

# Newsletter

December 2013

DB CHARTERED  
ACCOUNTANTS LTD

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## **CHRISTMAS BREAK**

***Our offices will be closed from midday Friday 20th December 2013 until Monday 20th January 2014.***

***“Leadership has been defined as the ability to hide your panic from others.”***

*Our newsletter this month includes latest news from the IRD, ideas on business analysis and what to watch out for when lending family money or offering discounts. There is an offer of free accounting assistance and a reminder for directors and employers.*

## **GST DUE THIS MONTH**

### **IMPORTANT**

If we complete your GST Return (due on 15 January 2014) we need to have your GST completed by 18 December due to our annual close down.

## **LATEST FROM THE IRD**

IRD Focus over the next year includes:

1. The IRD is placing more focus on GST compliance including:
  - Checking that GST is repaid when business assets are used for private purposes.
  - Monitoring land transactions to ensure GST is properly accounted for.
  - Assessing GST refund entitlements.
  - Checking whether nil GST Returns means that a business has closed, triggering one of the above.
2. Ensuring employers file their PAYE schedules on time and taking action if they don't.
3. Ensuring independent contractors are filing complete and accurate tax returns.
4. If mailing IRD returns or payments they must be mailed on or before due date to be on time (or if a public holiday due date moves to the next business day). However, if NZ Post changes their postal days IRD may bring in a policy that returns/payments must arrive on time.



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## **PREVIOUS NEWSLETTERS ...**

*For back issues of our free newsletter go to our website*

**[www.dbchartered.co.nz](http://www.dbchartered.co.nz)** and click on “Newsletters”.

*(You can also download common IRD forms including GST Returns, PAYE Returns and Kiwisaver Forms.)*

## **LATEST FROM THE IRD (Continued ...)**

5. Student Loans – If you are an employer who is required to deduct student loans from PAYE, soon there will be new tax codes SLCIR and SLBOR to use where additional payments are made.

Other proposed changes include:

6. When an employee is expected to work away from their normal workplace for up to two years, any employer provided accommodation will be exempt from taxable income.
7. Meal payments linked to work related travel will be exempt for up to three months. *(IRD has previously made announcements that created confusion as to what is taxable and what is not. The changes will clarify the Government's intentions.)*

## **BUSINESS ANALYSIS**

To monitor a business it is useful to have a few key measures in order to keep track on progress. These will be specific to each business and, depending on the business, these could include the following:



Sales (\$) per day	
Sales (\$) per customer	Is the average sale per customer tracking higher or lower? How can it be improved?
Productive hours per day	
Productive hours per employee	Is this being maintained? How can work be scheduled so that there is minimal downtime?
Widgets produced per day or per week	
Jobs completed (No. or \$) per day, week or month	This monitors how much is being completed. While productive hours might be high, is the work being completed on time so it can be invoiced?
Profit per sale	What is the margin on the goods or services being sold? Sales might be on track, however, if the profit margin is below expectations, profit targets, or even breakeven, may not be achieved.
Production per cow	
Costs per hectare	You may have set targets for the season regarding production and can also compare your costs against industry figures using the likes of Dairy NZ information.
Breakeven Point	What level of sales/turnover and profit per month do you need to ensure you have met all your purchase, wages, overhead and loan costs for the month?

These, along with reviewing the overall financial performance on a regular basis, can help keep track of how a business is progressing.

## **BE CAREFUL OF YOUR CHRISTMAS GIVEAWAYS!**

### **Lending the family money?**

We would recommend if lending money to family that this is documented and signed off by both parties. This would include the amount lent, any interest payable and when and how repayment will be made by.

This protects both parties and the family wealth.

What can go wrong?

1. Mum lends \$50,000 to one of her two sons. If mum dies and there is no record of the loan, the borrowing son can end up not having to repay the loan and receiving a bigger share of his mothers estate than what he would have otherwise received.
2. Mum and Dad lend their daughter and son-in-law \$50,000 to buy their first home. All good. Five years later the daughter and son-in-law break up and divide their assets and debts 50/50. If there is correct documentation of the loan it is easier to prove that the \$50,000 should be repaid to Mum and Dad before the remaining assets are split 50/50, ensuring that Mum and Dad or the family are not out of pocket.

### **Offering Christmas Discounts?**

Businesses will often offer a discount to attract new customers. However, it is important to measure the real effect of offering discounts.

If monthly product sales were	\$10,000
Product purchases	\$5,000
Gross Profit is	<u>\$5,000</u> (50%)

If discounting the same product by 10% the equation would be:

Sales	\$9,000
Product Cost	\$5,000
Gross Profit	<u>\$4,000</u> (44%)



This means at the reduced gross margin (44%) the business needs to increase sales by 12.5% to \$11,250 to obtain the same gross profit.

While discounting may be a valid way to obtain new customers, it is important to measure the overall financial implication.

## **DO YOU KNOW HOW YOUR BUSINESS IS PROGRESSING?**

In the past 12 months we have introduced a regular financial reporting system for a number of our clients. If you would like to understand how your business is doing on a monthly or other regular basis, get in touch and we will get a system in place to provide relevant information for your business.

## **HAVE YOU PURCHASED OR SOLD AN INVESTMENT PROPERTY?**

Make sure you send us a copy of the:

- Sale & Purchase Agreement
- The Settlement Statement

We need this information to correctly record the transaction in your financial statements. We are finding that some Solicitors are charging a fee to obtain this information again when it has already been supplied.

## **NEED ACCOUNTING ASSISTANCE?**

To help us understand your business, we are offering to clients the assistance of one of our accounting staff to assist in your business for half a day – for free!! We could assist with explaining how to get your accounting software to provide more accurate reports, assistance with GST matters you are not sure of, how to regularly reconcile your cashbook/accounting system or may be you have a list of accounting or tax matters that you are unsure of that you would like to go through with someone to get some answers. We have a limited number of timeslots available in the New Year, so if you would like to take advantage of this please contact Dianne at our office.

## **DIRECTOR CHANGES**

New director appointments or resignations must be notified to the Companies Office within 20 working days of the change.

Additionally, the Companies Office is required to hold details of a director's residential address and be advised within 20 working days of any changes.

So remember, if we are the registered office for your Company please advise us of any director or address changes so we can update your records with the Companies office.

## **EMPLOYMENT UPDATE**

The Employment Authority has recently reminded employers that correct wage records need to be maintained and that the minimum wage requirements must be met for the hours worked in each pay period. The case related to a farmer whose employee worked up to 44 hours in the dry season but up to 60 hours per week in the busy season. However, on a salary of \$32,000 the employee was not receiving the minimum wage when working 60 hours per week. The authority has reminded employers that this is not acceptable and that a salary cannot be used as a way of paying less than the minimum wage during a busy season and that accurate time and wage records must be maintained. Fines for non-compliance can be set up to \$20,000.

(Current minimum wage is \$13.75 per hour.)

## **MERRY CHRISTMAS**

*Thank you for your support over the past year. From all of our team, we wish you a Merry Christmas and a safe and Happy New Year.*



*David, Dianne, Emma, Gaylene, Jo, Joy, Maree and Pam.*

If you would like to discuss anything mentioned in our newsletter, or have a subject you would like explained, please contact us at:

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