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NZ CA

An Association of Independent Chartered Accountants

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"Always do your best. What you plant now, you will harvest later."
Og Mandino

Do you have a winning strategy for your business?

Research shows that 90% of the strategies we develop fail due to poor implementation, or just lack of any implementation at all. This assumes your business even has a strategy. It's easy to fall into the trap of thinking you've got a strategy, but all you really have is a series of tactical plans or goals behind which there is no actual strategy. Without a real strategy, your goal setting and decision-making will likely become just tactical responses to whatever's happening at the time.

Strategy is about establishing a deliberate and significant way forward. It's about resource allocation and making precise choices. It's not haphazard or knee-jerk … it's calculated and intentional. Strategy is about a clear and definitive path to follow, one that will guide you away from those enticing tactical responses, making it easy for you to figure out what to say NO to.

Once you have a clear vision, your strategy, or strategic plan, is the road map that outlines how you're going to achieve your vision.

Implementation of that strategy however, is often one of the biggest challenges for business owners. Bringing certain disciplines into your business will greatly enhance your ability to effectively implement your strategy - now and in the future.

A winning strategy needs to include:

1. A Vision - What would your business look like and be like if it were completely successful?
2. A Strategic Priorities Plan - What do you need to put in place to achieve your vision?
3. An implementation system - To ensure what needs to be done, gets done.

Source: Dave Martin, www.fullfocus.co.nz

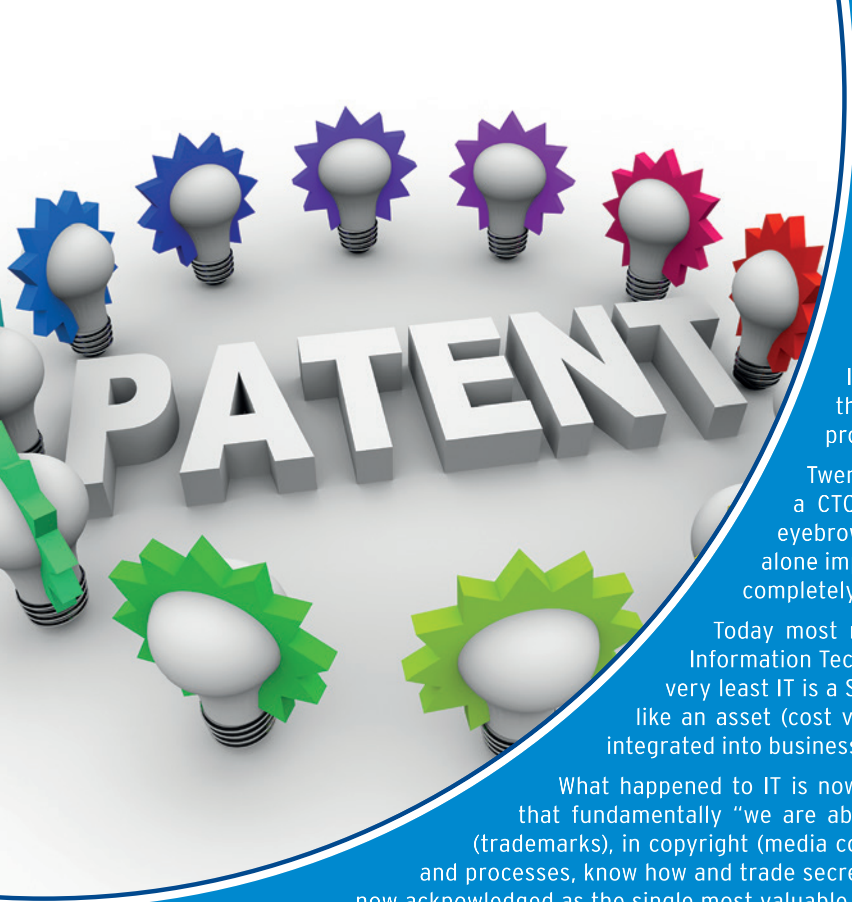
Renting out your own home short term

There's a demand for temporary rental properties in Canterbury because of thousands of families needing accommodation while they wait for earthquake repairs on their homes. Some homeowners are meeting this need by offering furnished homes for short-term rental.

If you rent out your own home, even for a short term, any income you receive is liable for income tax, so you must include it in your tax return.

