

TAXTALK



How will you make 2023 a successful year?

Many commentators are predicting 2023 could be a tough year for businesses. The Reserve Bank is hitting the economy hard with interest rate rises which will definitely have an impact on household spending which will flow throughout the economy. The NZ economy is also highly influenced by world events and there are plenty of concerns and potentials hotspots around the world currently.

However the sun will still come up each day and people will still get out of bed and go to work and spend the money they earn so there will still be business to be done. Your challenge will be to be smart enough to ensure you get your share and be able to grow your business in 2023.

There is no time like the beginning of a new year for goal setting, let's look at a few tips on how you can make 2023 your most successful year yet.

1. You must have a plan

As the old saying goes, if you don't know where you're going then any road will get you there. What are your goals for this year? Where do you want to be in 12 months' time? How are you going to get there? Prepare a financial cash-flow forecast for the next 12 months and calculate how much drawings you need for yourself, how much debt you are going to repay this year, how much you're going to spend on wages, advertising, capital expenditure, motor expenses etc., etc. Then from that you can calculate what your Gross Profit needs to be to cover these outgoings. Then based on your gross profit percentage margin or mark-up you can work out how much sales you need to get to keep your business afloat. You might get a fright as to the quantity of sales needed. Maybe it's unrealistic and you need to go back and start trimming some of your outgoings. Be realistic and honest with yourself. There is no point in getting half way through the year and you find you're broke when you could have prepared yourself at the start of the year. Also be careful with any new debt you take on this year – don't over commit yourself and make sure you can afford the repayments as interest rates are rising quickly.

2. Monitor your growth throughout the year

Putting a plan in place is great but you must monitor your progress as you go through the year. Are your sales ahead or behind budget? Are your expenses getting out of control through frivolous spending? Are your drawings too high?

Be honest and address these problems with

corrective measure during the year before they get out of control.

Set a Sales & Expenses & Drawings and Capital Expenditure budget in Xero and monitor the actual vs budget results as you go throughout the year.

3. Be prepared for change

In this world of change be ready to adapt to new ideas and ways of doing business. Digital advertising mediums are a must have now. Digital accounting systems can streamline your business. Be aware of cyber scammers and what you can do to safe guard your business. Be ready to embrace new ideas, look for new products or services that compliment what you are already selling.

4. Surround yourself with successful people

Success breeds success. Don't be afraid to engage the services of the best in the game. The results will always be better than trying to do things yourselves when you really don't know how to do it. Take graphic designing. You can always tell the difference between a homemade brochure, business card, letterhead and those that have been professionally designed.

5. Up-skill your staff and set new standards

Don't be afraid to invest in your people. They will respond to training you provide and the results will flow in better service and products to your customers. Set new levels of customer service that you and your employees are to abide by. Put these standards in writing so everyone is clear as to what is expected of them. So for example set a standard that the phone must be answered within two rings, a customer going into your shop must be greeted within 10 seconds, and your work van must be cleaned inside and out every week. Believe me, your customers will notice even though they may never say so.

6. Lead by example

You as the business owner/manager must lead by example. The person at the top will set the tone to the entire organization. If you're sloppily dressed so will your staff be. If you're rough and have a careless attitude, this will rub off onto your staff. But if you're always smartly dressed, get to work on time, keep your desk/department neat and tidy, always

continued....

in this issue >>>

- How will you make 2023 a successful year?.
- Data, GST for "Platforms"
- Learn how to do Value Pricing.

How will you make 2023 a successful year? continued...

friendly and happy to other staff and customers, always willing to go the extra mile then this attitude will flow through your entire organization and make a huge difference to the successful feel of your business. To some it comes easily, others need to work on this feature constantly.

7. Review your suppliers

Are you getting the best deal from your suppliers? Have you asked them lately for better prices? Have you asked for a decent discount if you pay for your goods on order? Can they put a new range of stock into your shop on consignment? This will help broaden your appeal and the number of customers who may buy from you. Don't forget that many wholesalers are struggling to get sales as well and so you won't know what they can offer you until you ask.

8. Monitor your advertising, but don't stop advertising

Is your advertising working for you? How do you know? Have you got statistics that can show which form/s of marketing actually work/s? Try something different. Many businesses spend thousands of dollars on advertising that doesn't work. Ask your customers that buy from you 'How did you find out about us?' 'Why do you shop with us?' Write down the answers and then analyse them and look for trends as to why people are going to your business? Look for clues as to where and how you can attract more of these people. If one form of advertising isn't working stop it immediately.

Ask for referrals from your current customers. They're a great source of new business. Reactivate your old customers who haven't purchased from you in the last year. Give them a phone call, call in and see them and see if you can get some more business from them.

9. Remember the golden rules of customer service

The golden rules of customer service are; Rule No. 1. The customer is always right, Rule No. 2. If the customer is ever wrong refer to rule no. 1.

All of your employees must know these golden rules. Do everything you can to keep a customer happy because repeat customers are the life blood of a business and they're the ones that will keep on coming back time after time after time for many years to come and you are totally dependent on them to make your business a

success.

