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Closedown Requirements

With Christmas approaching, there is a need to start planning annual leave and advising staff of the requirement to take annual leave over the Christmas/New Year closedown. Where a Company closes down over the Christmas period an employer can require employees to take annual leave at this time. Employers must give employees 14 days notice of such requirement and we advise that this should be in writing.

For those employees who do not have an annual leave entitlement at the time of the closedown (i.e. have not worked for a continuous period of 12 months) the employer



must pay the employee 8% of his/her gross earnings since the commencement of the employee's employment, or may advance the employee annual leave at its discretion.

Please note that where Public Holidays fall during an annual closedown they are treated as paid Public Holidays.

Source : Sylvia Wood - HR Knowhow

Spam

Spam is the term used for unsolicited commercial electronic messages, often sent in bulk, including those sent to people's email accounts or mobile phones.

Not only are these unwanted messages irritating to the recipient, but they can also have a negative impact on business productivity by causing Internet congestion and disruptions to email delivery, as well as the valuable time wasted trying to delete them.

Spam can come from legitimate enterprises trying to drum up new business but can also be a means to trick people into disclosing valuable information, such as bank or credit card details.

Spam messages are also often used to spread computer viruses, trojan



horses and other malicious software.

The Unsolicited Electronic Messages Act 2007 was introduced in September 2007 to tackle the issue of spam. This Act prohibits unsolicited commercial electronic messages with a link to New Zealand (i.e. messages sent to, from or within New Zealand) and prohibits the use of address-harvesting software to create address lists for sending

unsolicited commercial electronic messages.

The Act covers email, instant messaging, and mobile phone messaging of a commercial nature. However, it does not apply to faxes, Internet pop-ups or voice telemarketing.

Businesses should be careful to ensure that all electronic messages they send comply with the requirements of the Act. This means that they need to have the consent of the recipient and make sure the messages accurately identify the sender and provide a functional unsubscribe facility so the recipient can instruct the sender that they do not wish to receive any further messages.

If you would like to lay a complaint about spam, you can do so by visiting the New Zealand Department of Internal Affairs' Anti-Spam website (www.antispam.govt.nz) and reporting the message.

Source: RSM Prince



Drawn by Keegan (7 yrs old), on a visit to Middlemore Hospital.

"Life is a great big canvas; throw all the paint you can at it."

Danny Kaye



GST Registration

The threshold for compulsory GST registration increased from \$40,000 to \$60,000. Where annual turnover is under \$60,000, there's no need to be registered for GST, and therefore no need to account for, file or pay GST. This could be an advantage to small and medium business clients.

Cancelling GST registration and Accounting for Assets

If you want to cancel your GST registration, now is a good time to remember your responsibilities around assets retained.

Any assets retained from the taxable activity need to be included in the final GST return. The asset needs to be valued and information provided to your accountant.

The adjustment amount is one-ninth of the open (or current) market value of the asset retained.

Don't forget, if the asset was purchased before 1 October 1986, the value of the asset is the lesser of the cost price and the open market value at the date of de-registration.

You need to return the GST on the value of the asset regardless of the accounting basis used.

Filing Six-monthly GST returns

The threshold for filing six-monthly GST returns has increased from \$250,000 to \$500,000. If you file and pay GST monthly or two-monthly and have annual taxable supplies under \$500,000, you are now eligible to change to filing and paying GST six-monthly. You'll need to apply to the IRD in writing for this change.

Using the payments basis to account for GST

The threshold allowing you to use the payments basis for GST has increased from \$1.3 million to \$2 million. If the taxable supplies are less than \$2 million, you can apply to use the payments basis to account for GST.

Using the payments basis, GST is accounted for in the period that a payment is made rather than when an invoice is issued, which can help with cash flow.

You'll need to apply to the IRD in writing to use the payments basis. You can attach this as a note with the next GST return or send it to the IRD separately.

When the IRD have processed your request they will write to you confirming the changes within 15 working days.

Source : Sudburys Limited

Is Your Business Reliant on You?

Are you really better than your employees at doing the things your business does? If you're really honest there are probably a lot of things some of your employees would do better than you ... if you just gave them a chance to prove it! As for the rest, if you spend time with them showing them how to work well, motivating them, taking the time to understand them, you'll find they can do parts of your job too. Why should they try if you're going to do it for them anyway.

Even if you can perform at 100% all the time, how can you achieve as much as 5 employees working at 80% of your performance.