The good news is that you can claim a deduction for any expenses you incur while your property is rented out. You can only claim that proportion of ongoing costs for the time your property is rented out. For example, if you rent your home out for three months, you can claim the rates, insurance, interest and any agent's fees you incurred during that period.

Source: Business Tax Update.



Intellectual Property (IP) asset management comes of age

IP is a key business asset so why don't we manage it like one? Fortunately, new thinking is unlocking value.

If you're in the business of employing smart people you're in the business of building IP, which means you need to manage it properly.

Twenty five years ago announcing "my company has just hired a CTO (Chief Technology Officer)", would have prompted raised eyebrows. The idea that information technology was an asset, let alone important enough to have a dedicated C-suite appointment, was completely foreign.

Today most medium size and larger companies either have a full time Information Technology (IT) department or outsource their IT or both. At the very least IT is a SMT (Senior Management Team) responsibility. IT is managed like an asset (cost vs return is carefully analysed), there is an IT plan and IT is integrated into business operations.

What happened to IT is now happening in IP. Companies large and small are realising that fundamentally "we are about IP". That could be IP in technology (patents), in brand (trademarks), in copyright (media content or code) or in confidential information (data, systems and processes, know how and trade secrets). In most cases it's a combination of all of the above. IP is now acknowledged as the single most valuable asset most companies own. With that shift is the recognition "we need to manage IP properly". Offshore many companies are appointing Chief IP Officers (CIPOs) to manage their IP.

In New Zealand this change can't come fast enough. New Zealand companies tend to be highly innovative but our track record of managing and leveraging that IP into growth and shareholder wealth is poor. Historically most companies have thought "IP = patents and trademarks" and have "managed" it through their patent attorney or lawyer. This is much the same as thinking IT = a hard drive and I'll let the local computer store decide how many I should buy and what I should do with them.

Managing IP involves ensuring that IP is proactively identified, assessed, protected and exploited and that the processes for doing this are efficient and easily understood throughout the organisation. Done correctly it can dramatically reduce IP cost, ignite innovation, reduce risk, increase opportunities for engagement with suppliers, vendors and partners and generate increased revenue. So how can Kiwi companies start to manage IP more effectively?

1. Recognise IP is not a legal issue - it is a core business function and needs to be driven by the Board and CEO. Ensure someone within the Senior Management Team has responsibility for IP and understands it.

2. IP Management has two core functions: a) strategy and b) administration. Strategy takes 20% of the time but adds 80% of the value. A good IP strategist will cost $150,000 plus. Administration takes 80% of the time but adds 20% of the value. A competent legal exec can do this and will cost $60,000 plus. It is impossible to combine these two functions into a single person: you are either paying your expensive strategist to do administration or your legal exec will be trying to do strategy.

3. Unless your company is very large it's unlikely to make commercial sense to employ the full time team of CIPO and IP admin required to do the job properly. However that doesn't mean you have to do without. Just as companies large and small outsource IT, outsourcing IP management to a professional external provider delivers the benefits of a CIPO at a fraction of the cost of an FTE (full time employee). A virtual CIPO also offers other advantages including:

- the security of dealing with a team rather than a single individual.
- access to the multi-disciplinary knowledge and networks.
- no overhead, holiday or training costs (with Full Time Equivalents (FTEs) these are typically 15 - 30% of salary).
- no IP database or licence fee costs (these are typically part of the service).
- because it's generally contract based the ability to cancel the outsourcing at will.
- like outsourced IT, it can be "dialled up or down" as work load requires making it suitable for both large and small enterprises and especially fast growing companies.

Finally, you can't manage what you can't see: IP management begins with understanding what IP you have now and what you do with the new stuff you are creating. The starting point for any IP management exercise is an *IP Audit or IP Management Review*. This should be conducted by someone other than your existing IP provider.

The key take way: if you're in the business of employing smart people then you're in the business of building IP assets, which means you need to manage them properly.

Paul Adams www.everedgeip.com

Staff business cards

All staff who deal with customers should have business cards, particularly your receptionist. A car owner dropped his vehicle off to a franchise dealer to get a warrant of fitness. The receptionist greeted him and at the appropriate time handed him one of her cards with the comment : "If there's anything you want, call me". The customer felt cared for and the receptionist felt she was an important member of her firm, which she was.

