The official newsletter of NZ CA Limited

trialbalance

nz ca
AN ASSOCIATION OF INDEPENDENT CHARTERED ACCOUNTANTS

December 2019 Issue 69

In this Issue

Convert a COMPLAINER into a friend

Don't you hate it when someone complains? The natural reaction is to defend yourself.

"Is our lunch ready yet? It's been half an hour since we ordered it," complained a customer at a café.

"We're very busy," snapped the waitress.

The customer noted half the tables were empty but said no more. He didn't go back there for three years.

The snappy waitress has moved on and the new staff are very welcoming. The complainer has become a regular customer again.

While it's not absolutely true the customer is always right (sometimes they are genuinely unreasonable), it's usually the case. The waitress should have taken the complaint back to the boss who should have tried to find out what was causing the long delays in serving the customers.

The important thing to remember is: a person who complains is almost always your friend.

They give you the chance to do something about a problem and stop offending other customers. Yes, it's upsetting to be told you're doing a bad job, but get used to it because there's an odds-on chance it's true.

Work out what's wrong and change your systems to fix it.

What else should the waitress have done? She should have made sure the customer left happy. She should have been empowered to give the customer a voucher for a free … next time and offered an apology.

The customer looked up his expenditure for a year at the café, which can be easily done online by looking at your bank account, and calculated this waitress cost her employer about $2000 in lost sales.

No more cheques for IRD

IRD will not be accepting cheques from 1 March 2020. If you prefer to use cheques, start preparing to change the way you pay your tax.

If online banking worries you because of the risk of a hacker stealing your money, you could have a special bank account and put your tax money in it only when you are ready to pay it.

Inland Revenue has advised us the payment options will be:

- **myIR:** Direct debit and card payments can be made from myIR.
- **Online banking:** One-off or scheduled recurring payments can be made using online banking.
- **Money transfer:** Your clients based overseas can pay us using a money transfer service. Search for "Make a payment" on our website for more information.
- **Credit or debit card via our website:** Payments can be made by credit or debit card through our secure payment website. Go to our website and search for "Make a payment" and select "Pay using credit or debit card".
- **Westpac:** EFTPOS or cash payments can be made at any Westpac branch or Smart ATM.

Boost wifi for better performance

Poor wifi connections in parts of your home or office can be incredibly frustrating.

It can mean slow speeds or "dropping" of your wifi signal to your smart TV during your favourite game, or when you're about to email a client from your laptop in the kitchen.

The problem is likely to be you're too far away from your wifi router, and/or metal cabinets and solid walls are blocking the signal. Wifi boosters and advanced routers can help by extending the coverage area of your network.

Boosters grab the wifi signal from the router, amplify it and then transmit the boosted signal. You should be able to double the coverage area of your wifi network. One client we know boosted wifi so it could reach a smart TV in the backyard shed.

Wifi "boosters", "repeaters" and "extenders" work much the same. But what's the best? As always, money will talk. Pay more, get more.

Some boosters will simply "hop" the signal to one or more boosters, and some will allow you to send your internet signal through the electrical circuit in your home or office.

Basic models start at about $50. Most boosters are simple to install, even for novices (check online reviews to see if anyone has a problem).

Advanced routers (without boosters) have super-fast processors and technology targeting the wifi signal to where it's being used. So instead of hopping the signal to a booster, the source router has much more grunt, improving speed and performance. For that you're starting close to $300 and will pay more than $500 for top-of-the-line models.

As always, check online to see what might be best for your circumstances, and to see if reviews show up any potential problems with installation or performance.

Claiming vehicle expenses*

If you have a vehicle that is only used for business, you can claim the full running costs as a business expense. If you use your vehicle for both business and personal trips you will need to work out how to allocate costs correctly.

There are two ways to do this – keeping a logbook or adding up the actual costs.

If your vehicle is petrol, diesel, hybrid or electric you can use either method. You need to continue to use one method for as long as you own the vehicle. If your vehicle isn't petrol, diesel, hybrid or electric then you must use the actual costs method.

Logbook

You can keep a logbook to find out how much you usually use the vehicle for business. Use our kilometre rates to calculate the deduction for costs and depreciation for the business use of your vehicle.

When self-employed people use kilometre rates, GST does not need to be considered. Kilometre rates include depreciation. If you use this method you will not have a separate depreciation deduction or recovery of depreciation.

Kilometre rates for business use of vehicles – 2018/2019 income year

Vehicle Type	Tier One Rate	Tier Two rate
Petrol or Diesel	79 cents	30 cents
Petrol Hybrid	79 cents	19 cents
Electric	79 cents	9 cents

Using the Tier One and Tier Two rates

The Tier One rate is a combination of your vehicle's fixed and running costs. Use the Tier One rate for the business portion of the first 14,000 kilometres travelled by the vehicle in a year. This includes private use travel.

The Tier Two rate is for running costs only. Use the Tier Two rate for the business portion of any travel over 14,000kms in a year.

Using Tier One and Two rates for employee reimbursement

If you're an employer, you can use Tier One and Tier Two kilometre rates to get a reasonable estimate of expenditure. This will help reimbursing an employee who has business-related use of the vehicle.

