

TAX TALK

TRANS - PACIFIC PARTNERSHIP



TPP What it means for small businesses

Negotiations for the Trans-Pacific Partnership free trade agreement have concluded. The 12 Asia-Pacific countries involved account for 36% of the global economy – but what does it mean for your business? If you export goods/services to Asia-Pacific countries, then you're not alone. In 2014, TPP countries were the destination for 40% of NZ's goods exports (\$28 billion) & 47% of NZ's services exports (\$8 billion).

The Government says the TPP offers much better access to large & important markets for NZ's goods & services.

It will create new trade & investment opportunities, diversify NZ's export destinations & help firms do business overseas.

The TPP is expected to come into force within two years. In preparation for that, here are some areas where it could benefit small businesses.

(For more information on the TPP, see www.tpp.mfat.govt.nz)

Exporting

Export tariffs will be eliminated on 93% of New Zealand's trade with its new partners. The TPP will also reduce non-tariff barriers to trade that hold up or prevent export shipments.

"Wine, honey, meat, forestry, all of those have had reasonably good reductions of tariffs into the countries we export into," says Rick Shera, a partner at Lowndes Jordan.

The TPP will reduce barriers to trade in services. Access to TPP markets has been

locked in for NZ service providers across a range of sectors, including providers of professional, business, education, environmental, transportation & distribution services.

In addition, NZ businesses will be able to compete for government procurement contracts in TPP countries on an equal footing with domestic suppliers.

Exporting can be a great option for tapping into bigger markets, but make sure you do your research first.

To find out more about exporting, including whether you're ready to expand, check out the Exporting section on Business.govt.nz.

To find out about TPP outcomes by goods sector, see MFAT's sector overviews.

There are a range of TPP factsheets available too, including information on government procurement, market access for services & investment.

New markets

There are 12 countries in the TPP: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, NZ, Peru, Singapore, the US and Vietnam.

The TPP is NZ's first free trade agreement with the US, Japan, Canada, Mexico & Peru. Over \$12 billion of NZ goods & services were exported to these five countries in 2014.

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TPP: What it means for small businesses continued...

The TPP Temporary Entry chapter will enhance access for New Zealand business people in the TPP region.

Pramuk Perera, doctoral researcher on international business at University of Otago, says that: "It's still not too late for SMEs to explore partner markets, identify business partners, and identify business models in order to make a timely entry into these new markets and demand a better price for their products and services."

BusinessNZ says the deal is great for opening up markets for a small country like New Zealand.

Chief executive Phil O'Reilly says: "If New Zealand wants to broaden its economic base and move away from an over-reliance on selling commodity products to the world, we needed to secure a high quality deal that gives greater market access to both goods and services exports and one that encourages investment."

The New Zealand Institute of Economic Research describes the TTP as an impressive achievement, even though it's not perfect. Deputy chief executive John Ballingall says it's not just about tariffs – it's also about competitiveness. "TPP will remove some of the grit in the wheels of Asia-Pacific supply chains. This will lower transaction costs for Kiwi firms, again boosting competitiveness and opening new avenues."

To view more information on the TPP region, see the [key facts on the MFAT website](#).

Intellectual property

The TPP aims to harmonise IP standards across the region and introduce consistent enforcement standards. This will help New Zealand businesses protect their IP in TPP markets.

If you're thinking of expanding offshore, or dealing with overseas manufacturers or suppliers, it's important to find out more about how to protect your IP.

Many small businesses mistakenly think registering intellectual property (IP) in New Zealand automatically protects them overseas.

This is incorrect – lots of Kiwi businesses have lost opportunities because they failed to realise the implications of their IP actions (or inactions).

The IP section on [Business.govt.nz](#) can guide you through the processes, including protecting IP overseas. The TPP IP factsheet outlines the impact on IP.

Next steps

TPP is expected to come into force within two years, once countries have completed their domestic legislative procedures.

IP101: From Secret Recipes to Trade Marks

Whether you're a start-up or a family business that's been trading for generations, research shows that recognising and protecting your intellectual property (IP) is critical to growth, protecting what's yours and building & maintaining a good reputation. So [Business.govt.nz](#) and the Intellectual Property Office of New Zealand (IPONZ) have teamed up to offer new content explaining why, when and how small businesses should consider IP.



Included with this newsletter is an infographic showing key milestones when every business should think about IP and how to protect it. There are a lot of misconceptions about IP, namely that it's expensive, complicated and only for big businesses and inventors, says [Business.govt.nz](#) manager Matt Kennedy-Good. "IP is for everyone and there are lots of easy, cost-effective or even free things that small business owners can do to protect themselves," he says. "Whether it's knowing to put a copyright notice on a website before launching, or just realising why it's so important to keep a great idea secret, this content will help business owners work out what the best IP option is for them."

Craig Jackson, who owns Auckland-based ice pop business Dr Feelgood, says IP is essential for small businesses and something he considered very early on. "We understand what IP is and what it's worth. For example, we looked at protecting our brand as soon as we came up with it," he says. "We have trade mark registrations covering the goods we sell in New Zealand and are now protecting ourselves in other markets we're going to. It's all tied to our business strategy."

Carlos Chambers, co-owner of Wellington software company Common Ledger, agrees. Developing an IP strategy was a key step in start-up phase and it's since helped his business expand. "We built an IP strategy a few months before the business strategy. It was as much around where we wanted to go as it was about what we were then doing," he says. "We understood how much we had to spend and then worked from there. We had our budget before we went in - New Zealand offers strong IP knowledge and high quality advice for software businesses like Common Ledger." Having a sound IP strategy also helped Common Ledger attract investment & the company has recently raised nearly \$1m from high-profile Australasian investors.

