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*The quality is remembered long after the price is forgotten.*

*W.O. Bentley*

## Business plan

Have you got one? How long since it was reviewed? If you do not have a business plan, or if yours is out of date, it may be time to consider drafting a new business plan.

### Benefits of Business Planning:

- The process focuses the team on looking at future developments.
- The process focuses the team on enhancing services to customers, which often results in profit improvement.
- Staff involvement results in more effective implementation as they “own the ideas” and are therefore more willing to implement the plan. Morale often lifts due to this teamwork.
- The process enables clear communication of business development direction and focus.
- The process makes you stop and review the whole business (the ‘big picture’ in its entirety), rather than a ‘piece-meal’ approach of decision making forced by crisis.
- A plan based on who will do what and by when creates an action orientation in the business.

### Some practical suggestions regarding the preparation of a Business Plan:

- Go through the process annually.
- Involve staff.
- Treat yourself to somewhere special to do it away from work (the ‘retreat’ concept).
- Have staff and management put their thoughts down on paper before the meeting so that people are prepared.
- Use a business plan questionnaire as a guide.



April/May is a good time to undertake a Business Planning Review.

### Budget/Financial Projections

Incorporated in the business plan will be financial budgets (Budgeted Profit and Loss, Cash Flow and Balance Sheet). These budgets will usually be for a one year period with a longer 5 year plan available as a supplement. It is essential that all businesses have at least this component of the business plan. Now is the time to be preparing your 2011 Budget.

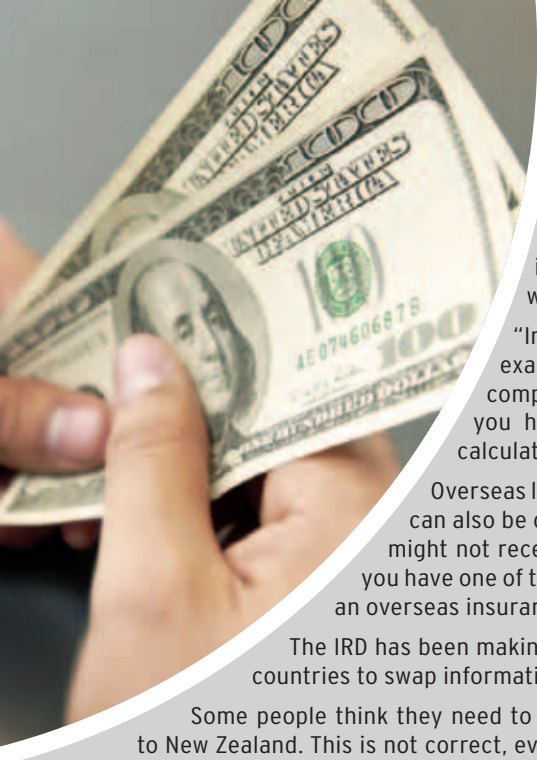
## Qualifying company reforms

From 1 April 2011 changes to the qualifying and loss attributing company rules will come into effect. The changes include:

- Providing transparent income tax rules through a new tax entity called a look-through company (LTC – refer overleaf) – shareholders of a closely

held company can elect for it to become an LTC.

- Allowing existing qualifying companies (QC's) and loss attributing qualifying companies (LAQCs) to continue to use the current QC rules but without the ability to attribute losses (pending a review of the dividend rules for closely held companies).
- Allowing existing QC's and LAQC's to transition to the new look-through company tax rules or change to another business option, such as a limited partnership, without a tax cost during the period 1 April 2011 to 31 March 2013.



## Income worldwide must be declared

NEW ZEALAND residents have to declare all income they receive from anywhere in the world.

"Income" now has a very strange meaning. For example, if you hold shares in a United States company which does not generate any dividends, you have income. This is because your income is calculated based on the value of those shares.

Overseas life insurance policies and superannuation funds can also be classed as a source of income, even though you might not receive any money from them. Be sure to tell us if you have one of these. If a policy is taken out in New Zealand with an overseas insurance company, there's no tax problem.

The IRD has been making agreements with a large number of overseas countries to swap information, so don't rely on not being caught.

Some people think they need to declare income only if they bring money back to New Zealand. This is not correct, even if they have paid tax overseas. New Zealand residents are taxed on their worldwide income. Usually, there is a credit for some or all of the foreign tax paid. There can be special tax rules, in regard to declaring overseas income, for people coming to live here from overseas. They last for four years. If you think you qualify, contact us.

## New Look-Through Company (LTC)

"Look-through" effectively means that for income tax purposes we ignore the company, which is the legal entity carrying on a business, and include the company's profits or losses in the shareholders' tax assessment instead.