Can't pay tax? Options are available

Some people who can't pay their tax let the problem fester. Our advice: Don't!

We can help you to do the following:

- Make a sensible, manageable arrangement with the IRD, one you should be able to maintain. This will stop penalties accumulating.
- Buy someone else's over paid tax and so reduce penalties and interest charges.
- Budget your personal expenses to provide funds to catch up.
- If you're in deep trouble, persuade IRD you are a suitable candidate to have some of the tax written off.

If you ignore the problem;

- Penalties compound while you sleep.
- High interest charges do the same.
- You get further and further behind.

Getting behind with your tax is a recipe for a disaster. Don't let this happen. It's usually very light in your first year in business. Then there's a catch-up. You might suddenly be horrified by the amount of tax you have to pay. Plan for this.

Conditional contracts

Be careful what you sign. Some folk think there's an easy out to a contract, if they need it. Put a condition into it. It's not that easy. Consult your solicitor first.

Non-residents claiming GST in New Zealand

This article explains the change that allows non-resident businesses to register for GST and claim GST paid on New Zealand business expenses.

What is the change?

Provided a non-resident business doesn't have a New Zealand taxable activity, they can:

Register for GST, and

Claim GST paid on New Zealand business expenses when receiving goods or services in New Zealand.

This change takes effect from 1 April 2014

Example 1

ZNA Airways sends two prospective pilots to study aviation in New Zealand. ZNA doesn't operate in New Zealand. ZNA pays the students' course fees and accommodation. They also reimburse the students for incidentals, eg, meals, general spending. At the end of the training the students leave New Zealand.

ZNA can claim the GST paid on their New Zealand business expenses.

Example 2

PRW is a US company that doesn't trade in New Zealand. They organise a conference in New Zealand for their management team. PRW pays all New Zealand costs associated with the conference, eg, venue hire, accommodation and meals.

PRW can claim the GST paid on their New Zealand business expenses.

For more information go to www.ird.govt.nz (search keywords: non-resident GST).

Ceasing to operate a business - what to do?

If you're selling or closing all or part of your business, you'll need to consider business tax obligations such as GST, employer-related taxes, income tax and depreciation recovery. When you cease or sell a business, or dispose of business assets, you must make an adjustment in your end-of-year tax return to account for the gain or loss.

If you stop all taxable activities or if your annual turnover drops below $60,000, you may need to cancel your GST registration. However, if you've built GST into your sale prices then you can't cease your GST registration even if your turnover drops below $60,000.

Ceased trading

If your business officially ceases trading you'll need to file your final returns for all registered tax types. When these are filed you can complete the Business Cessation (IR315) form, or call us to confirm your liabilities for GST and employer taxes, and find out how to settle your income tax.

Stopping Taxable Activities

If your company is stopping its taxable activities but not winding up altogether, you'll need to apply for non-active status by completing a Non-active company declaration (IR433) form. If your application is accepted, you don't need to file tax returns until your company is reactivated. You must cease your GST and employer registrations to become non-active.

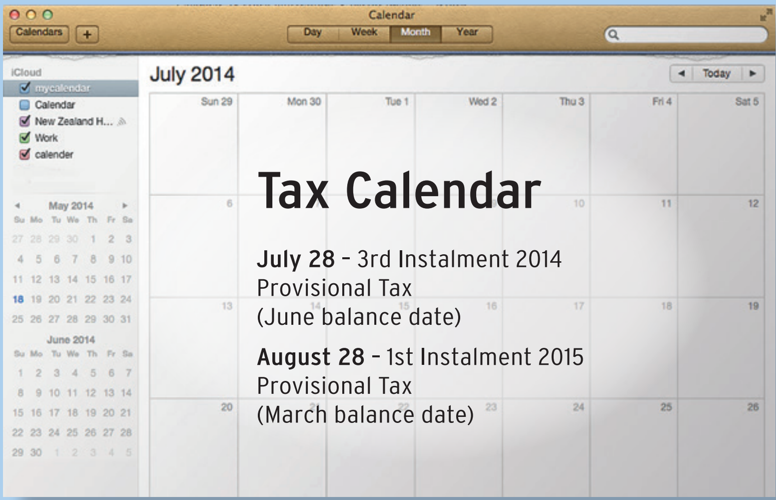
Unable to operate

Where the business can't operate because it's been irreparably damaged, any insurance payments you receive are treated as if the property was sold.

