

# TAXTALK

## Working solo: Tips to stay mentally well

If you work alone or in a small team, it can be easy to neglect your own wellbeing. Here are some ways to keep you feeling well and connected.

### Working on your own

Working for yourself can have its advantages. It can offer the flexibility to choose where and when you work, and the ability to call your own shots. But in a recent survey, 39% of small businesses felt their physical or mental health had been negatively affected by being in business. It's vital to have ways to cope with the stress of owning a business to avoid burnout. As 70% of small business owners work alone, it's easy for them to feel isolated. Research shows that people who feel socially connected find it easier to stay mentally healthy.

If you're your own boss, or work in a small team, and you're feeling worn out and stressed, it can affect your business. And if your business is facing some challenges, that can also affect your wellbeing and your personal relationships.

### Ways to stay well

To stay healthy and well, here are some actions to keep in mind. There are quite a few so pick the ones that seem most doable for you.

#### Set your hours (and keep them)

Running a business is time consuming and most business owners work well beyond the standard eight-hour work day. Decide how many hours you will work and do your best to stick to them. Getting seven to nine hours of sleep per night will also help you perform at your best.

#### Do something for you

Try to find some time as often as possible to do something you enjoy. This will help keep you balanced and, at the very least, give you something to look forward to.

Finding the right mix of movement and downtime will keep your body and mind fit. Move as much as you can throughout the day, but also make time for breaks.

#### Ask for help

Asking for help can stop you feeling overwhelmed, whether at work, at home, with a business mentor, or even a therapist. It also offers a chance to share burdens or ideas off someone else.

#### Watch out for bad habits

There might be something you are using as a

copied mechanism, eg alcohol, or not getting enough sleep because you're working late. Keep a watch for unhealthy behaviours that could damage your health and your business.

#### Maintain good habits

Exercise is often the first thing to go out the window during busy periods. But it helps you stay physically fit and mentally strong, so you're better able to cope with pressure and fight off fatigue. Eating regular meals made up of whole foods, vegetables and fruit can make a big difference to your energy levels throughout the day. Drinking water can help you avoid headaches and fatigue, especially during warm weather or when you've been active.

#### You do you

It's tempting to compare ourselves to others, but it's unhealthy. Remember that what you see on social media isn't the full story, and a similar business down the road that seems to be going well will have its own issues.

#### Get connected

Getting to know other business owners in your industry or location can be extremely beneficial. The chance to share advice and experience can help you feel more connected. Meeting others could also lead to sales or opportunities to collaborate. Also remember your family and friends, and make time to connect with them.

#### Get involved

Find causes, charities or initiatives to support. Giving to others, even your time and attention, can make you feel part of the larger community. You might also make a few new friends, deepening your connections.

#### Upskill

Seek out opportunities to learn, sharpen your skills, and challenge yourself. This will directly benefit your business, as well as your mental wellbeing.

#### One step at a time

When big issues come up, remember that they are best tackled one step at a time. Decide which parts to address first and work your way down. For advice, reach out to your network to see who can help.

The Journal, a personalised online programme, can help you break your problems down and tackle them in small, achievable steps. It features videos, checklists and self-assessment tests to help steer you in the right direction.

Go to [www.depression.org.nz](http://www.depression.org.nz)

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# Dr Deming got it right!

Dr William Edwards Deming is famous for helping Japan's industry get on its feet after the Second World War.

His ideas on continuing quality improvement, "Kaizen", were a major factor in his success. You should constantly be looking for ways you can make your business a more efficient money-earning machine.

Are you making the most of technology, without in any way diminishing the quality of your service? If your website is difficult to navigate, improve it.

Look at how you can improve efficiency. Some examples are use of voice-to-text dictation systems such as Dragon, receiving emails as text messages (and sending an email as a text message), and use of VOIP (voice over internet protocol) instead of landline phones. There are technology solutions for just about every efficiency challenge, so just type it in on the internet and see what pops up.

Deming listed 14 points for continuous improvement. It's also worth looking them up.

He did not like numerical quotas for the workforce and numerical goals for management. He was hot on educating everyone in the firm. Are you constantly trying to improve the quality of the work of your staff?

Deming was keen to promote pride of workmanship. His philosophy might have had a lot to do with the transformation of Japanese goods to the high quality they are today.