And if your employees can do your job 80% as well as you do, giving up some of your responsibilities will free you up to do the things you should be doing - putting that important marketing campaign together, visiting your top customers, working alongside your newest team member to show them how to do their job more efficiently (or even just explaining why it's important that they do it).

Many of us are technically very good at doing the things our business does for our customers. But we aren't good at handing on those technical skills to our team. In fact we're so busy doing the things the business does all day that we either don't get around to doing the important things for the business or we're up all night doing them.

Successful business owners are those who no longer spend all their day serving customers, carrying out technical work, doing the books, doing the things the business does. Successful business owners are getting their business to the point where it doesn't rely on them. They are making sure there are efficient and productive processes within the business; that their team is well trained in running the business; that every customer is served well by someone else other than themselves; that they and their team understand exactly where the business is heading and what their role is in getting it there.

So, how can you achieve that when you're still doing it, doing it, doing it ... and worrying about it all night.

Start by taking a cold hard look at what

you're doing today. Decide on the things you're going to give to someone else to do. Sit down with your team and tell them you want to change the way you do things around here and that they have an important role to play in that.

Ask them what they think you should be doing, and what you shouldn't be doing. Ask who should be doing those things. Ask them what they think could be done better (they've had lots of time to analyse that while you've been doing their job).

In most businesses this will mean freeing up small amounts of time to work on the business. It might be as little as two hours a week. But if you first spend that time helping others to do things in your business better you'll soon find you're not cleaning up after their (or your) mistakes and you've freed up even more time to spend on running the business. It won't be running you any more.

Once you've freed up this time you'll find that the business becomes more profitable. That's because a lot of little but important things are being taken care of. You'll be looking at better efficiency, you'll have your advertising well thought out and on time, you'll have visited your important clients and understood what they're looking for. You will have taken the time to properly employ the next person for your business and to introduce them to the business and their role. You'll know how to measure the performance of the business even when you're not there.

You will have prepared your business for sale. A new owner can see that there's value in your business, that you have the processes in place so that you and your key employees are no longer absolutely important. The business can be taken over by a new owner or their manager, will be easy to operate and will be profitable enough to be worth paying good money for.

You have prepared your business for sale. Only now, you're enjoying it so much you don't want to sell it! But you know it's ready when you are.

Source : Sudburys Limited

Flexible Working Arrangements

From 1 July 2008, the Employment Relations (Flexible Working Arrangement) Amendment Act 2007 gave employees the right to request flexible working arrangements in order to provide care for another person.

Under this Act, the request must be made in writing and the employee must have worked for the employer for a minimum of 6 months prior to making the request.

The employee must have the responsibility of caring for someone else - this could be a child or adult and is not limited to relatives of the employee or a person residing at the same address. The employee also must not have made another request for flexible work arrangements under the Act in the past 12 months.

Employers have a legal obligation to seriously consider any employee requests made in accordance with this Act and must respond to a request within 3 months of receiving it. If there are a lot of issues involved or the case is particularly complicated, this period

may be extended in order to give the employer more time to assess the effect the request will have on the business.

Flexible work arrangements encompass a wide variety of options, for example, an employee could apply for a change to their days or hours of work or a change to their work location (e.g. they may request to work from home). It is up to the employer and employee to agree on an arrangement that will be viable for the business.

Once a new working arrangement is in place, it will constitute a permanent change to the terms and conditions of employment, unless it was agreed that the new arrangement was to apply for a specified period only. As such, neither party can revert back to the previous arrangement without full agreement from the other.

It may therefore be safest to test any potential new working arrangement by way of a trial period to make sure it works well for all involved before the change is made permanent.

Directorship a Serious Matter

Company directors can be sued personally if they have not taken care when the company is borrowing money.

They need to know, at the time they borrow, they could repay the debt, according to the arrangement made.

For example, a builder has just had a major customer fail and there is considerable doubt whether he will be paid.

If his own business is now shady and he orders some more materials on credit, he could be personally responsible for the debt.

Company law requires him to know, at the time of placing the order, the goods can be paid for when payments is due and the assets of his business exceed the liabilities. This determines whether his business is solvent.

In the event of trouble, the director could be asked to show why he believed his company was solvent at the time the order was placed.



Cash is King in Tough Times

In these difficult times, it's important to keep a good flow of cash coming into the business. How do you do this? Here is a checklist.

