

## In this Issue

### FBT on work-related vehicles

Business use of home

### Tax calendar

IRD's list of providers approved to store electronic records offshore

### Windows 10 tips and tricks

Foreign trusts with a NZ resident trustee?

### Tax relief Coromandel District

How to win the email war

### Never make judgements about potential customers

The brilliance of F1

### Keeping a log book made easy

Money laundering hits accountants

### Try a password manager

Low rates not so good

### Danger in cashing up when company sells

# 3 WAYS to achieve your GOALS

(And get the juice on the way through)

**A**s a business owner, you no doubt started the year with some big goals. You'll know what you want to achieve during the year (and into the future) - for yourself and your business. No doubt you'll work hard towards achieving these goals.

Some of your goals might be longer-term and set out in the future. So you might run the risk of never feeling the buzz of satisfaction and accomplishment. This can undermine your determination to see it through to the end. It can put at risk the chance of ever achieving your long-term goals. It's very easy to lose enthusiasm and become disillusioned. But these 3 simple methods will help minimise this risk. You'll have a much better chance of seeing it through to the end:

#### 1 Set Incremental Wins

Make sure you set milestones or even smaller wins, within your larger goal. You can set these small milestones up to occur every week, as well as at the end of every quarter. The small wins are incremental steps towards achieving your longer term goal. This will give you and your team the thrill of these smaller achievements along the way. Everyone will

keep engaged, productive and heading in the right direction.

#### 2 Keep Progress Visible

It's not always enough to understand the need to **set clear goals** or to provide incentives, recognition and support for your staff. It's important to show visible, tangible progress every step of the way. It needn't be anything flashy nor cost a lot of money. It could be a simple wall chart that is always up-to-date. Or even a chocolate fish for everyone to acknowledge a win. The options are only limited by how creative you want to be and what will work for your particular team.

#### 3 Know When To Ask For Help

Sometimes it's not enough for your business have a big goal out there. Despite everything you put in place, you could still begin to falter. You might question your strategy. Your enthusiasm could begin to wain. You may well start to lose confidence in your ability to achieve that goal. Don't give up so fast! Achieving goals and taking your business to the next level is rarely smooth sailing. It pays to know when to **ask for help**.

Source: FullFocus



## Nothing beats asking the customer

**A** couple were having lunch in a cafe. "If you owned this cafe, how would you improve it," Bert asked. They discussed decor and menu.

"Ask the customers what they would like," Betty said. "Why not put a notepad and pencil on each table asking for suggestions?"

She also suggested writing at the bottom of the page: "If there is sufficient interest from others, we will put your request on the menu and get in touch

with you. We'll also tell you when we change our menu. Please leave us your email address."

This idea is a great way of interacting with customers, showing them their opinion matters, and getting their email address so you can keep in touch. An email database can be gold.

If you want to know what to sell, nothing beats asking the customers what they would like, whatever industry you're in.



# FBT on work-related vehicles

You must pay FBT on a work-related vehicle, if it's available for private use. It doesn't matter that the vehicle is a commercial vehicle and not a car, nor that it's been sign-written to comply with Inland Revenue requirements.

What matters is whether the travel to and from home is necessary in, and a condition of, employment. A plumber usually goes to different jobs every day. It would be impractical to return to the employer's premises. The employee's home becomes a place of work. The employer should give a written instruction to the employee about taking



the vehicle home and state it is not to be used for private purposes. We recommend getting the employee to sign confirming he/she understands the instruction. If you comply with this, no fringe benefit tax has to be paid.

If the employee doesn't deviate significantly from the route home and stops off at, say, the supermarket, that's not counted as being available for private use.

The work-related vehicle exclusion is applied on a daily basis. If the employee has unrestricted private use on work days but is not allowed to use the vehicle on days he isn't working, the fringe benefit tax liability can be reduced proportionately.

## Windows tips and tricks

Find a file by clicking on the magnifying glass symbol on the toolbar. Type in the name of the missing file and if it exists, it will be located for you.

Press Alt + Tab and it will show you all the open programs so you can choose which one you want to go to. This is a great shortcut for switching between programs. It also shows you what programs are running and draining your memory resources.