In our next newsletter, we will discuss some of his famous quotes.



**Are you making the most of technology without diminishing the quality of your service?**

## Q and A section

### **QUESTION: Is a property a rental property if provided to an associated party rent free?**

A husband and wife purchased a three-bedroom house for \$640,000 on 5 March 2018. The husband and wife borrowed \$600,000 to buy the house. The interest on the mortgage is about \$25,000.

The couple's daughter, her husband and her children live in the house. The daughter pays the mortgage direct to the bank and pays all the land and water rates. These payments amount to approximately \$38,000 per year.

The market rent for the property would be about \$26,000 per year.

Should this be considered a rental property for taxation purposes?

### **ANSWER:**

Yes. Any amount derived from a lease, licence, or easement affecting land is income of the landowner.

The husband and wife are owners of the land. They have, at a minimum, granted a licence to occupy the land to their daughter and her family.

As the landowners, the husband and wife are liable to pay the rates on the property. They are also liable to repay the \$600,000 bank loan.

An amount is considered "derived" by a person when it is credited to their account or, in some other way, dealt with in their interest or on their behalf. Because liability for the rates, mortgage repayments, etc remains with the husband and wife but is being paid by the daughter on their behalf, the husband and wife will be considered to have derived the payments made by the daughter to satisfy their liabilities in relation to the property. Because the amounts are derived by the landowners in relation to a licence to occupy the land, the payments made by the daughter constitute income of the husband and wife.

The husband and wife should be returning the payments made on their behalf by the daughter as income. However, they are entitled to a deduction for rates and mortgage interest as expenditure incurred by them.

### **References**

Income Tax Act 2007, ss BD 3, CC1.

Source: CCH Q & A Service



# Court Cases for your Interest

## Supreme Court upholds Commission win in Hamilton real estate cartel case

The Supreme Court has upheld a Court of Appeal judgment which found Hamilton-based Lodge Real Estate and Monarch Real Estate and their directors engaged in price-fixing in breach of the Commerce Act.

"This is an important decision from the Supreme Court. It confirms the long-standing approach the Commission has taken to determining whether competitor collusion has occurred," said Commission Chair Anna Rawlings. The Commission filed proceedings against Lodge and Monarch in [December 2015](#) alleging that those firms and other Hamilton real estate agencies and their directors had agreed a planned regional response to a 2013 increase in Trade Me's pricing for real estate listings.

The Commission's case centred on the real estate agencies' so-called "vendor funding" model, whereby the Hamilton agencies would no longer meet the costs of Trade Me property listings for their vendors, as had been the previous practice. Instead, the seller of the property or their agent would pay.

In November 2017 the High Court [dismissed](#) the Commission's claims against Lodge and Monarch and their directors. Justice Jagose held that there was an arrangement or understanding between the respondents, to which they gave effect, but that it did not have the purpose or effect of fixing, controlling, or maintaining the price for Trade Me listings services.

The Commission's appeal against that decision was [upheld](#) in November 2018. The Court of Appeal held that the agreement fixed prices because consumers "lost the opportunity to be offered a price which had been set... in response to working competitive market forces".

Lodge, Monarch and their directors then appealed to the Supreme Court which today upheld the Appeal Court's judgment.

"Cartels can harm consumers and businesses, by raising prices, restricting supply and changing the competitive dynamic between businesses. To protect the competitive process we will continue to investigate and prosecute anti-competitive cartel conduct," said Ms Rawlings.

"This case will inform our future work and we urge businesses and their advisors to understand the Court's findings, and the scope of the prohibition against pricing collusion between competitors."

Ms Rawlings noted that from April 2021 [cartel conduct can be a criminal offence](#) punishable by up to 7 years' imprisonment.

A penalty hearing is yet to be scheduled. The Commission will make no further comment while the matter remains before the Court. A copy of the Supreme Court judgment can be found on the Commission's case register.

**Background:** In December 2015, the Commission filed proceedings in the Auckland High Court for alleged price fixing and anti-competitive behaviour by 13 national and regional real estate agencies, a company owned by a number of national real estate agencies, and three individuals. The Commission also issued warnings to an additional eight agencies for their role in the conduct.

