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# ARE YOU BUSY?

## Are you doing the right stuff, or just doing stuff?

**W**e've all been there; ask someone how they are and we usually get a response about how busy they are. Similar to the clichés about talking about the weather, it's almost become a standard response to complain how busy one is and to give examples of this. "I'm really busy" seems to be the modern badge of honour. But why? And is this smart behaviour?

I was out for a run the other morning. As I was running up a hill, (code for running slowly!) I had time to catch random snippets of people's conversations. This included coming across a couple of ladies walking where I heard the following exchange:

**Q:** *What did you do in the weekend?*  
**A:** *I managed to do a few emails...*

And that was all I heard as I puffed on past up the lovely Mt Eden. But that snippet left me pondering for the remainder of my run. I just couldn't help thinking about those emails. Was that the most important or memorable thing she did that weekend? And if it was; were they really important and highly productive emails to

justify them being the best use of her weekend?

### Proactive or reactive?

But then perhaps the reason it left me pondering so much, was that maybe I could relate. How often have I ended up being sucked into the vortex of reacting to other people's timetables and needs rather than being more self-directed in the use of my time? And especially when one is tired and has been working hard for too long, and hence your levels of objectivity and resolve are perhaps at their weakest.

Someone wise once said to me that I have exactly the same number of hours in the day as Bill Gates. (I think they chose Bill Gates as then the world's richest man and hence as a proxy for someone successful). Their intention was to give me a verbal slap. To wake me up and bluntly point out that my "excuses" for being busy and not being able to achieve some hard or important things were just that; excuses.

Whether or not I aspired to be like Bill Gates was not the point. (I don't. Albeit I am impressed with his steps

to now use his considerable wealth for good and to encourage others to do similar. In my opinion that deserves respect). But rather, the point was that time is our most precious resource. As such, we need to be aware and deliberate in our use of it.

At the end of the day it is all about choices. And with any choice there is a trade-off and compromise that needs to be considered and decided upon. As my grandmother once told me; *You can do anything you want. You just can't do everything you want.* She went on to qualify this that sometimes you can do everything you want, but just not all at the same time. She was trying to teach me about weighing up alternatives and making choices.

But when my grandmother was providing this wisdom to her then young grandson we lived in a simpler time. We didn't have to deal with the frightening array of sophisticated distractions that people are exposed to now. Especially from things such as social media and other technology driven by incredibly sophisticated algorithms designed to be addictive to retain our limited attention; the technological equivalent of cocaine.

## Trusts with only a family home

**I**f you have a family trust, which only owns your home, you should remember, if you have been paying off the mortgage principal, the trust owes you the money you have paid on its behalf. If you overlook this, you may be



defeating the main purpose of the trust, which is to protect your wealth. In the event you can't pay your debts, your creditors can call on the debt owing to you by the trust and make the trust pay. Your solution is to periodically forgive the debt.

# Avoid the bad payers

The first rule about debts is to try and avoid customers who don't pay what they owe you. If the amount is going to be large, get a deposit first, get a credit report, or both.

When you get a bad payer:

Get onto the customer quickly.

Follow up on a planned basis and minimise the time between each follow-up.

When ringing the customer, get

a commitment of how much will be paid and when.

When following up by phone, write notes of the commitment made and preferably the actual words used by the customer.

If you still have trouble collecting the debt, confront the customer with each of the promises and what was said.

If you still can't get paid, warn the customer you are going to take debt recovery action. If this does not produce results, carry out the threat promptly.

If you're dealing with a company, the threat of winding it up can be very effective for those who are first in.

That's why it pays to act quickly. You don't want to be last in line when the money runs out.

The second rule is to avoid having your business dominated by one customer. If you possibly can, diversify your customer base as quickly as you can.

What if the company is too big to be concerned about your threats? There is little you can do other than reread rule 2. If the bad-paying corporate is only a small customer, some people load their bills to them to allow for bad payment practices.

