

Newsletter 13

WINTER 2022

Riding out the tough times

Interest rates are soaring, prices for groceries and fuel are rising, and businesses have unreliable supply and cost pressures.

Add staff shortages because of the lingering effects of Covid-19, and some small businesses are under severe stress. The natural reaction of many businesses is usually two-fold: Earn more, and/or spend less.

Spending less is the easier option, but many businesses are already cut to the bone. If you do look at cutting costs, be careful not to apply measures that affect your ability to earn more.

One example is marketing. During a downturn, more than ever, it's important businesses do whatever they can to stay top-of-mind for customers. Research has shown the businesses who continue to put resources into advertising, a website and social media are stronger when times improve.

They are better able to take advantage of the opportunities better times bring.

Whatever your marketing message and delivery, through email newsletters, follow-up



emails, phone calls, or advertisements, highlight your company's brand. You're letting customers and prospects know (or not forget) who you are and what you stand for.

Look at your core business, hopefully the things you do best and make you the most money. Concentrate on that and build it if you can. Don't put effort into weaker products or services.

Focus on existing customers and look after them like the gold they are to your business. Remember, it costs more to get new customers than to keep existing ones. They're all likely to be clamping down on their spending, too, so never give anyone a reason to go elsewhere.

If you've built a strong relationship with your customers, you will together navigate the tough times and you will have customers for life.

And be the leader of your business. Delegate the "work" if you can so you have time to make the tough decisions and plan for the future.

Of course, cash flow is also important – see the story page 2.



GST changes afoot for sharing businesses

Many businesses are using the internet to introduce buyers and sellers to each other – Air B&B, for example.

There are many other much smaller enterprises doing the same thing, such as ride sharing.

Inland Revenue is looking at ways to help these businesses pay their tax, which is very thoughtful of it. The department is concerned many of these businesses might be operating below the threshold for the need to be involved in GST. It has been

suggested collectively they are sufficiently significant to offer unfair competition to those who have to register.

Thought is being given to lowering the GST threshold for these types of businesses.

One of the challenges for these businesses is determining tax-deductible costs. One proposal is to have a standard cost for those who earn their income in this way. This might be a better alternative to making adjustments for private use.

Seeking emergency funding needs care

Disruption to the supply of goods is putting some businesses under stress.

Company directors have some responsibility to their suppliers. They should not buy goods on credit if there's a real risk they will never be able to pay for them.

Directors can be personally responsible for reckless trading. Think of Mainzeal and former prime minister Jenny Shipley.

If you are in a business, which could be severely interrupted by lack of supplies, start thinking about how you could get emergency funds.

Examples could be:

- make an arrangement with your bank early.
- if paying your suppliers could be a problem, talk to them now about some extended credit.
- don't overlook a useful short-term source of funds – your credit cards. The interest rate is very high but if you **know** your cash shortfall is short-term – say a month – credit cards have the advantage of not incurring a fixed fee for the use of the credit, and they don't take your time to arrange them. Never use your credit cards for longer term finance.
- Borrowing from family, particularly elderly parents who can ill afford to lend, is risky. Be very sure you can repay.

Using Inland Revenue money is likely to be the most expensive loan you can get.

The department double dips because it not only charges you interest at a reasonably high rate, but it also then punishes you with penalties.

These both compound.

If you are getting to the stage you can't pay your taxes, maybe it's time to wind up your business.

Massive congratulations to Katelyn for completing her Bachelor of Applied Management Accounting.



Kiwibank devises simplified scheme

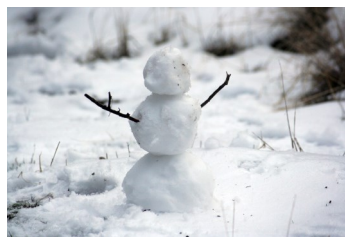
Kiwibank has come up with a great scheme to help its customers.

It is prepared to agree to charge interest on loans it makes on the basis you can set off credit balances in other bank accounts against the balance of the loan. You pay interest on the net balance.

Even better, the other bank accounts may include not only the person borrowing but also other eligible people. Inland Revenue has issued a ruling approving the arrangement.

The new product will be available to individuals and business customers, including companies and trusts.

For tax purposes, this is a much simpler scheme than revolving credit, where it is difficult to establish what interest might be deductible as opposed to what is private and non-deductible.



Vehicle Mileage rates

The table of rates for the 2021-2022 income year

The Tier 1 rate is a combination of your vehicle's fixed and running costs. Use it for the business portion of the first 14,000 kilometres travelled by the vehicle in a year. This includes private use travel.

Vehicle type	Tier 1 rate per km
Petrol or diesel	83 cents
Petrol Hybrid	83 cents
Electric	83 cents

Ross won the Fitzroy Intermediate A Matchplay final at the end of May. Ross is pictured receiving the cup from club captain Doug Williams



TAX CALENDAR

28 July 2022

3rd instalment 2022
Provisional Tax
(June balance date)

29 August 2022

1st instalment 2023
Provisional Tax
(March balance date)

accelerate

The ACC Engine for Accountants

Management of MyACC for Business Accounts and historic levy overpayment review

As part of our practice of continual improvement, we have recently started using the accelerate Engine, which is the latest specialised software platform built specifically for the management of MyACC for Business accounts.

The platform ensures we can assist clients with ACC invoicing and levies in the most efficient and effective manner possible.

Historic Review for ACC Overpayments

We are aware that nationwide, a significant number of people have overpaid their ACC levies.

The accelerate Engine with powerful algorithms gives us the capability to conduct a thorough review of our clients historic ACC levy invoices and payments to look for any overpayments that may have occurred at any stage over the past 20 years, with a view of having them refunded to our clients.

This new platform allows us to perform both the linking of our clients to our MyACC for Business account, and the historic review, free of charge. However, if an overpayment has been identified, we do recommend using the accelerate Engine recovery service directly, as the most cost-effective way of reclaiming any overpayments.

Note: While we already hold authority to link all our clients to our MyACC for Business portfolio, if you are not already linked to us, we will always ask you before linking you.



Residential rentals

You will be aware of the limits placed on claiming a deduction for interest on money borrowed to buy residential rental property.

If you have owned property before 27 March 2021, your claim for interest reduces over time through to 31 March 2025. For the current year, interest incurred is claimable in full up to 30 September 2021 and for the remainder of the year your tax claim is reduced to 75 percent of the interest you pay.

Just a small point: It is the interest you have "incurred" as opposed to the interest you have paid. Therefore, if you paid interest on 15 October 2021 for the period 16 September 2021 to 15 October 2021, you will see some of the interest relates to the time before 1 October and can be claimed in full.