10. Commit yourself to no extra Drawings

Cash is the life blood of any business, especially small to medium size businesses. One of the most common mistakes we see with small businesses is the way the owner overindulges in their drawings. Set yourself a fixed amount to take home each week and stick to it. Be really strong with yourself as this mistake is often the result of many business failures.

11. Get your tax returns done on time, every time

Make this a top priority. Late filing penalties and interest is a total waste of your money and is totally unnecessary. Get your books to your accountant as soon as you can so they can be prepared and filed to IRD on time. And if you're struggling to pay your tax, get an arrangement set up with IRD to pay the tax off as fast as you are able. IRD has an amazingly good service team which will allow you to pay your taxes off if you can't get it paid in full on time. IRD will often allow you to pay your tax debt off over 2 years. This same method is also a brilliant way to pay your Income Tax. If you find those 3 Provisional tax payments each year just too hard to save up for, then set up a weekly Automatic payment and pay your tax that way. It's a far easier way to keep on top of your tax.

12. Stay positive, keep smiling and be honest

Your attitude is the key to your success. Do you want to make a go if it or not? How do you see the glass? Is it half full or half empty? Positivity is a powerful force even when you don't know however you're going to manage underneath. And keep smiling. And be honest with yourself, your employees and your customers. And finally, don't be afraid to put your prices up!

Even if NZ does fall into a recession customers will still be spending money and so it's up to you to get your share and maybe a bit more!!

All the best for 2023!



Data, GST for 'platforms'

The platform economy is where websites introduce buyers and sellers to each other.

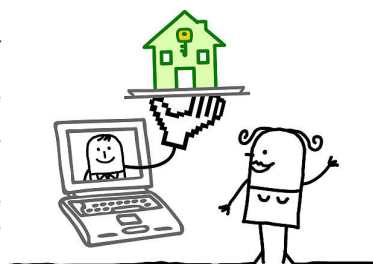
Starting at the beginning of January 2024, certain platforms called "listed services" are going to have to collect information from you. This will help Inland Revenue ensure people pay tax if they're selling on the internet.

The listed services are:

- accommodation
- personal services such as ride sharing, tutoring and gardening
- web graphic design
- transport services such as Uber and vehicle rentals

All these platforms are going to need to register for GST regardless of how small they are, except for non-resident platforms, which will be required to register if their supplies exceed \$60,000.

If you're selling and use the services of one of these platforms, it will add a 15 percent GST charge. It will pay the GST and you will receive the exclusive amount zero rated. You include this in the zero rated keypoint in



the GST return and you will still be entitled to claim GST on your expenses in the usual way.

If you're not registered for GST the platform will account for GST at the rate of 6.5 percent, but will be collecting 15 percent from the customer. It will pay the extra 8.5 percent to you.

For example, an Uber driver not registered for GST would charge a fare of \$10. The platform would collect \$11.50. The Uber driver would get \$10.85.

Why is this? Since the Uber driver has had to pay GST on the fare, there needs to be some allowance for GST on expenses and this is how it's being done. It might be clearer if we say the Uber driver is actually having to put up his fare to \$11.50 as though he were GST registered.

GST

Unlike other businesses, any supplies normally zero rated, such as export services, will be standard rated for these platform operators.

If you or anyone you know is thinking about creating a website providing listed services, remember you might have to register for GST.



Court Case for your Interest ...

Subcontractors are entitled to health and safety too

WorkSafe New Zealand says workers deserve better than to continue dying on the job in falls from height.

A Canterbury business, has been sentenced for health and safety failings over the death of a subcontractor in February 2021. The 56-year-old man was painting the flat, one-storey roof when he fatally fell 4.5 metres to the ground.

In a reserved decision, Judge Gerard Lynch has described the death as having a “devastating and multidimensional impact...felt across generations” for the victim’s family.

The Canterbury business did not have significant experience of working at heights.

WorkSafe’s investigation also found there was no site-specific safety plan in place, and no edge protection (for example, scaffolding) installed around the perimeter of the building in Sydenham. As a result, four workers, including the victim, were exposed to the risk of injury or death.

“This incident is proof that a flat roof does not mean a safe roof – especially when it’s 4.5 metres high. This was an unprotected and unsafe working environment,” says WorkSafe’s Head of Specialist Interventions, Dr Catherine Gardner. “Lead contractors owe all workers onsite a duty of care, whether they’re subcontractors or your own staff. Lead contractors must ensure the risks are being controlled to ensure everyone’s safety. Everybody knows the dangers of working at height. The expectations are well established and exist for a reason so they need to be followed,” says Dr Gardner.

Background:

- Reparations of \$261,695 were ordered, and a fine of \$37,500 imposed
- The Canterbury business was charged under sections 36(1)(a), s 48(1) and (2)(c) of the Health and Safety at Work Act 2015.

“Use common sense” a poor approach to health and safety

Two agricultural companies in Taranaki have been taken to task over ineffective workplace traffic safety, after their worker was knocked unconscious by a moving vehicle.