Eleven companies and one individual were ordered to pay a total of just under \$19 million dollars over related cases taken by the Commerce Commission:

- Hamilton real estate agency [Online Realty Limited](#) (trading under the Ray White banner) fined \$1.05 million (August 2017)
- Property Brokers Limited and its director Tim Mordaunt [fined total of \\$1.5 million](#) (April 2017)
- Hamilton real estate agency Lugton's Limited [fined \\$1 million](#) (December 2016)
- Head offices of Barfoot & Thompson, Harcourts, LJ Hooker and Ray White [fined total of \\$9.825 million](#) (December 2016)
- Manawatu 1994 Limited (trading under the LJ Hooker banner) [fined \\$1.25 million](#) (November 2016)
- Bayleys Corporation Limited and Hamilton-based Success Realty Limited [fined \\$2.2 million and \\$900,000 respectively](#) (July 2016)
- Unique Realty Limited [fined \\$1.25 million](#) (May 2016).

The Commission will be making no further comment pending a penalty hearing.



## WEB SOLUTIONS

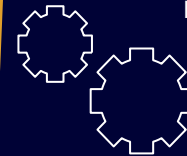
### Sort your bank account

A handy way to check whether you have paid a bill or to find out how much you paid last time, is to go to your account online and select a range of transactions over a period of time. Once these are on the screen, you can sort each of the columns. For example, if you want the column showing expenses, click on the top of it and you will be able to run the transactions in order of size. Similarly, you can run the details column alphabetically.



## PROHUB SOLUTIONS

Looking for a way to record notes with customers who are slow payers and want a reminder system so that you can follow them up if they're not paying? Prohub Online offers you such a solution. Prohub Online allows you to create notes of phone calls with slow payers and then allows you to allocate a follow-up date and follow-up person so that they get regular reminders that you want your money. Visit our website to find out how Prohub Online can help your business prosper.



## TAX SOLUTIONS

### Use correct tax rate for KiwiSaver

If you pay into a KiwiSaver account, make sure you're using the correct tax rate.

Check with the company which administers your KiwiSaver account to make sure you're not on the default rate of 28%. If you are, and this is too high, you still will not get your overpayment back.

At the present time, the Government is still planning to defer changing the law for a further year. It's very unfair and it probably isn't necessary to defer the change, but that's the way it goes.

When they do change the law, they are proposing to credit your tax account with the overpayment rather than send out the money to you.

In the long run, you will get it back, but not this year.

# Take note of trade cycles

Bank of New Zealand economist Tony Alexander writes:

“The state of the macro economy is important. But a lot of other factors outside any concept of the traditional economic cycle are coming into play and these coming three years are likely to see a wholesale weeding out of businesses across virtually all sectors in New Zealand. It’s time to trim your debtors’ ledgers”.

Don’t overlook trade cycles. They are a fact of life and come around regularly. The world’s last financial disaster was 2008 - nearly 12 years ago.

Think about how you would manage if business got difficult. Prepare now for that eventuality. What can you do to make yourself well known and have the greatest possible chance of ongoing business when it’s tight?

Some ideas:

Get known by networking - join organisations and make yourself prominent in them.

Always keep in touch with your past customers. Newsletters are great for this. Cards at Christmas help, but try to be different. Maybe a New Year card or a southern hemisphere Christmas card on 25 June. Get clients’ email addresses. Tempt them to buy with your offers.

If you do all new work, you might find this dries up. Should you be considering including some maintenance work in your sales mix? It’s not much fun having to cut your price to the bone in bad times.

Distribute your business cards liberally.

There is a saying that goes: “While the sun is shining mend the roof.”



## Quick Quote

Patience and perseverance have a magical effect before which difficulties disappear and obstacles vanish.

~John Quincy Adams

## Impress customers with follow-ups

Sandra made a purchase over the internet and the vendor, Richard, emailed a month after her purchase.

“I thought I’d send you an email just to make sure you’re happy with your purchase.”

She was invited to let them know if there was anything wrong. Just to make it easy the company put its telephone number in the message.

This was followed by a reminder that if anybody wants to know where you bought the goods you can tell them who it was and pass on contact details.

Sure, this won’t necessarily bring you another sale every time. What it will do is increase your chance and the cost of sending this message is almost nothing.

This idea could easily be applied to any business whether internet-based or not.

Follow-ups like this also improves the firm’s image as it shows you care about the customer.



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