

TAXTALK



Family Business Planning: Over Summer

The summer holidays offer a good opportunity to get together and discuss plans for your family business. But there are some rules you should follow to make sure it's only the barbeque that gets heated!

"Unclear expectations, lack of transparency and unfair decisions will tear a family - and their business - apart."

Dinner discussions: Why they're important

Working in any family business – where two or more family members work in a business owned by the family – has its challenges, and its rewards.

Successful succession: The next generation

While family-owned businesses last longer than private businesses, making sure business survives for future generations is tricky. Only 30% of family businesses make it through to the second generation and only 12% make it through to the third generation.

Around 75% of New Zealand businesses are family businesses, and they employ a good chunk of the work force. Most farms, vineyards, and horticulture businesses are family-owned.

As baby boomers retire this is likely to become a bigger issue for many family businesses. Stats NZ figures suggest up to a quarter of business owners could look to leave their businesses in the next 10 years.

Philip Pryor is founder and CEO of Family Business Central, a consultancy that offers support and advice to family-owned and family-run businesses.

That's why conversations about the future of a family business are so important – even when the future seems a long way off.

He says in his experience, family businesses tend to take care of their staff better, take a long-term view of the business, and they perform better.

Key talking points

But they face unique challenges.

Philip Pryor says there's an important ground rule that should be set before discussing business in the summer down-time.

"Juggling family relationships with business can be difficult. Family conflict can distract a business and lead to poor decision-making that negatively affects the business," he says.

"Don't break the Christmas Dinner Rule," he says. "Make sure all fights, arguments, and disagreements are managed so you can all sit around the table for Christmas dinner."

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Family Business Planning Over Summer **continued...**

There are four key things every family business should be thinking and talking about.

1. If families don't already have a clear plan for the development of the next generation as well as clear transition plans for the current generation, Pryor strongly suggests this be a point of discussion. Establishing what role the founder will take in the future, and how this could work with a new generation at the helm is important. "One rule I say must be followed with all family business is 'no surprises,'" he says. "Talk to the next generation. Tell them what you want. Find out what they want and have the conversations you need to have well before you're forced to have those conversations."
2. Talk about family governance – about the strategic issues, rather than the day-to-day running of the business. Talk about family charters, shareholder agreements, wills and succession plans, and make sure they match and support

the business governance too. If business governance isn't sorted yet, that needs to be done too.

3. Keep things fair. Fairness is critical in family business, and it needs to be discussed and negotiated between family members—don't underestimate how much people are monitoring this. Have clear agreements and expectations on who leads the business and how family members get to work in the business. Remember one family member can have as many as four different roles simultaneously, eg parent, shareholder, director and CEO.
4. Transparency is critical. If people feel that things are hidden, or decisions are made without their input, it can lead to disagreements that could affect the running of the business.

"Remember, while some members of your family may irritate the heck out of you—you probably do the same to them," says Philip Pryor. "This is family—you know each other better than anyone

Tool Helps Track KiwiSaver



The authority has produced a tracker tool to help members compare and contrast fees and returns more easily. Just type "FMA KiwiSaver Tracker" into your search engine and you will get a wealth of information, provided yours is one of the many funds listed.

Quotes from the report include:

"The tracker shows that there is no clear link between higher fees and higher returns, apart from a couple of standout funds."

"The average investment management fee paid by members over the 2018 reporting year was \$117, almost 20% more than a year ago"

"This year we ran a campaign calling on KiwiSaver members to check their annual statements.

"All KiwiSaver members were due to receive their annual statement in May and, for the first time, all KiwiSaver providers were required to tell members exactly how much they have been paying in fees in dollars."

"We used influencers ... to encourage KiwiSaver members to check our new Health Checker page in the hope they would take a few simple steps which could make a big difference in the long-term.

"Throughout the coming year, we will be conducting further work on the unreasonable fees test, as defined in the KiwiSaver Act.

"We regard active choices as important as they are a good indication that the provider's financial literacy efforts have resulted in a member making a meaningful, informed choice in their own interest."

Binding Rulings For Small Businesses

The current Tax Bill proposes to make it easier for small businesses to get binding rulings.

Smallness is measured by gross income below \$5 million and a question involving tax of less than \$1 million.

The advantage of a binding ruling is that it gives certainty as to how Inland Revenue is going to respond to your tax decision.

There are often situations where there is some doubt about the correct tax approach.

Inland Revenue will be charging an application fee and a rate per hour for their service.

If you have an uncertain tax situation involving a reasonable sum of money, a binding ruling could be just what you need.



Are you Making Good Use Of Your Business Cards?



Take every opportunity to hand out your business cards. An excellent time to do this is when you present your bill. If you don't hand out a card, how is the customer going to remember who you are next time they want your service? Turning your card into a fridge magnet could also be useful.