In August 2020 the worker was hit from behind and collected by the bucket of a telehandler, an all-terrain vehicle used for lifting loads. The 61-year-old victim was hospitalised with bleeding in the skull. He also suffered loss of smell and taste, along with light sensitivity, and was unable to work for nine months.

The Two agricultural companies in Taranaki were jointly sentenced today in the New Plymouth District Court. Another entity has pleaded not guilty and is still before the court. A WorkSafe investigation found a lack of oversight for traffic was the chief health and safety failing.

“Traffic management was a well-known challenge to the businesses, but neither took any steps to address it. From time to time, the businesses gave verbal directions to workers about traffic movement onsite, including to “use common sense”. Relying on verbal directions in this way was completely inadequate,” says WorkSafe’s area investigation manager, Paul West. “One-way systems, clear separation between vehicles and pedestrians, designated crossing points, and speed bumps or signage are among the measures that could have made a difference here. All businesses whose work requires traffic management should take notice,” says Paul West.

Background

- The Two agricultural companies in Taranaki were sentenced in the New Plymouth District Court on 8 November 2022.
- A fine of \$270,000 was imposed, and reparations of \$50,000 were ordered.



BUSINESS SOLUTIONS

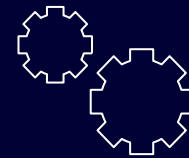
Special deal for travel from home to work

The latest tax Bill proposes a subsidy by an employer – mainly for the purpose of an employee travelling on public transport between home and work – will not be subject to fringe benefit tax (FBT).

Public transport means bus, train, ferry, tram or cable car. It does not include airfares, taxis, shuttles and E-scooters.

The Government plans to bring this law into effect from 1 April 2023.

Obviously, if your business is a company, you can also subsidise yourself, as an employee, for public transport.



TAX SOLUTIONS

Flu, Covid vouchers and Fringe Benefit Tax

If a fringe benefit relates to the health or safety of an employee and is aimed at managing risks to health and safety in the workplace in accordance with the Health and Safety at Work Act 2017, it will be exempt from FBT. Vouchers for flu or Covid vaccines are exempt from FBT under this.



SAVINGS SOLUTIONS

Bill protects Kiwis with depositor compensation scheme

The Deposit Takers Bill brings all deposit takers under one set of rules and protects Kiwis’ money through the introduction of a depositor compensation scheme. New Zealanders will have up to \$100,000 of their deposits in any eligible institution guaranteed if that institution fails. The levies are intended to vary according to the riskiness of the investment.

Learn how to do Value Pricing

The following article is from Jonathon Stark - a expert on how to do Value Pricing. You can learn more from him at www.jonathonstark.com

Allie's Donuts

In the fall, it's not uncommon for me to drive twenty miles to get donuts from Allie's in North Kingston, According to Google, there are more than fifty donut places within a ten-mile radius of my house. There are three within a mile. Therefore, my drive to Allie's is about twenty times farther than necessary to get donuts.

But wait! *There's more... I've been going to Allie's pretty much my entire life.*



I know that once I get there, it's virtually guaranteed that I'm going to have to wait in a long line. The last time I went was no exception. There were probably thirty people in line when I got there. I waited about ten minutes outside in the cold, and another five minutes inside before placing my order. Based on past experience, I can be in and out of the donut place up the street from me in about three minutes. Therefore, the wait at Allie's is about five times longer than necessary to get donuts.

But wait! *There's EVEN more...*



Allie's donuts aren't crazy expensive, but they're not the cheapest either. I usually spend about \$20 for a dozen donuts and a coffee. I could pick up the same order at the place up the street and pay about \$13. Therefore, I paid fifty percent more than necessary to get donuts.

So here's the big question:



Why would someone drive farther, wait longer, and pay more than they need to for something?

I could list a half dozen reasons why I personally decide to go to Allie's, but my specific reasons are not important. In fact, they are probably different from the reasons of the other people who go there.

What we all DO have in common, however, is that we each base our decision largely on intangibles.

Things like brand, ambiance, nostalgia, sense of community, and so on. Feelings, really. Going to Allie's creates a very different set of feelings compared to zipping through a Dunkin' drive-thru. Neither is inherently better or worse, but they're extremely different. It's important to note that this "feelings" stuff is not some hand-wavy BS. If it were, Allie's wouldn't exist. Intangibles play a BIG role in people's buying decisions. It's not all about increasing the bottom line or having an ROI measured in dollars and cents.

Don't believe me? Test it for yourself... Every time you buy something, ask yourself:

- "Why didn't I buy the cheaper one?" or
- "Why did I wait in line for this?" or
- "Why didn't I go to a closer store?"



I think you'll start to notice that your decisions are actually quite a bit more complex than conventional "supply and demand" economic theories might suggest.

Here's the thing...

The effect of intangibles on a buying decision doesn't just affect you... it affects your BUYERS as well. So if you want to stop competing on price, one good way is to offer intangible benefits that your ideal buyers value.

As long as your competitors are unwilling or unable to match you, your ability to charge a premium will increase.



The challenge for you is what value are you doing to attract customers to your business so that you don't have to compete solely on price?

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