Under the new LTC rules, income, expenses, tax credits, gains and losses are generally passed on to the company's owners, in accordance with their shareholdings in the company. The income of an LTC is assessed, and expenses deducted, as if each owner had received that income and incurred the expenses personally.

Any profit is taxed at the owner's marginal tax rate, and the owner can use any losses against their other income, subject to a loss limitation rule similar to that for limited partnerships.

The LTC retains its corporate obligations and benefits under general company law, but will generally be ignored for income tax purposes. However for certain other tax purposes, such as PAYE and GST, the IRD will continue to recognise the company.

## Why do due diligence?

A small investment in due diligence recently saved an RSM Prince client hundreds of thousands of dollars.

Our client was very excited about a fashion agency business. It involved smart fashion items and regular overseas travel. Well, somebody has to do it, don't they!

The Business Sales Consultant produced an excellent presentation brochure. The business was quite profitable, but as always no deduction had been made to compensate the owners for the work they would need to put in to run the business day in and day out.

The value of the business was based on a multiple of past normalised profits after adjusting for non business expenses. Because there was little stock and fixed assets, the business value was almost

completely represented by hundreds of thousands of dollars of Goodwill. My problem was that if my clients did not run the business successfully then they would have nothing left, the Goodwill would have disappeared.

I reviewed the business records and found them to be in order. It was halfway through the financial year but no interim accounts were available. Thank goodness for GST. I was able to deduce from the GST returns that sales for the first six months were down 22% on the previous year. Not a good sign.

The final result was a low but realistic offer from my client. This was not accepted by the vendor but my client still has his retirement funds safely invested.

*Source : RSM Prince*

## Keep your bank on side

As the economy gets more difficult, banks will become more risk-averse. What can you do to keep the bank happy? You can provide the information the bank wants, on time. If your bank wants to see your financial statements early in the year, contact us now so we can allocate time for your accounts. We will work out a plan with you of what we need and when we need it.

## Building depreciation

Depreciation deductions will no longer be allowed for buildings with an estimated useful life of 50 years or more, such as rental houses and offices. At the same time, new rules ensure the fit-out of commercial and industrial buildings will continue to be depreciable.

These rules will change for all such buildings from the 2011 - 12 income year. For most businesses this will be effective from 1 April 2011.

## Minimum wage increase

From 1 April 2011 the minimum wage will increase from \$12.75 to \$13.00 an hour and the training and new entrants' wage will increase from \$10.20 to \$10.40 an hour.

A new entrant is an employee who is 16 or 17 years old except if they have :

Completed 3 months or 200 hours of employment, whichever is shorter, or

Been supervising or training other employees; or who are trainees.



# Advertising that money cannot buy

Press releases are an important part of your marketing plan. It's not every day you can get something for nothing. Press releases are all about news and news is created by change.

If something has changed or about to change in your business then you should put a press release together.

Remember, the reporter isn't interested in helping you make money. He's looking for a story that will be interesting to his readers. He couldn't care less about your great selection, super customer service and commitment to quality. He wants to know only the information that will help him craft a good story.

Here's a checklist to help with your press releases.

- 1. Research media outlets** Put together a list of the media that you want to get published in that is, media that targets the people YOU want to target. After all, it's no use getting published in a computer magazine when you sell gardening services.
- 2. Brainstorm ideas** Think about anything newsworthy that has happened recently or will happen in your business, the launch of a new product, receiving an award, an exciting event, expert commentary on recent events/topics, and any achievements or a

major change in your business.

- 3. Write a press release** A good press release will let the audience know who you are and what you do, and is brief and to the point. You should have an attention grabbing heading, a brief subhead, and an opening paragraph detailing the who, what, where, when and why. The body should also be short and snappy, with the most important/interesting information displayed first.
- 4. Send your release** You can either fax or email your releases to the relevant outlets, but make sure your timing is right, you may need to check publishing deadlines, or ensure that the public are informed of an event that is happening in your business by a certain date.
- 5. Follow up** This is an important step, as the follow up is often what gets a release published.  
Make a call to the editor or journalist you sent the release to a few days after you send it. If you can create a relationship with the journalist, this will make the publication of your future releases much easier.
- 6. Be prepared for an interview** If a journalist is interested in your story, don't be surprised if they call you for an interview to get more information, but make sure you're prepared for it!

- 7. Thank the journalist/ editor** Send a brief thank you email for running the story, and start nurturing a win\win relationship with that contact.

Keep them in the loop about any positive feedback on the article that you receive from your customers.

- 8. Leverage your media mention** Having your business featured in a publication is exciting stuff, so make the most of it!

Frame an over-sized copy of the press clipping and hang it in a prominent position in your place of business and in your office, so that customers and potential clients will be sure to see it.

