

Grow Your Numbers

We would love to know what you thought of your copy of "Grow Your Numbers" that you have recently received. If you have any comments then please email them to cmk@cmk.co.nz

TAX CALENDAR

APRIL 7 2016

2015 Terminal Tax (March balance date)

MAY 9 2016

3rd instalment of 2016 Provisional Tax (March balance date)

GST for March 2016

MAY 30 2016

1st Instalment 2017 Provisional Tax (December balance date)

GST for April 2016

MAY 31 2016

Deadline for Fringe Benefits Tax returns

The early quote is likely to get the worm

There are the quick and the dead.

Although the phrase was originally seen in The Bible and "the quick" meant the living, its more modern meaning is apt in business. Act quickly, or your business will die.

An example is Geoff, who rang Michael the tiler. Would he be interested in quoting for a job? Michael was keen and asked for contact details to be emailed, which Geoff did.

Then the phone rang.

"How about 3.30 this afternoon to look at the job?" Michael asked.

When Michael had finished inspecting the site, he asked about Geoff's requirements and told Geoff what he needed to do before he started, then he sat in his vehicle for a while writing notes.

The next morning the quote arrived. Michael worked out how much time he would probably need and the number of visits to do the job. The cost appeared to be fair. It was about \$1400 and fully detailed, so Geoff accepted.

Why would Geoff bother getting another quote? He might get a slightly lower price and he might get a lousy job. Michael had already proved his efficiency.

Our message to you: Be very quick with your quotes and give the appearance of efficiency. Not everyone gets multiple quotes and even when they do, half the time they never hear again from the tradesman. Yours could be the only quote, but if it's not, you might be the only one who follows up on it. Money loves speed.

Footnote

Geoff and the tiler fell out. The tiler decided he didn't want the job. Geoff then sought a fresh quote and got a satisfactory job for \$600 less!



Oracle

'Oracle' is a place at which ancient Greeks etc. were accustomed to consult their deities for advice or prophecy

You are richer today if you have laughed, given or forgiven.

"We need to accept that we won't always make the right decisions ... failure is not the opposite of success, it's part of success."

—Arianna Huffington



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Why use a cash flow forecast?

A cash flow forecast helps to identify any potential shortfalls in cash that may hinder your business operation. A cash flow forecast can also identify possible cash surpluses which can be utilised elsewhere in the business.

A cash flow forecast also provides a clear direction to external stakeholders (such as your bank) about where your business is trending on the basis of existing production. It also shows where your business stands with regards to pay-out figures at the date of preparation.

Your cash flow forecast may also be used to determine your overdraft requirement for an up-coming time period and allows for these limits to be set. This helps to ensure you are not holding longer-term borrowings in expensive on-call accounts, therefore reducing interest charges.

A cash flow forecast lets you plan for significant expenditure during the year and lets you know whether these expenses can be funded from cash or if additional borrowings are required.

Ideally speaking, you should complete your initial cash flow forecast prior to the commencement of the year's trading and then amend it each time there are variable changes (e.g. pay-out, interest rate fluctuations and production increases or decreases). Remember that the cash flow forecast is a fluid document.

Just as it is important to be ready for possible losses and to take measurements to prevent cash flow shortfalls, it is equally important to look forward should there be more profit than you expect and to find meaningful ways to use this for the growth of your business and to maximize your tax position.

We believe that a business cash flow forecast should be completed by the business owner/operator or in conjunction with your accountant.

These links may be helpful to you.

<https://www.cmk.co.nz/resources/>

<http://www.dairynz.co.nz/farm/financial/budgets/>

At CMK we will be able to help you set and review your cash flow and budgets.



PLANNING IS THE KEY

In any business, planning is the number one activity that you should complete. Go to www.cmk.co.nz to download your free copy of our planning guide. It will help you get started and on track to monitor, grow and develop your business.

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Personal Property Security could save your bacon

If your business is a company, you’ve probably had to give a personal guarantee to your bank and maybe to some suppliers, too.

If your business runs into trouble, you’re going to have to find personal money to pay off those debts.

Often our clients are owed money by their companies from loans they have made and

salaries they have not fully drawn out. These debts are treated as unsecured creditors when a company goes broke. The debt is added to the other debts owing and our client will only get his/her share of any cash left over.

You can be paid ahead of these other creditors by registering a Personal Property Security for the debt owing to you. Alternatively, you could let a supplier (to whom you are giving a personal guarantee)

have a Personal Property Security. The Personal Property Security would be taken into account in any adjustment made between you and the supplier. Once the security is in place, it has to be renewed

every five years. The registrar charges a small fee – about \$20 – for renewal.

Getting your PIE tax right

If you're investing in a PIE, be sure to get the right tax rate (PIR).

You should check with us when we do your tax return each year as it can change from year to year and there are no refunds of overpaid tax.

If your income is less than \$48,000, use a rate of 17.5% unless you have so much PIE income that it exceeds \$22,000. If husband and wife have PIE income in their joint names but their taxable incomes are taxed at different rates, it's better to split the PIE investment into two halves and invest separately, so one can be taxed at the lower rate. Otherwise, the whole of the investment has to be taxed at the rate applying to the higher taxpayer.

Tax on holiday pay

Use the extra pay tables to get holiday pay correct:

- If the employee is leaving unless the holiday forms part of the 8% of gross earnings – see below.
- If you are paying a lump sum holiday pay payment in advance.
- For cashed-up annual leave.

Use ordinary tables and spread out the income when:

- Holiday pay is in substitution of salary for annual paid holiday.
- Holiday pay forms part of the 8% of gross earnings.