Your employee will need a record showing their business-related use of the vehicle over the income year, such as a logbook. You then use it to calculate the exempt portion of reimbursement using the kilometre rates we've set. For example, use the Tier One rate for the business portion of the first 14,000 kms (total) travelled by the vehicle in the income year, and then the Tier Two rates after that.

Actual costs

You can keep track of the actual costs of running your vehicle and treat these as a business expense.

You need to keep accurate records including details of private and work-related expenses. These expenses could be buying petrol, getting a Warrant of Fitness, paying for maintenance, insurance, and parking. Your records need to show the reasons for all business travel, and the distances of all journeys.

You can also claim a deduction on any depreciation loss for the business use of your vehicle.

Not applicable to Company Vehicle Ownership

Tax calendar

November 28
First instalment of 2020 Provisional Tax (June balance date)

January 15
Second instalment of 2020 Provisional Tax (March balance date except for those who pay Provisional Tax twice a year)
Pay GST for period ended 30 November 2019

April 7
Terminal tax for 2019 (March, April, May and June balance dates)
For all clients except those who have lost their extension of time privilege

Overseas suppliers

If you deal with overseas suppliers, be sure to let them know that you are GST registered, as GST on low value imports comes into effect on 1 December 2019.

For business-to-business transactions, an overseas supplier can zero rate your purchase.

If you are charged GST in error, you have two options:

- Get the GST back from the supplier.
- Get the supplier to send you a tax invoice so you can claim the GST back.

Any item costing $1000 or less will be a low value import and the GST will be collected by the supplier, provided the total supplies to this country amount to $60,000 or more per annum.

There will, of course, be suppliers who are not registered for GST, particularly those whose sales to this country are less than $60,000 per year.

GST on Entertainment Changed

Prior to 1st April 2018, the correct way to calculate GST on the non-tax-deductible portion of entertainment expenses was rather strange.

The GST exclusive amount of the non-deductible portion was treated as subject to output tax.

An illustration would help: with a cost of entertainment expenses $115.

Start by claiming $100 expense and $15 input tax.

Adjust the $100 down to $50 – the amount of the expense not tax deductible. GST content of the $50 is $6.52. Is this what you have been doing?

From 1 April 2018, the rules have changed and are now more logical. The output tax on the above amount is a half share of the $15 input tax. It makes sense!

Government Funded School Donations

The budget has provided, from the beginning of the 2020 school year, an entitlement of $150 per student per year, if the school agrees to stop requesting donations from parents. This funding only applies to decile one - seven State and Stated-integrated schools.

DATA VALUATION
the Holy Grail

There is a common misconception, largely based on outdated accounting standards, that it is not possible to value data. However, with intangible assets such as data, content, brands and software now driving over 87% of all company value and virtually all earnings growth, new methodologies have been developed that provide a robust, defensible, business-focused valuation of what the Economist called "the world's most valuable resource: data.

While traditional valuation methods such as cost-basis analysis or discounted cash flow (DCF) work well for fixed assets or mature companies, they simply don't work (cost basis), or are subject to major accuracy and defensibility challenges when applied to data and other intangible assets.

One reason for this is that, when it comes to valuing data, there is often no correlation between the cost of the data and the potential revenue that can be generated from it. Likewise, a data set in the hands of a small operating business might be worth (on a discounted cash flow basis) a relatively small amount, but in the hands of a much larger business could be worth a vastly larger sum.

Monetized effectively, data has the potential to become one of a company's greatest assets. However, companies need to first of all understand the various business end use cases for their data as it is these cases that will determine the potential economic returns and risks associated with leveraging the data.

It is these end use cases that will determine whether or not it is worthwhile to move forward with monetizing your data. To understand this, companies need to get an accurate valuation of these end use cases. This is not only possible, but with the right advice entirely viable. It does however require expertise and an understanding of how to assess data using a different set of factors and techniques that have previously been used in traditional asset valuations.

By Paul Adams, CEO EverEdge
Source: www.everedgeglobal.com

11 Tips to get paid faster – get out of the office quicker

The more strategies you can employ, the faster you can get paid and get on with your cash flow.

- Ask you customer what date they prefer their invoices
- Make it easier to pay you by offering several ways to pay
- Keep communicating
- Use cloud based accounting services - "your people can talk to their people"
- Invoice on time
- Have a great relationship with your customers
- Punish and reward - early payment discount, late payment fees
- Assess and change your invoicing model
- New customers - get payment up front
- Offer a payment plan

If your customers are still taking too long to pay talk to us today to see how we can speed up your cash flow.

KiwiSaver change

The KiwiSaver scheme is to be changed to allow those with congenital life-shortening illnesses to withdraw their money from KiwiSaver early. It is proposed that the applicant may choose the date of withdrawal and the amount. Once a withdrawal is made, the scheme will be considered to have ceased and the Government will not make any more contributions to KiwiSaver and neither will the employer be expected to contribute.

Debt forgiveness

If you are going to forgive a debt, for example a parent forgives a debt to a child, document it properly to ensure it is a valid forgiveness. Consult your solicitor. This is not a do-it-yourself job.