## Changes to trustee law

Some of the changes to note are:

- Age of majority is to be reduced to 18 years
- Maximum duration of a trust is to become 125 years
- The rule against perpetuities is to be abolished
- Trustees must KNOW the terms of the trust.

## Imputation credit account

Inland Revenue has issued a statement advising clients to double check all imputation credit accounts before they are filed. The balance in the ICA when divided by 28% should normally be greater than the retained earnings, which would be subject to dividends on winding up.

## GST and deposits

Deposits held by stakeholders (solicitors and real estate agents) do not count as money received by the supplier and therefore GST is not triggered. If, a fee is taken by the stakeholder, time of supply is triggered.

The vendor could be the stakeholder. However, the money received would need to be kept separately rather than paid into the business bank account. It is safer to use a third party as stakeholder.

# PAYE salaries for company owners

The law has just been changed. Provisional taxpayers will be permitted to take a PAYE salary and still remain provisional taxpayers.

Some people have been doing this already, but it has never been entirely correct.

If you are a shareholder employee of your company and want to get some of your tax paid as you go, you can be an employee of your company and come into the PAYE system. Any profits left over at the end of the year can still be credited to you in the usual way.

However, the profits will be much smaller and although you will still have to pay provisional tax and year-end tax, the amounts will be much less daunting.

You should note if you do put yourself on PAYE, you must continue with a PAYE salary for the life of your company. You cannot change your mind and be a full provisional taxpayer again.

This doesn't mean you have to continue with the same amount of salary. If the company is not performing too well, it's logical to reduce your pay.

You should also note you will have to guess your

provisional income in the year you make the change to a PAYE salary. If you underpay the provisional tax, Inland Revenue will require use of money interest at a rate more than 8% a year.

If the company makes a loss as a result of your PAYE salary, you will not be able to reduce your income by the amount of the loss unless your company happens to be a look through company. The loss will be locked into the company until it can be set off against profits in future years.

There has been no provision for allowing a self-employed person to have a PAYE salary. If you are one of these, the best thing you can do is make monthly payments in advance into your account at Inland Revenue, which is not entirely satisfactory.

“When you believe in a thing, believe in it all the way, implicitly and unquestionable.”  
– Walt Disney

“All our dreams can come true, if we have the courage to pursue them.”  
– Walt Disney

“We keep moving forward, opening new doors, and doing new things, because we're curious and curiosity keeps leading us down new paths.”  
– Walt Disney

# Users and abusers of our time

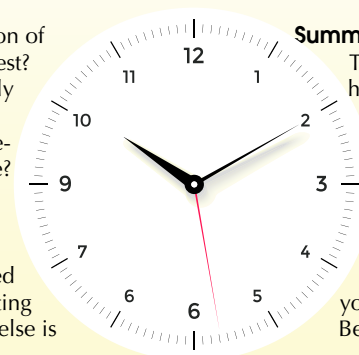
So, what is your time being spent on?

There are some frightening statistics out there such as how much the average New Zealander spends on social media like Facebook. Likewise, the average statistics spent on watching TV, albeit now this is changing from mainstream TV to other media like Netflix, Lightbox and others. In a more direct work context, the statistics for how much time the average business person spends on email is considerable.

However, if we look at email as an example; how much of that time investment is highly productive time versus how much

is taken up with information of perhaps only remote interest? Is it helping you proactively achieve something, or are you being the ball in someone else's pinball machine?

Our recommendation is to be aware and be deliberate. The quality of your life will be determined by your choices, and reacting to someone or something else is a choice.



## Summary

Time is like money – you only have a limited amount. So, what are you choosing to spend yours on?

You can do anything you want. You just can't do everything you want. (or at least not at the same time).

Decide what is important to you. Be aware of time thieves. Be deliberate. **Achieve more.**

Source: RSM

## GST traps - real estate

Vendors should always contract on "+ GST" basis for safety

If compulsory zero rating (CZR) applies, the vendor needs to make a final check to ensure the purchaser is GST registered. Ask for the GST registration number.

