



## Plan now for year-end tax

With a bit of planning, you can reduce your tax and your year-end accounts can be hassle-free. Here are a few tips.

### Bad debts

Look through all the debts owing to you. Could any of them be considered "bad", in other words, is it likely you won't get paid? To classify them as bad debts, you must have taken reasonable steps to get paid. If yes, write them off now. If in doubt, call us. If you procrastinate and don't get around to identifying your bad debts until after balance date, you won't be able to claim them as expenses against your 2014 income.

### Questionnaire

We will be sending you a list of questions. They help us to ensure you comply with all statutory requirements, so please answer all the questions. You can put N/A if the question doesn't apply to you. Please don't leave blanks. If you have any doubts about how to answer any of the questions, put a little cross by each of the questions and then either call us or make a note to discuss the questions with us when you see us next. Please sign the questionnaire.

### PIR

Do you have investments in your own name which require you to provide a tax rate (called a PIR) for the investment company to use for the coming year 2015? If yes, use the right rate. If you have a 31 March balance date, work out the highest rate of tax you paid for the years to 31 March 2013 and 2014. Choose the lower of the two years. If you've not yet had your accounts done for 2014, use the rate for 2013, until your 2014 tax return has been completed.

For example, your taxable income for 2013 was \$50,104. You pay tax at 30% on the last \$2104. Your PIR based on 2013 is 28%. For the 2014 tax year, you find out your income is \$37,111. The top tax rate on this income is 17.5%. Your PIR for the coming year (2015) is based on 2014 and is 17.5%. If you have previously told the investment fund to use 28% for 2015, get this corrected to 17.5%.

If you have an amount invested, yielding an income of more than \$22,000, call us as this could push you on to a higher PIR.

### Shareholder salaries

If you're a company, we need to know how much salary to pay you (on paper, of course). Life gets complicated. You used to be able to get into trouble if you paid yourself too much salary from your own company. You still can. Some years ago, a pharmacist paid himself about \$15,000 from his rental company. A court found that this was too much for the work he had done and treated part of the income as belonging to the company. You can also pay too little. Make sure you set your salary at a rate which is realistic for what you do. Want a guide? How much would you pay someone else to do the same job, including the management you undertake? If needed, we'll discuss this with you.

If you're working full time for your company, you can argue – if you had been working for yourself and not through the company – all the profit would have been yours. IRD will generally accept this and you can pay all the profit to yourself, if you wish. Note the important thing is working full time. If your company is primarily investing it is most unlikely you'll be working full time in it.

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# Plan now for Year-end tax, continued

## Accounting systems

Do-it-yourself, without first conferring with us, is a sure way to increase the cost of our services. Please, find out from us how we want accounting data presented, if you don't already know.

## Use of Money Interest

UOMI is a huge money spinner for Inland Revenue. Pay as little of it as you can. If you, as an individual, pay more than \$50,000 of tax (after taking off tax deducted at source), you're in the UOMI net. If any of the three provisional tax instalments have been too low, IRD will claim UOMI on the shortfall. What can you do about it? Make a reasonable estimate of your taxable income for the year. If it's up compared with last year, calculate the tax you would expect to pay. Take two-thirds of this and compare with the two provisional tax payments you've paid so far. Top up if needed and round up your payment as interest might already have accrued.

## Stock

If your sales are less than \$1.3 million, you don't have to count your stock if it's worth less than \$10,000. You can use the same figure as last year. What do you do if this applies to you?

Either nothing or, if you think your stock is down, you may count and value it to set a new low figure and save some tax. For those who have to count stock, unless you can prove the market value of any item is lower than you paid for it, you must value your stock at what it cost you, including costs incurred to get it on to your shelves. The way to prove a stock item is worth less than you paid for it is to compare it with the amount your competitors are selling it for. If you can't do this, you probably can't prove the item is worth less than cost.

## Plant

If you're no longer using some pieces of equipment and it would cost you more than they are worth to throw them out, you can write them off. If the amount is significant, give us a list when you see us. If it's small it might not be worth the cost of our time to do the write-offs.

Travelling soon? - Advance payments for travel are fully tax deductible. Pay before balance date to reduce this year's tax.



## Rules for accounts change from 1 April 2015

The rules for preparing your accounts will change when we do your 2015 tax return.

The new rules are supplied by the tax department. The main difference between what we do now and what we will be required to do next year is to tell the IRD about "associated person transactions".

Roughly translated, this means dealings the family, another family company or family trust have with the company. So, if you pay your daughter for sticking stamps on envelopes you'll need to tell the IRD how much you paid her. The list of disclosures of transactions with associated persons is:

Interest paid by the company. Mostly shareholders, lend their money interest free to their company, so this won't affect them.

Loans made from the company. This mostly arises when the shareholders are living beyond their means and need to borrow from the company. Instead of the other way around.

Payments for services received by the company. This includes wages, salaries, management fees etc for each recipient. The name of each person and the amount is sufficient.

Rentals and leases of land and other assets, which would include use of home. expenses for acquiring intangible property, which would apply, for example, if you charged your company for the use of a patent.

### Important

Please make sure you are ready to provide this information when we require it.

## When a customer is in a buying mood keep selling

Online store iTunes provides a superb example of capitalising on a customer's buying mood.

A friend commented recently: "I wanted to try the music of Karl Jenkins. I clicked on his album and soon found music which really appealed to me. I bought the item for \$2.39. On the left of the screen was a message which said I could buy **the rest of the album** for \$9.50. Thinking I had already missed a discount, I bought another tune and the same frame told me I could buy **the rest of the album** for a lesser price. iTunes was giving me a discount to entice me to buy the rest."

When a customer is in a buying mood, it pays to offer a generous discount to get another sale.