GST trap for Air B&Bs

Be careful if you have an Air B&B and have to register for GST.

If you sell to a non-GST registered person, such as someone who wants to use the house as a home, you will be required to pay GST on 100% of the amount you sell for. Your GST claim will be limited to 100% of what you paid for the house. Let's use some figures:

House sells for $750,000. GST on this is $97,826. It cost you $300,000 to buy the house. You can claim the GST on this figure - $39,130. When you first registered for GST, you would have made a GST claim based on the expected business use of the house - say 60% = $23,478. Assuming this estimate had not changed, you can now claim the difference being ($39,130 - $23,478) = $15,652. So pay Inland Revenue ($97,826-$15,652) = $82,174.

You might have been registered for GST for only a few months! Ow! Very nice for the IRD though.

Do you know about the Bright-line property tax rule?

Introduced in 2015, the bright-line property rule means that people who sell a residential property might need to pay income tax on any gains. How the rule works depends on when you bought the property.

If you bought the property:

- Before 1 October 2015, the bright-line rule does not apply.
- Between 1 October 2015 and 28 March 2018 and sell it within 2 years of buying it, you'll pay income tax on any gains, unless an exception applies.
- On or after 29 March 2018 and sell it within 5 years of buying it, you'll pay income tax on any gain, unless an exception applies.

There are 3 exceptions

- If it's your family/main home.
- If you inherited the property.
- If you're the executor or administrator of a deceased estate.

Bright-line does not replace existing property tax rules, these will still apply. So, even if the bright-line rule does not apply in your situation, that does not necessarily mean you will not need to pay tax on your property profits.

Probationary Periods

When taking on a new employee, or a current employee is changing roles, an employer may want to make the employee's employment agreement subject to a probationary period. A probationary period can be used by an employer to assess the skills of an employee to determine their suitability to the position.

Probationary periods, however, are not akin to 90-day trial periods. A 90-day trial period may only be used if an employer has less than 20 staff and the employee has never worked for the employer.

Starting point:

Probationary periods cannot be used to limit the rights and obligations of an employer (or employee). Therefore, if an employer fails to follow correct processes, the probationary period may be unenforceable (deeming an employee a permanent employee) or, result in an employee raising a personal grievance claim.

General processes to be followed:

When considering whether to employ an employee subject to a probationary period it is always recommended to check with your lawyer first, to discuss the particular circumstances and facts of the situation.

Some of the general processes an employer must follow when going through a probationary period with an employee include:

- The probationary period must be in writing (and can only apply for a reasonable length of time).
- The requirements of good faith apply to both parties during the probationary period.
- The employer is to review and supervise the employee's performance during the probationary period.
- The employer is to communicate any concerns to the employee during the probationary period, particularly concerning their performance.
- The employee must be provided with additional training and support where needed.
- If nothing is said or done by the employer at the end of the probationary period, and the employee continues to work, the employee becomes a permanent employee.
- An employer may be able to dismiss an employee at the end of a probationary period, if the employer has followed a fair and reasonable process during the probationary period and subsequently, during the termination process.

End of the probationary period:

An employee cannot simply be asked to leave based on an inadequate skill set. An employer must have fairly assessed the employee (which includes providing additional training) before informing them of the intention to dismiss. An employee must then be given the opportunity to respond to the proposed dismissal and to have their response fairly considered before notice can be given to end the employment.

It is important to comply with the notice requirements of the probationary period to ensure notice given to an employee does not end after the probationary period ends.

By Bronwen Newcombe and Medeleine Masters – Davenports Harbour Lawyers

nz ca
AN ASSOCIATION OF INDEPENDENT CHARTERED ACCOUNTANTS

ACCOUNTING HQ LIMITED

Contact Rotorua
Accounting HQ Limited Rotorua
1247 Ranolf Street,
Rotorua 3010
Phone 07 348 7066
Fax 07 347 6617

Directors
Wayne L Abbott
Samuel J Bufton

Contact Whakatane
Accounting HQ Limited Whakatane
43 Kakahoroa Drive, PO Box 106,
Whakatane
Phone 07 306 0180
Fax 07 306 0251

Email: enquiry@accountinghq.co.nz
Find us on Facebook

Members of NZ CA Limited

Accountants Hawkes Bay	- Napier	(06) 843-4868
Accounting HQ	- Rotorua	(07) 348-7066
BM Accounting Limited	- Havelock North	(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
Brown Glassford and Co Ltd	- Christchurch	(03) 365-0881
Candy Gillespie	- Matamata	(050) 888-7089
Duns	- Christchurch	(03) 365-0768
Flannery Tait	- Alexandra	(03) 448 8060
Focus Chartered Accountants	- Whakatane	(07) 307-1141
Gambitsis Crombie	- Lower Hutt	(04) 939-1975
gfa Chartered Accountants	- Te Awamutu	(07) 872-6444
GS McLauchlan	- Dunedin	(03) 477-8192
	- Queenstown	(03) 477 8192
Harris Taylor	- Hawera	(06) 278-5058
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	- 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
	- Kaitaia	(09) 408-1220
Young Read Woudberg Limited	- Tauranga	(07) 578-0069

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.