There are occasions when it is better to hand out a number of cards rather than just one. If someone has commented on how much they like your service, why not give them several cards to pass on their friends. Don't hesitate to ask them to do this.

question time >>

Q: Should employees be paid for public holiday?

A: read below

Your employee would have to be paid if the day would "otherwise be a working day"

Your employee would have to be paid if the day would "otherwise be a working day" for her (s 49 of the Holidays Act 2003).

You should attempt to reach agreement with her about whether an upcoming public holiday would be such a day. Section 12(3) of the Holidays Act gives a list of factors that you and she should consider. They are:

- her employment agreement (which will include any variation - written or oral - you have both agreed to in the course of employment)
- her work patterns
- any other relevant factors, including:
 - * whether she works for you only when work is available
 - * your rosters or other similar systems
 - * the reasonable expectations of you both that she would work on the day concerned, and
- whether, but for the day being a public holiday, she would have worked on the day concerned.

The employee's "work patterns" (eg whether she habitually works Mondays in certain months of the year or when large orders need to be fulfilled, and whether she has worked several consecutive Mondays before the public holiday) (s 12(3)(b)) and "the reasonable expectations of the employer and the employee that the employee would work on the day concerned" (12(3)(c)(iii)) would appear to be particularly relevant here when deciding whether a public holiday would otherwise be a working day for the employee.

If you cannot agree on whether the day of a public holiday would otherwise be a working day, a determination can be sought from a Labour Inspector (s 13). This is binding on the parties, unless a determination by the Employment Relations Authority holds to the contrary.

REFERENCE:

Holidays Act 2003, ss 9, 12, 13, 49.

Source: CCH/TEO Question & Answer Service



WEB SOLUTIONS

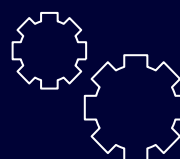
More on scammers

Beware scammers posing as Inland Revenue. Often the sender's email address looks as though it has originated at the IRD. The department is not going to provide you with a link to click on. If you see this in an "IRD email" it is a very sure sign you are looking at a scam. Don't click on it.



PROHUB SOLUTIONS

Are you effectively managing all of your sales enquiries? Do you have a system to record all of your potential sales leads? PROHUB CRM is designed to handle all customer enquiries and compile them in one database. Each enquiry is allocated to a team member for follow-up at the appropriate date. This ensures all potential sales are followed up and you don't miss out on critical sales opportunities. Contact us today for more information on how this program could help your business prosper.



TAX SOLUTIONS

Tax on crypto-currencies

Inland Revenue is giving a lot of thought to taxation issues, which affect crypto-currencies. They see these as property and not currency. Therefore, capital gains and losses from fluctuations in value would not apply. However, if the currency is bought for the purpose of disposal, the profits made from selling it would be taxable. What if you made a loss, would you be able to claim this? You would need to be able to prove you really did buy the currency for the purpose of selling it at a profit. A series of short-term transactions would suggest this, particularly if you had already declared profits to the tax department.

Train Your Email Filter To Block Unwanted Messages



Everyone gets spam these days. It's the stuff you really don't want that sneaks into your email inbox or is filtered to another folder.

Here's a useful tip to reduce the number of spam emails you receive.

Train your filter. You'll most likely have a 'Junk' or 'Spam' email folder. This is where your email client puts filtered messages it thinks are spam.

However, a message from someone you've never corresponded with before will also most likely end up there, because the filters think it's spam. So you need to check this folder regularly.

While you're there, train the filters by letting them know when they worked or made a mistake. This helps to improve their performance.

For example, when you open a Gmail message, you'll see a 'Report Spam' button (it looks like an exclamation mark) at the top of the page. Click this when you see a message that managed to sneak past Google's spam filters.

But if you find an email you want, open it and click the 'Not Spam' button.

In Outlook, mark a message as spam by right-clicking it in your inbox and choosing Junk, then Block Sender, from the menu that pops up. When you're browsing the Junk Email folder, restore a flagged message to your inbox by right-clicking it and choosing Junk, then Not Junk.

If you want to set your own level of spam filter aggression, visit the Home tab of the ribbon menu, click Junk, and select Junk Email Options.

Most email clients include options such as these. Look at the settings or review the buttons that appear on the page.

Quick Quote

Small deeds done are better than great deeds planned. ~ Peter Marshall

How Much Should you be Charging Per Hour?

The Ministry of Business, Innovation and Employment has created a calculator which helps work out how much you should charge per hour to achieve your desired income.

Don't underestimate your non-chargeable time. If you were to keep a diary of what you do every day and how long you take, you would soon discover how much time is not being charged.

Go to www.business.govt.nz and type charge-out-rate-calculator.

The calculator could be better as it works in whole number of hours per day, only.

The best way to identify your overheads is by referring to your last set of financial statements.



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We care about your Business Prosperity