These rules will apply from 1 April 2016.

Let staff take risks

The staff you should want are those willing to use judgement and take the risk of getting things wrong, occasionally. By taking risks, they will also get things right and this will be the case, hopefully, in the majority of circumstances. Avoid discouraging someone who has made a mistake. On the contrary, congratulate them for trying and encourage them to continue. These are the people with enthusiasm; the ones who will be capable of taking the load off you. Their sin would be repeating the mistake.

Write off those bad debts

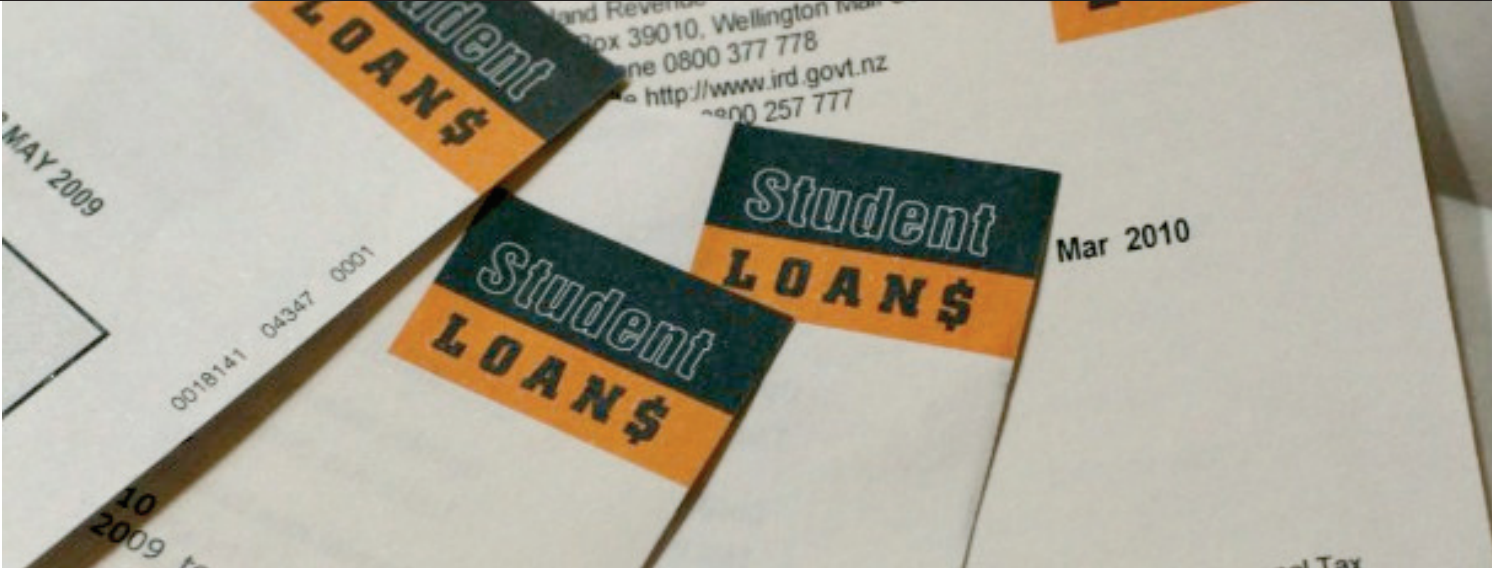
Review your debtors now.

If you think you’re not going to be paid, write off the amount. Don’t delay beyond balance date, because you can’t backdate a write-off.

Show evidence to confirm when you wrote off the bad debt. For example, if you type out your bills and keep copies as your record of what is owed to you, write on your copy something like “written off as a bad debt on (write in the date)”. Initial the note, too.

Inland Revenue requires you to do everything reasonably possible to collect the money before you deem it a bad debt.

Once you have written off a debt as bad, you don’t have to stop trying to get the money. Sometimes you are lucky and get paid even though you had good reason to believe it wouldn’t happen. That is a “bad debt recovered” and becomes income when you receive the money.



Tax changes afoot for student loans

Did you know proposed changes to tax laws regarding student loans mean:

- The income of those owing student loans will be adjusted on a similar basis to the adjustments required for Working for Families Tax Credit – for example, money you get from a trust, which is not usually included as income.
- The Australian Tax Office will be helping New Zealand's Inland Revenue to get addresses of New Zealand borrowers resident in Australia.
- Volunteers overseas will find it easier to get their write-offs.

These changes will come into force when the law is enacted.

BRIEFLY

THE STORY OF A SMART TYPIST

I work from home,” said Mary-Jane when spoken to.

“I’m a typist and my clients are all in England. While they sleep I do the typing for them. When they’ve had their breakfast, it’s all ready. What’s more, they pay me in sterling at the same rate as the Poms get!”

Another New Zealander, who lived in Wales, had a job proof-reading from home. He moved to Hong Kong, but it was six months before his clients knew he had moved. It made no difference to them because the job still got done.

Mary-Jane lives in a small provincial town, but she could be living anywhere.

We think you will agree she demonstrates what lateral thinking can achieve.

TRUSTEES AND INLAND REVENUE

Inland Revenue will hold a trustee personally responsible for all taxes until it has been notified he/she has resigned. Therefore, if you resign, make sure Inland Revenue knows, and keep evidence of this.

GOT A BAD DEBT LOOMING?

Be quick and be persistent applies particularly to debt collection.

If you're offered a cheque and you don’t like to suggest it might bounce, see if you can get two cheques for half each. Your debtor might have the funds to let \$500 through but not \$1000.