## Foreign trusts with a NZ resident trustee?

As from the date of enactment of the Taxation (Business Tax, Exchange of Information, and Remedial Matters) Bill, these trusts will need to register with the Inland Revenue Department, file annual returns and pay registration and filing fees. You may have converted any foreign trusts to complying trusts. However, just in case, it could pay to check your list of trusts.

## Tax relief Coromandel District

Farmers affected by the flood will have until 30 April 2017 to make a deposit into the income equalisation scheme for the 2016 tax year. Early refunds will also be allowed.

## Student loan interest

Many students studying overseas, full-time or doing an internship and receiving a government funded scholarship, are to be entitled to an exemption from interest on their student loan.

## How to win the email war

We all know we can clear our inbox and then another email swarm arrives. How do we avoid spending too much time on emails? Prioritise and don't be afraid to delete. Discipline yourself to accept you can't read them all and prioritise your reading. You may have

to forgo opportunities by pressing the delete button so you have enough time to deal with the important emails.

# Business use of home

From the beginning of the 2018 tax year the rules for claiming for use at home are changing.

The premises have to be a separately identifiable part of the house, which is used primarily for business purposes. Some people are interpreting this to mean a room has to be set aside exclusively for business. This is not exactly correct. It would also seem a garage is a separately identifiable part of the house. If this is being used primarily for business, it could also come under a use of home claim. However, if it is a double garage, it might be difficult to show the use is primarily for business if it houses a private car as well as a business one. There will be a choice of methods for calculating a claim for use of home.

**Choice 1** Continue to make your calculations in the usual way.

**Choice 2** Determine the percentage of mortgage interest and rates (or rent) used for business. Inland Revenue will then provide a per square metre rate to use to cover the other costs.

## Tax calendar

### May 29

1st Instalment of 2018 Provisional Tax (December balance date)

### May 31

Last day to put in final FBT return for 2017

### June 30

Last day to apply for annual FBT returns for those who qualify

### July 28

3rd instalment 2017 Provisional Tax (June balance date)

### August 28

1st instalment 2018 Provisional Tax (March balance date)

# IRD's list of providers approved to store electronic records offshore

On 27 March 2017, Inland Revenue advised the names of the organisations that have been approved to store taxpayers' electronic records outside of NZ.

Clients need to ensure that they are not caught inadvertently if they are storing records electronically offshore with any other providers. If their provider is not on the list, the approval to store business records outside of NZ must still be obtained.

Taxpayers who store their business records with these approved organisations do not need to obtain approval under s 22(2BA) of the Tax Administration Act 1994 to store their business records outside of New Zealand.

Although a third party provider may be used to store business records, taxpayers remain responsible for their tax obligations including retaining business records for the retention period (usually seven years) required under the Tax Administration Act.

## The approved organisations are as follows:

### ActionStepNZ Ltd

Agilyx NZ Ltd

Automatic Data

Processing Ltd

CargoWise NZ Ltd

CCH NZ Ltd

Civica Pty Ltd

Common Ledger Ltd

Farm IQ Systems Ltd

MYOB NZ Ltd

Payroll Kiwi Ltd

### Reckon NZ Pty Ltd

Revolution Software Ltd

Saasu Limited

TaxLab Ltd

Technology One

NZ Ltd

Thompson Reuters

NZ Ltd (formerly

Brookers Ltd)

Unimarket NZ Ltd

Xero Ltd.

“A comfort zone is a lovely place but nothing grows there!”

# Never make judgements about potential customers

Carl and Carole were buying a new kitchen. They needed new appliances so they went to one of the large retail stores.

While they were talking to the salesman, he was called over by his manager. The couple only found out why later.

In due course the salesman pulled off a pretty useful sale, but then confided in them what had happened. He said the manager had told him not to waste time on them because the manager considered them tyre-kickers.

This was in spite of the store being relatively empty.

Another couple, Barry and Betty, had a similar experience when buying a car. They sent a list of questions to a dealer in new cars and instead of getting the answers they needed, they were supplied with three or four paragraphs of standard



car information.

