgages can also claim a portion of their mortgage interest (not principal).

Depreciation

You may not claim depreciation on your

home - you may however, claim depreciation on capital items such as computers, office furniture and fittings that were used in your home for business purposes.

Telephone costs

You may claim a deduction of 50% on rental of your telephone landline if you also use this for private purposes. All business-related toll calls are 100% deductible.

You may also claim 100% of costs if you have a separate business line, for both income tax and GST. Any private calls made from the business lines that are charged will need to be adjusted for.

Internet costs

Portion of any internet plans that are used for personal and business use can be claimed as part of business expenses. You can determine the proportions however, the result needs to be reasonable and fair. You must also ensure that you meet all record-keeping requirements.

Square metre rate option

An alternative method to calculating what percentage of your household expenses

will be claimed by your business is using the square metre rate option. This approach uses a rate calculated by the government based on the average cost of utilities per square metre for a household in New Zealand, which is set every year.

Before choosing what option might be best for you, you should confirm the yearly rate and calculate the amount that would apply to your situation.