If you receive more than the adjusted tax value (book value), you'll need to include as income in your income tax return the lesser of :

The difference between the insurance payment and the adjusted tax value, or

The total amount of depreciation you've claimed for that asset.



Tax Calendar

July 28 - 3rd Instalment 2014 Provisional Tax (June balance date)

August 28 - 1st Instalment 2015 Provisional Tax (March balance date)

MarshallHeaphy
CHARTERED ACCOUNTANTS

Directors:

Sue Merriman
Email: sue@marshallandheaphy.co.nz
Phone: 03 768 7186 ext 205
Mobile 021 942 022

Fergal O'Gara
Email: fergal@marshallandheaphy.co.nz
Phone: 03 768 7186 ext 203
Mob: 021 062 7858

Contact:
Marshall & Heaphy Limited
64 High Street
Greymouth 7805

Phone: (03) 768 7186
Fax: (03) 768 7724
Email: info@marshallandheaphy.co.nz

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Expensive ACC

ACC is a special purpose tax. It's very late arriving as it can't be calculated until after the business tax return has been completed. The amount might take your breath away. Avoid the instalment offer. Pay in full. The ACC service fee of 10% is not a true 10% - it's more like 18% because of the way it's charged. Assuming the bank is going to charge you only interest and no additional fees, borrowing from it will be a lot cheaper.

Charities and FBT

At present, the threshold for paying FBT for charities is 5% of the employee's wages. From 1 April 2014 there is a second limit imposed. You take the smaller of $1,200 or the 5%. Include vouchers for petrol and groceries etc. as benefits and also costs relating to short term charge facilities.

Changes to the Inland Revenue Payment Service at Westpac

From 1 October 2014 customers will no longer be able to make cheque payments or drop off returns or forms at a Westpac branch. They will be able to continue making cash and eftpos payments at Westpac.

Customers can continue to post cheque payments, returns and forms directly to Inland Revenue and can continue to make payments using online banking, credit and debit cards and international money transfers.

From 1 October cheques must reach IRD by the due date for payment. Posting a cheque on the last day will be too late. IRD will accept post dated cheques but may bank them early. If there are insufficient funds to pay the tax, that's the taxpayers problem. They say they will endeavour to avoid banking early. We suggest clients highlight the date if they use a post dated cheque.

Payment on the next working day following a weekend or holiday is still acceptable. A provincial anniversary day is a working day NOT a public holiday for the purpose of the tax being received on time.

Westpac will accept cash or Eftpos.
IRD will not accept cash.

"Do you want to know who you are? Don't ask. Act! Action will delineate and define you."

Thomas Jefferson

Members of NZ CA Limited

Accountants Hawkes Bay Limited	Napier	(06) 843-4868
Barnes Mossman Limited	Hastings	(06) 876-7159
	Waipawa	(06) 857-8901
Bavage Chapman Ltd	Warkworth	(09) 425-9835
Brophy Knight Limited	Ashburton	(03) 308 5104
Capper Macdonald King Limited	Stratford	(06) 765-6178
Candy Gillespie	Matamata	(050) 888-7089
CooperAitken Ltd	Morrinsville	(07) 889-7153
Darren Knight Chartered Accountant Ltd	Warkworth	(09) 425-9833
Duns	Christchurch	(03) 365-0768
Focus Chartered Accountants	Whakatane	(07) 307-1141
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	Queenstown	(03) 477-8192
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Iles Casey	Rotorua	(07) 348-7066
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McDonald Vague	Auckland	(09) 303 0506
Midgley Partners	Christchurch	(03) 365-6900
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nsaTax Limited	Auckland	(09) 309-6505
RSM Prince	Auckland	(09) 271 4527
	Auckland North	(09) 414 6262
Strettons	Taupo	(07) 376-1700
Sudburys Limited	Whangarei	(09) 430-4888
Vazey Child	Hamilton	(07) 838-2169
Whitelaw Weber Limited	Kerikeri	(09) 407-7117
	Kaikohe	(09) 401-0991
	Kaitaia	(09) 408 1220
Winstanley Kerridge	Blenheim	(03) 578-0180

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.