Employees needing IRD numbers

Do you have a new employee from overseas who has a visa to work in NZ, needing to apply for an IRD number? Remind them the application process changed recently. They'll need a fully functional NZ bank account before applying for their IRD number. IRD recommends they apply for the bank account as soon as they can, even before they arrive in NZ.

IRD have some step-by-step instructions you can share with your employee on how to apply for an IRD number.

question time >>



Q: Can you claim Travel Expenses for your spouse?

A: Read on for the answer...

An individual who is an expert in his field has recently chaired an offshore meeting as a representative of a non-governmental agency. He received schedular payments in the form of honoraria for his services. He took his spouse on this trip. Can he claim travel expenses for his spouse?

It is unlikely that the individual will be permitted a deduction for the spouse's travel expenses, unless she was involved in the individual's income-earning activity. Inland Revenue commented on the deductibility of a companion's travelling expenses in its "Question We've Been Asked QB 13/05".

In QB 13/05 Inland Revenue stated:

"In most cases, the companion's travel expenses will not be deductible. If the companion is accompanying the taxpayer simply for companionship or to attend social functions, then this expenditure will not have a sufficient nexus with the taxpayer's business or income-earning activity.

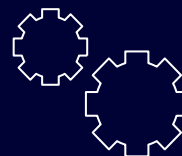
However, a deduction may be permitted where the companion supports the taxpayer, to a reasonably substantial degree, in the business being undertaken. The companion does not need to be an expert in the affairs of the business, but they do need some knowledge of the business being undertaken or they must possess some special skill or expertise to be able to provide support in a material way. If these qualities are present, then the Commissioner considers a sufficient nexus will exist between the companion's travel expenses and the taxpayer's business or income-earning activity."

Therefore, for the spouse's travel expenses to be deductible, she would have to have provided support to him in chairing the meeting in some material way beyond simple companionship on the trip.

REFERENCE:

Income Tax Act 2007, ss DA 1, DA 2.

Inland Revenue, "Question We've Been Asked QB 13/05: Income Tax - Deductibility of a Companion's Travel Expenses".



FILING SOLUTIONS

Are you finding it a hassle to file your Companies Office return online? We can handle the entire process for you. Companies are required to file their Annual Return every year with the Companies Office and where a company owns property it is very important that it is done. You are required to pay a Fee to the Companies Office each year. You are also required to have a RealMe login online account as well. We can handle the entire process for you and pay the fee on your behalf. We'll also send you a reminder each year when it's next due.



WEB SOLUTIONS

Do you need to use Video Conferencing with off site customers, suppliers, employees, etc, etc? There are free online video conferencing services available. These are Zoom, VSee and others. Google these names for more information. Save yourself travel expenses by communicating over a screen which is nearly as good as face-to-face.



PROHUB SOLUTIONS

Are you looking for an online Job Management system? Our Prohub Online system now has a Job Management system in it which links perfectly to the online Time Sheets. This Job Management system allows you to take a job through whatever stages your jobs normally take and can be passed from one Team Member to another. It also tracks how long jobs are taking and you can also set deadlines for when jobs are to be completed by and it has a reminder dashboard of upcoming job completion deadlines.

In due course we will have it linking to our online Accounting system which will enable you to monitor the costs of jobs with precision accuracy.

What to do if the price tag isn't right

It's a retailer's worst nightmare, and a delight for consumers – realising a pricing error has under-priced goods for sale.

It rarely happens, but if it does strike your business, here are some tips on how to handle it.

First, correct the error. You want to maintain your customers' goodwill, and the health of your business, so communicating with them is key.

From a legal point of view, you & your customers have rights & obligations when things go askew. The Consumer law section on Business.govt.nz explains this in more detail. Consumer Protection's website also has useful information about what customers expect when buying goods and services.

The good news is you don't have to sell goods at the displayed price if it's wrong. To keep goodwill with your customer, explain that you've made a mistake. But bear in mind that you have obligations under the Consumer Guarantees Act when it comes to services – and that includes pricing. You have to take reasonable care to avoid mistakes.

The situation is less clear when you have an online sale, so it's best to get advice and put appropriate measures in place to avoid getting into difficulties in the first place. Make sure any price displays are consistent with what you're charging customers at the checkout. You want to avoid that awkward moment when you tell your customer the \$199 leather sofa they've grabbed is actually \$1,199.

Continuing to deliberately advertise goods at the wrong price will break fair trading laws. A guide to the Fair Trading Act is on Business.govt.nz.

If you realise a mistake after the sale, then you can't ask the customer to pay extra – unless the customer knew there was a mistake and the price was considerably less than it should have been.

For example, if a shop assistant sold a jumper at \$30, only realising later that it should have been \$40, he can't ask the customer to pay more.

However, if a salesperson sold a \$500 television to a customer but accidentally charged only \$50 to her Eftpos card, then the customer can be asked to make up the difference.

If you're holding a sale, make sure you describe it accurately, such as if it only runs for a limited time. Otherwise those "special" prices splashed across your website can turn into usual prices – and that can be misleading under fair trading laws.

The Commerce Commission website has further tips for businesses on pricing.



Quick Quote

When the winds of change blow, some people build walls and others build windmills. ~ Chinese Proverb

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We care about your Business Prosperity