Maximise Money Coming In

- Give credit only when necessary.
- Get your debtors to use their credit or Eftpos cards rather than monthly payments.
- Have a rigorous system of follow-up for slow payers. Give it top priority. Get commitments and confront customers who do not honour them.
- Be prepared to turn away bad business. Bad payers take so much time they can cost your firm money in wasted staff effort. They can also cost in lost opportunities.
- Insist on deposits, unless you know your customer well and you are confident it is OK to give credit. If the customer is difficult, get the money paid into a solicitor's trust account or compromise and at least get something up front.
- Include regular progress payments in your contract.
- Check out a new customer before giving credit.

Minimise your Investment In Equipment

- Sell surplus assets.
- Use hire purchase.
- Finance using a lease.
- Hire short term instead of buying.
- Prolong the life of your equipment by having a programme of regular maintenance.

Use Your Creditors But Don't Abuse them.

- Negotiate time, in advance of purchasing, to pay for a big order. "Can I have three months to pay this?".
- Pay your bills on time (but not early if cash is short).
- If cash flow gets very difficult and you have been a good payer, you may not have too much trouble negotiating extra time to pay your bills. Those who are up front about their difficulties can usually be trusted. Always keep your word to preserve this privilege.
- Buy only when you need to. Turn away those great offers which require you to buy more than you need.

Reduce Your Drawings

- Be realistic. If you are having cash problems, one solution is to take less out of the business for yourself.
- Prepare a personal budget. Do this thoroughly and honestly so it is accurate and you can stick to it.
- Reduce your investments. Can you still afford to keep a cottage in Taupo or Tekapo?

Tax

- The tax department is the worst of all possible banks. It is enormously expensive to use IRD's money.
- If tax problems loom, deal with them early. There are ways and means. Consult us.
- If you get behind, you can save money by entering into an arrangement with the IRD. Consult us.
- Never default on an IRD agreement. The department gives you just one chance. If you get into further trouble, we might not be able to renegotiate the arrangement for you.
- Defaulting on payments such as PAYE and GST can lead to serious repercussions.

ACC

ACC seems to promote spread payments. Their 10% is not true interest. It is hire purchase interest - getting on for double the amount. Add the extra accounting needed and it is expensive.

If the money you earn each year fluctuates, you need to consider ACC CoverPlus Extra



What do farmers, real estate agents and contractors have in common?

Nothing. Except their earnings are often at the mercy of seasonal conditions, currency changes or market fluctuations. If your earnings vary from year to year, you should seriously consider ACC CoverPlus Extra.

Why bother? I'm covered by ACC, right?

Right. But if you find yourself off work because of an injury, is your current level of ACC lost earning cover enough to realistically take care of your financial commitments? Depending on your situation, you may well find ACC CoverPlus Extra is a far better choice for managing the risks of being self-employed or a non-PAYE shareholder.

Here's why ACC CoverPlus Extra could be better for you:

Your existing cover

If you're injured and have to take time off work, you can receive up to 80% of the previous year's income (provided you can show proof of earnings) if you have ACC CoverPlus

or ACC WorkPlace Cover. So if your income stays the same year-in, year-out or if last year's income was good, this level of cover should be sufficient. But what happens if:

- Your income fluctuates and last year's earnings were poor?
- You're just starting out in your own business and have no income history?
- Your personal income is not a true indication of your true earnings capacity because you're splitting income with a partner or spouse or you have taken advantage of options to reduce your tax?

ACC CoverPlus Extra

ACC CoverPlus Extra works differently. If you are injured and have to take time off work, you are guaranteed a pre-agreed level of income regardless of how much you earned in the previous year. As this amount is pre-agreed, your claim can be actioned quickly. And unlike ACC CoverPlus and ACC WorkPlace Cover (where the weekly payment is reduced if your business continues to generate income), ACC CoverPlus Extra payments remain fixed at the pre-agreed level.

Source : ACC www.acc.co.nz

Gambitsis Crombie

www.gambitsiscrombie.co.nz

Directors

Tony Gambitsis
David Crombie

Contact:

Rear Suite, Level 1
29 Kings Crescent
Lower Hutt

Phone: (04) 939-1975

Fax: (04) 939-1456

Email:

tony@gambitsiscrombie.co.nz
david@gambitsiscrombie.co.nz

Website:

www.gambitsiscrombie.co.nz

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	- Queenstown	(03) 477-8192
Gyde Wansbone		
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	- Kerikeri	(09) 407-7117
	- Mangonui	(09) 406-2173

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