# Manage your time **on the internet**

If you want to save valuable time on the internet: Don't send jokes by email. Your friends will soon get tired of sending them to you.

Keep your inbox empty. Anything you want to put aside for reading later can be transferred into a separate folder.

Add some senders to your junk mail list. There are certain pests who won't action "unsubscribe" or will start emailing you again shortly afterwards. Flag them as junk email. Go to your junk email folder periodically and glance down the list to check no important emails have snuck through, then delete the lot.

Work on "unsubscribe". Time invested in getting rid of unwelcome mail will save you more time in the long run.

Niceties are nice but not necessary. Some folk respond to emails without addressing it to the recipient. And they simply finish off with their name only.

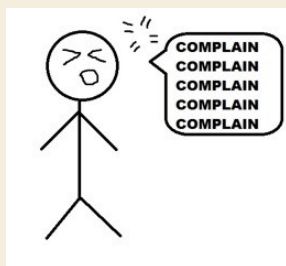
Don't type responses unnecessarily. Use a dictating machine and get this done for you.

Emails will usually save you time when compared with telephone calls. You don't need to wait for the phone to be answered, you don't have to leave messages and you don't have the inquiries about the other person's health when you send emails. An email also leaves a trail of correspondence you can refer to later.

Get used to using as few words as possible. Be concise.



## Turn a complainer into **a powerful advocate**



It's always better to hang on to your existing customers, than to seek new ones. Getting new customers is expensive and time-consuming. Listen carefully to customers who complain. They are your friends because they will tell you things others might not. It's tempting to justify your actions in the face of a complaint. Don't. Assume the customer has cause for the grievance and act generously to put it right. Then follow up to ensure the customer is not merely satisfied, but pleased with what you've done. Delighted complainers often become your

best advocates! They tell others how well they were treated. If you reflect on what occurred you'll often be surprised to find you agree with the complaint.

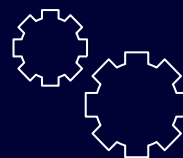
*question time >>*

**Q: Do I have to deduct RWT from Interest I pay to someone who I have borrowed money from?**

**A: You may need to – read more below**

If you have borrowed money from another party (other than a bank) and you pay them more than \$5,000 per year in Interest you are required to deduct RWT from the Interest you pay the other party and pay the RWT to IRD. You will be required to register with IRD as a RWT payer and pay the RWT to IRD either monthly or Quarterly depending on how much Interest you are paying.

If you need assistance with this please contact us.



### 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

Did you know you can create your own Employment Agreements online for Free? Go to [www.dol.govt.nz](http://www.dol.govt.nz) and choose the Employment Agreement Builder. This tool takes you through all of the various sections that are required in an Employment Agreement. You choose the options you want included and when finished you are able to save your Agreement as a Word document to save on your Computer .



### PROHUB SOLUTIONS

Do you have a CRM system that will prompt you to ensure every enquiry you get is properly followed up? Prohub CRM Online has such a system. Every Interaction can be recorded and a follow-up person assigned to the interaction and a follow-up date as well. On the main dashboard is a summary of the follow-ups that each of your team members has to be. Many businesses fail in their follow-ups and miss out on vital sales along the way. Visit our website to see how Prohub CRM online can help your business prosper.

# Tough in Retailing

The pressure on retailing has never been as intense as in the past five years. The challenges have been not only the global financial crisis, which has meant people are paying off debt rather than spending, but also online retailing. People can't be blamed for buying online when prices can be significantly cheaper. So what can retailers do?

According to one expert in the retail field, the keys are in the acronym PALOS – product, agility, lean, online and service.

**Product** – are you really trying to sell what people want to buy? Retailing is a dynamic business changing rapidly. No one retails horseshoes or video recorders any more. You might be passionate about your product, but is anyone else? If you don't know, ask the visitors to your store.

People buy to satisfy wants NOT needs.

**Agility** – are you nimble enough to adapt to the changing environment? Can you change your product line or marketing strategy easily and quickly? Do you have flexible supply lines?

**Lean** – do you have too much stock or too many staff? As a store owner you might just have to do the hours yourself to stay in business. Review your costs regularly, especially at lease-review time when it might be better to move to cheaper premises.

**Online** – like it or not, online retailing is here to stay. Consider whether you can be part of it. Can any of your products or services be marketed and sold online, as well as in a physical store?

**Service** – when times are tough, you'll get left out in the cold if your service doesn't measure up. Great service usually costs nothing and can make you stand out in the crowd.



## Quick Quote

Jumping at several small opportunities may get us there more quickly than waiting for one big one to come along. ~ Hugh Allen



## Chronically Short of time?

Here are some suggestions if you never seem to have enough time to get things done:

Emails are a menace. Channel them through your secretary, if you have one. Don't let people email you directly. If you don't have a secretary, maybe you need a part-timer at least. The PA needs to learn from you what can be culled.

You need a portion of each day when no one can contact you, including staff. Use this time to focus on your most important work ONLY.

Start each day by planning your work. You may not need a complete list. A pile of files and notes you've made (in sequence) is a plan.

Make your notes as you think of them, even if it's in the middle of the night or while you're out getting your exercise. Take a pen and paper with you wherever you go.

**Stephen Larsen and Co**  
**TAX AND BUSINESS ACCOUNTANTS**

PO BOX 5161, 74 Bourke Street, Palmerston North 4441

Phone: 06 357 7011 Fax: 06 353 6430

Email: [info@stephenlarsenandco.co.nz](mailto:info@stephenlarsenandco.co.nz)

Website: [www.stephenlarsenandco.co.nz](http://www.stephenlarsenandco.co.nz)

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*We care about your Business Prosperity*