If client assigns a lease as part of the sale of a business, CZR applies. A lease is an interest in land.

Principal place of residence exclusion only applies to individuals. Thus if a trust is buying a property and it is going to be occupied by beneficiaries, CZR still applies if both parties are registered for GST and the other conditions are met. Similarly, the principal place of residence exclusion does not apply to a company.

Costs relating directly to the sale or purchase of property in New Zealand by an overseas resident are subject to GST (legal, Real Estate, advertising).

Preparation of annual accounts and tax returns and legal advice about tax issues at the time of purchase are not directly related to the purchase so GST does not have to be charged to the overseas resident.

If the supply is incorrectly zero rated for CZR because the purchaser incorrectly stated they were registered for GST at settlement, the purchaser incurs the GST liability.

Purchasers should remember real estate valuations are usually quoted GST inclusive.

## LogbookMe and Fleet NZ Limited

Inland Revenue has approved these two cloud accounting systems for recording all vehicle journeys. They are a great solution to the problem of having to keep a logbook but watch out for the cost.

## Take time out to 'think'

If you're reading this, you're most likely a business owner with all the stresses of the business on your shoulders. There are never enough hours in the day to complete the jobs that need doing.

What if you did less "work" to help fix the problem? Unlikely as it sounds, this might be the answer, especially for small business owners.

Andrew Griffiths, a US author and consultant for small business, suggests taking the best hour of the day to "think". He suggests taking the first hour of the work day to consider ways of making the business better. Then, each Friday, he finds a quiet place to think about how the week has been and how it was better than the week before.

## Need to register for GST?

There is often confusion about when a client should register for GST. The system works both backwards and forwards. If by looking forwards it is clear from the pattern of monthly sales the client is going to need to register for GST, then registration should take place right away.

You could have a situation where there is a one-off sale which takes the total sales for the previous 12 months over the \$60,000 threshold. If it is clear the client is not going to exceed this threshold in the next 12 months then GST registration is not required.



# Are You Making These 9 Business Mistakes?

Commonly made yet simple to fix, often overlooked with sad consequences ... here are 9 mistakes you can easily avoid.

## 1 Paying Scant Attention To Your Cashflow

Keep your finger on the cashflow of your business at all times. Otherwise you run the very real risk of not having enough money when you need it most.

It's important to remember your customers. They won't always respond within the timeframe you think they should. It makes sense to ensure you've got enough cash to tide you over. We recommend working out your **cashflow** for at least 6 weeks in advance. This way, you can see any potential problems (lack of cashflow) in advance and rectify it before you get there.

## 2 Little Or No Marketing Strategy

A good, practical marketing plan is vital. It will help you and your employees focus on getting in front of the right types of people. There are many ways to market your business at very low cost, or even no cost at all. A good marketing plan will be practical, fit for purpose, and end the need for "cold calls".

## 3 No Sales Plan

There's only one serious way to gauge the financial growth and progress of your business. This is a good sales plan. You'll need to know where the sales will come from, how they'll come, and who they'll come from.

## 4 Not Knowing Your Customers

Make sure you know your customers inside out. All the products and services in the world won't make a difference if you don't know what your customers want. You also need to keep abreast of their changes in preferences. If you don't have the right products or services right now then make sure you can be a resource for your customers. Find out what their buying patterns are, what they want now and what they're likely to want in the future.

## 5 Getting Attached To One Idea

Be prepared to change - to move and shift with the circumstances. Don't get hitched to a single idea. Play with lots of ideas and work out which ones bring money and success, or whatever else you might be after.

## 6 Overlooking Your Employees

Managing, motivating and training your staff is often a tough challenge. Without your persistence and "people skills" problems could multiply. This can destroy productivity and profits (not to mention morale) in no time flat. A satisfied and happy team will become one of your company's greatest assets. It's worth investing the time and effort to cultivate this kind of loyalty.