The couple like driving cars but didn't want to know how they're made and other technical details.

They found it very hard to interpret what they received and decided to send a letter of thanks to the company but stating they were no longer going to buy a car. About a month later, they still had not found the car they wanted so they made further enquiries at the dealership.

While out walking, they received a cell phone call from the manager. He wanted to know whether they were really serious. In due course they bought the most expensive new car in the dealer's fleet.

These are both true stories although the names have been changed.

Our message is, never prejudge your potential customers by their looks or their actions, and never assume they're not going to buy from you.

Many people who look like hoboos are quite rich. They don't have to dress up to be a big spender.

**"It's not the mountain that we conquer but ourselves."**

— Edmund Hillary

## The brilliance of F1

Go for the shortcuts - F1 is brilliant. Do you dream of being able to get much more out of your computer? Do you believe really getting to grips with a computer is for geeks and eight-year-olds? The good news is you will learn a huge amount by just pressing F1 on your computer keyboard.

Do you get frustrated with the wrong font coming up every

time you want to type something? Go to F1 and you'll find the answer. Press the button and you will see "change or set the default font". You will then be directed on how to do this, but in typical computer fashion they'll forget to tell you where to find "set as default". There is a tiny arrow pointing downwards



in the bottom right hand corner. You will need to click on that.

Have you ever wondered how you could leave a trail of the changes you have made to a document? F1 is your answer. There is a whole load of information in F1. It is worth your while browsing it.

## Keeping a log book MADE EASY



Keeping a vehicle log book is a bind. Inland Revenue requires you to note your opening odometer reading and closing odometer reading over a three-month period. It will allow you to record your business trips only, over that period. Unfortunately, if you overlook a business trip, it will become a private trip by default.

Apps are now coming onto the market to solve the problem. They will keep a track of all your trips and help you to analyse them.

We obtained a quote for using LogbookMe. A 12-week license costs \$248 + GST and a 52-week license costs \$480 + GST. There will be other logbook apps on the Internet. You may be able to put the log book app to other uses to get the best value out of it.

## Money laundering hits accountants

From 1 October next year accountants are going to have to start behaving like banks. If you want us to create a company for you or you want to send more than \$1000 overseas, we are going to need identification. We will have to save this in our computer. We'll have to keep a record of your name, birthdate and address. That's not too difficult. But we will also probably have to take a copy of your driver licence or passport and evidence of who you are acting for, in case you are setting up the company for someone else. Similar rules are going to apply to lawyers from 1 July 2018, if they create a company or trust for you. We're sorry if you find these requirements irritating.

## Try a password manager

If you're not lucky enough to have a photographic memory, keeping track of passwords can be a nightmare.

Every time we want to enter a subscription website or do internet banking, we need a password to verify we are who we say we are. Some of us write passwords in a book or in a text document on our desktop, others just use the same one everywhere because they can't remember passwords for every site. Neither method is safe.

The answer could be a password app. There are many now available to download, and some are even free. These apps manage passwords as a browser plug-in. You need to remember only one master password - the one that opens the app.

Most products include a built-in password generator for the secure sites you want to visit, which means you don't have to wrack your brain thinking up a password. These passwords are at least 16 characters long, usually too long for you to remember.

The apps are not for everyone. Some users are wary of any cloud-based program that might be able to access your password. However, the app hosts say their encryption means even they have no idea what your password might be.

In the end, it's your choice. Do the research by looking up 'password managers' in Google.



## Low rates not so good

**D**on't be taken in by very low interest rates for hire purchase, or even those offering zero percent.

Many retailers occasionally offer "special deals" of 0% percent interest on hire purchases. Does it mean you pay only the ticket price over the term of the loan?

The answer is no, and in fact the total price can be very expensive.

If you add up establishment fees, annual fees and any other cost the vendors may add, you will get some idea of the cost of the borrowing.

For example, an appliance costing \$700 could be financed by one of the leading dealers at 0% finance. The deal included an establishment fee of \$55 and what appeared to be an annual account fee of \$52. The salesperson was a bit vague.

That would make a total of \$211 (\$55 + 3 times \$52) for a 30-month agreement.