*Source : Sudburys Limited*



## How do companies and trusts sign documents

When a company or a trust enters into a contract it is important to know who needs to sign the contract documents. Where a contract is not signed by the correct person or the correct number of people, while the contract may still be binding on all parties, the party bound by the contract may not be the party you intended to contract with.

There are general rules that apply to signing that are helpful:

- If there are two or more company directors then a minimum of two directors need to sign any contract. No witness is required.
- If there is just one director then that director signs but their signature must be witnessed.

Sometimes, but not often, particular signing arrangements are specified in company constitutions.

As a general rule if a single director signs a document for a company where there is more than one director the company will not be liable under the contract. However, if the

company has given that single director the power to sign on the company's behalf or it is reasonable to assume that the company has given authority then this will not be the case and the company will still be bound by the contract.

For trusts the usual position is that all trustees need to sign a contract to be bound by the contract. This will be the case unless the deed of trust provides for a majority of trustees; the trustees have agreed a lesser number of trustees will be able to bind the other trustees; or trustees have their authority to sign on behalf of other trustees.

If a contract is signed without proper authority then the contract will not be binding on the company or the trust. However, the contract may be binding on the person who signs it. It also means that the other party may be able to sue the person who signed the contract for misleading them.

*Source : Ayres Legal*

## Big changes to CoverPlus Extra

The main points are :

1. When a company pays a CoverPlus Extra premium, it will be tax deductible in the same way as for shareholder-employees. The Earner premium remains a personal cost.
2. Shareholder-employees will be able to use their occupation for levy purposes as opposed to the occupation of the company.

## Company tax rate

The company tax rate will reduce from 30% to 28% from the 2011 - 12 income year. For most companies, this will apply from 1 April 2011.

Dividends issued after the new rate takes effect can be imputed at the existing 30% rate for up to two years if company tax has been paid at the 30% rate.



## Cashing up one weeks annual leave

As from 1 April 2011 an employee and employer will be able to agree that an employer can pay out up to 1 week of an employee's annual leave entitlement, at the employee's request.

Annual leave can only be paid out where an entitlement has arisen and therefore will not apply to accrued leave. Excessive leave balances will still require the leave to be taken as the payment is capped at 1 week in any 1 entitlement year. The calculation of the payment of leave will be as if the employee were taking the leave.

Employers will not need to agree to the request and do not need to provide a reason for declining the request. Where employers receive a request they must consider the request, advise the employee in writing as to whether the employer accepts or declines the request and respond in a reasonable timeframe.

Employers are entitled to have a policy that allows the employer to rule out all requests for a pay out. This could apply to the whole or part of the business. This is

intended to reduce compliance costs for businesses where it is not financially practicable to pay out leave.

The Bill also provides that if an employer has incorrectly paid out a portion of the employee's annual leave i.e. which falls outside the 1 week's leave in any 1 entitlement year, the paid out portion is restored to the employee's annual leave balance, regardless of the payment being made.

It would be unlawful for employers to require employees' leave to be paid out, even if the requirement is specified and agreed in the employment agreement. The payment for leave could not be raised in negotiations relating to salary or wages.

The ability for leave to be paid out will provide employees with the option if that is what they prefer while ensuring that they still have to take a decent break during the year. It is refreshing that employers retain the control given that the wages bill could potentially double in a pay cycle.

## 90 day trial – extension to all workplaces

The proposed changes are to extend the 90 day rule for new employees to all workplaces not just those with less than 20 staff. If the change becomes law the current provisions for smaller businesses are likely to apply, the 90 day trial will need to be agreed prior to the employee commencing employment with the employer, and documented in the employee's employment agreement. In the case of a dismissal within the trial period the law relating to good faith, discrimination, sexual or racial harassment applies.

There are the predictable comments about the 90 day trial heralding abuse and mayhem but

most employers, at some stage, have experienced employees who simply do not work out and 90 days is long enough to know if someone is patently unsuitable for a role. The key for employers is that they need to manage this time frame and ensure their paperwork is in good order.

A recent Department of Labour survey of employers showed that 40% would not, or were not likely to, have hired a new person without the trial period in the agreement. The Survey results also showed that three quarters of those employed on trial were taken on permanently.

## Redundancy tax credit

The last day for redundancy payments to qualify for the redundancy tax credit is 31 March 2011. Redundancy payments made on or after 1 April 2011 will no longer be entitled to this tax credit.

## Gambitsis Crombie

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### Changes in Particulars

Please remember to let us know of any changes in:

\* Physical address \* E-mail address \* Phone and/or fax numbers \*  
Shareholdings \* Directorships \* Trustees  
Or anything else that may be relevant.

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