## 7 Confusing Possibility With Reality

Business owners often live in the realm of possibility and probability. To be a successful business owner you need to spend time in the world of possibility. But at the same time make sure you spend money only in the world of reality.

## 8 The Lone Ranger Syndrome

You can't do everything yourself - not if you want to grow at the same time. You might be the key to your business, but as it grows you will need help. Make sure you hire the right staff and delegate responsibility.

## 9 Not Seeking Outside Help

Get an advisory board, a mentor, or a business coach. Don't pass this off as a silly idea for a small business - it's not! You need someone independent of your business. Someone who review your business plans and results. Having someone to bounce ideas off and get an objective opinion is critical.

Source: Full Focus [www.fullfocus.co.nz](http://www.fullfocus.co.nz)

*"The way to get started is to quit talking and begin doing."*  
- Walt Disney



# Changes to Use of Money Interest (UOMI) safe harbour threshold

## Summary of proposed changes to the provisional tax rules.

The bill increases the current "safe harbour" threshold at which use-of-money interest applies, from \$50,000 to \$60,000, and extends the safe harbour to non-individuals (for example, companies). Currently the safe harbour only applies to individual taxpayers.

## Application date

The amendments will apply from the beginning of the 2017-18 income year.

## Key features

Section 120KE of the Tax Administration Act 1994 currently allows individual taxpayers a safe harbour from the imposition of use-of-money interest when the taxpayer has residual income tax of less than \$50,000. The proposed amendment increases this threshold to \$60,000 and also removes the requirement that a taxpayer be a natural person (an individual) to apply the safe harbour.

The amendments also add three additional requirements to tighten application of the safe harbour rules. These amendments will:

- require a taxpayer to actually make the three instalments required under the standard method to enable them to use the safe harbour;
- prohibit a taxpayer who has a provisional tax interest avoidance arrangement

from using the safe harbour; and

- prohibit a taxpayer who has paid the first two instalments under the standard method from changing to the estimation method.

The first two amendments are found in section 120KE and the third in section RC 5 of the Income Tax Act 2007.

## Medium and larger taxpayers

The second change affects medium and larger taxpayers.

### If:

Your actual income tax liability is \$60,000 or more; and you paid provisional tax for that year based on the standard method.

### Then:

You won't be charged IRD interest if you paid the amounts of tax due as per the standard method at your first and second instalments, even if your actual liability is higher.

The final balance will be due at your third provisional tax date. IRD interest applies on any underpayment or overpayment of tax from the third provisional tax date.

Capping the liability at the first and second instalments provides certainty, particularly if your income is volatile or seasonal.

Having the final balance due at the third provisional tax instalment is sensible because you should have a good estimation of your actual liability by then.

*"It's kind of fun to do the impossible."*

– Walt Disney



## FINDING THE BEST APP

With the huge number of organisations offering apps to help you run your business better, it's easy to be confused about what to invest in.

Where there's confusion, there's usually someone ready to simplify. One place where you can find the app you might be looking for is [getapp.com](http://getapp.com)

It's a site that says it enables you to "enhance your productivity and your business success".

It has a whole bunch of useful apps for small business, many of them free. It lists the apps in

helpful software categories (and sub-categories) such as customer management, human resources, marketing, sales, IT management and more.

The site has at least 5000 apps to choose from, and about 170,000 reviews so you can see how others have rated them. Star ratings on each app give a fair indication of how well they've worked. There's also a "compare app" button so you can compare its features, rating and pricing with other similar apps. The "top apps" button is also worth a look, just to see what's most popular.

## Members of NZ CA Limited

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- Waipawa	(06) 857-8901
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Whitelaw Weber Limited - Kerikeri	(09) 407-7117
- Kaikohe	(09) 401-0991
- Kaitiaki	(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.

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