If you take the average between the debt at the start of the contract and the debt at the end of the contract, you get an average debt of \$350. You can now see why the \$211 is such an enormous figure to be paying.

Divide it by 30 months and multiply by 12 months and you have the cost per year of about \$84. That's an interest rate of 24% (\$84 divided by the amount borrowed being \$350).

Even if these figures are not entirely accurate, do your homework and determine the true cost of borrowing. You might be a lot better off with a bank overdraft.

*"When I let go of who I am, I become who I might be."*  
- Lao Tzu

## DANGER in cashing up when company sells

**I**f your business is in a company, you need to understand tax on capital gains.

Tax law dictates you must not take any capital gains out of the company except when winding up.

Here is the big danger. You sell your business for a nice profit of, say, \$200,000. Naturally, the first thing you think of is how you can use this. So you take the money out of the company and, whoops, you've "broken the law".

What should you have done?

If you're going to wind up the company, you should first have passed a special resolution of shareholders to this effect. Not until then are you entitled to have that money. If you want to continue using the company, you must leave the money in it.



We can repair the damage by treating the withdrawal as a loan to you but this can be expensive. You would have to be charged interest at Inland Revenue rates, which are currently a little under 6%,

if you have been working for the company and been paid a salary.

So often we see clients who have sold their businesses and not been aware of the rules. This can occur a year or more after the transaction and the interest bill referred to above can be quite significant. When it comes time for you to sell, please remember to talk to us before you take out any of the money.

A few of our clients are look through companies. This rule does not apply to them because, from a tax perspective, they are partnerships.



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  
Mobile 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

### Members of NZ CA Limited

Accountants Hawkes Bay - Napier	(06) 843-4868
BM Accounting Limited - Hastings	(06) 876-7159
- Waipawa	(06) 857-8901
Bavage Chapman Ltd - Warkworth	(09) 425-9835
Brophy Knight Limited - Ashburton	(03) 308-5104
BW Miller Dean - Wellington	(04) 910-3340
Candy Gillespie - Matamata	(050) 888-7089
Chapmans Chartered Accountants - West Auckland	(09) 831-0205
Duns - Christchurch	(03) 365-0768
Focus Chartered Accountants - Whakatane	(07) 307-1141
Gambitsis Crombie - Lower Hutt	(04) 939-1975
GS McLauchlan - Dunedin	(03) 477-8192
- Queenstown	(03) 477 8192
Gyde Wansbone	
Chartered Accountants Ltd - Te Awamutu	(07) 872-0585
Harris Taylor - Hawera	(06) 278-5058
Iles Casey - Rotorua	(07) 348-7066
Marshall & Heaphy Limited - Greymouth	(03) 768-7186
Martin Wakefield - Timaru	(03) 687-7122
- Christchurch	(03) 343-4012
McDonald Vague - Auckland	(09) 303-0506
McIntyre Dick & Partners - Invercargill	(03) 211-0801
Midgley Partners - Christchurch	(03) 365-6900
Naylor Lawrence - Palmerston North	(06) 357-0640
- Dannevirke	(06) 374-5730
nsaTax Limited - Auckland	(09) 309-6505
RSM New Zealand Group Limited - Auckland	(09) 271-4527
- Auckland North	(09) 414-6262
- Auckland Central	(09) 367-1656
Strettons - Taupo	(07) 376-1700
Southey Sayer - Masterton	(06) 370-0811
Sudburys Limited - Whangarei	(09) 430-4888
Vazey Child Limited - Hamilton	(07) 838-2169
Wallace Diack - Blenheim	(03) 578-7389
Whitelaw Weber Limited - Kerikeri	(09) 407-7117
- Kaikohe	(09) 401-0991
- Kaiaia	(09) 408-1220

### 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.

### Disclaimer

All the information published in Trial Balance is true and accurate to the best of the author's knowledge however it should not be a substitute for professional advice. No liability is assumed by the authors or publisher for any losses suffered by any person relying directly or indirectly on this newsletter. Views expressed are the author's own. Articles appearing in Trial Balance may not be reproduced without prior approval from the editor and credit being given to the source.