

TAXTALK



Riding out the tough times

Interest rates are soaring, prices for groceries and fuel are rising, and businesses have unreliable supply and cost pressures.

Add staff shortages because of the lingering effects of Covid-19, and some small businesses are under severe stress. The natural reaction of many businesses is usually two-fold: Earn more, and/or spend less.

Spending less is the easier option, but many businesses are already cut to the bone. If you do look at cutting costs, be careful not to apply measures that affect your ability to earn more.

One example is marketing. During a downturn, more than ever, it's important businesses do whatever they can to stay top-of-mind for customers. Research has shown the businesses who continue to put resources into advertising, a website and social media are stronger when times improve.

They are better able to take advantage of the opportunities better times bring.

Whatever your marketing message and delivery, through email newsletters, follow-up emails, phone calls,

or advertisements, highlight your company's brand.

You're letting customers and prospects know (or not forget) who you are and what you stand for.

Look at your core business, hopefully the things you do best and make you the most money. Concentrate on that and build it if you can. Don't put effort into weaker products or services.

Focus on existing customers and look after them like the gold they are to your business. Remember, it costs more to get new customers than to keep existing ones. They're all likely to be clamping down on their spending, too, so never give anyone a reason to go elsewhere.

If you've built a strong relationship with your customers, you will together navigate the tough times and you will have customers for life.

And be the leader of your business. Delegate the "work" if you can so you have time to make the tough decisions and plan for the future.

Of course, cash flow is also important.

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Seeking emergency funding needs care

Disruption to the supply of goods is putting some businesses under stress.

Company directors have some responsibility to their suppliers. They should not buy goods on credit if there's a real risk they will never be able to pay for them..

Directors can be personally responsible for reckless trading. Think of Mainzeal and former prime minister Jenny Shipley.

If you are in a business, which could be severely interrupted by lack of supplies, start thinking about how you could get emergency funds.

Examples could be:

- make an arrangement with your bank early.
- If paying your suppliers could be a problem, talk to them now about some extended credit.
- don't overlook a useful short-term source of funds – your credit cards. The interest rate is very high but if you **know** your cash shortfall is short-term – say a month – credit cards have the advantage of not incurring a fixed fee for the use of the credit, and they don't take your time to arrange them. Never use your credit cards for longer term finance.

Borrowing from family, particularly elderly parents who can ill-afford to lend, is risky. Be very sure you can repay.

Using Inland Revenue money is likely to be the most expensive loan you can get. The department double dips because it not only charges you interest, but it also then punishes you with penalties. These both compound.

If you are getting to the stage you can't pay your taxes, may be it's time to wind up your business.



It's time to put your prices up!

With the end of the financial year upon us, now is an excellent time to put in place a general price rise for your products and services that your business provides.

Whether you're a one man band or a multi million dollar corporation, our message to you is don't be afraid to put your prices up on a regular basis. It is better to have small rises every year rather than hold off and then put prices up every 3 or 4 years by a large amount.

So we recommend that you put up your prices/hourly charge-out rate by at least the annual inflation rate which at the moment is about 3%. Put your prices up by this amount every year. So if your charge out rate is \$35 per hour, put it up to \$37 per hour. This may not sound like much but at the end of the year it adds up to a considerable amount which helps you to get ahead. It maybe that you can increase it by more than this. Perhaps you're under priced in your industry. Perhaps you can put your prices up by 10%. Our message is don't be afraid to charge what you're worth because you are worth it. If you provide top quality work, top quality products and service, on time performance, then your customers won't worry about a small price rise every year.

Underneath your customers actually expect your prices to go up but they'll never tell you! The thing to remember is that we are all used to prices going up every year on many items we buy and if you don't put your prices up, you're the one that's losing. In fact your customers may even be wondering what's wrong if you don't have price rises for your products and services.

We commonly hear that 'if I put my prices up, I'll lose my customers'. This is a total myth and we don't believe in it

for a minute. Look around you and see how prices for items you buy are rising all the time – do you stop buying because of this? – of course you don't. If you want to survive in business today you must realise that your costs are going up all the time and so you need to put your prices up to make it worthwhile to be in business. The secret for success is for you to provide top quality work, top quality products and service, and on time performance.

So we would openly encourage you to put your prices up because when you come to us next, we might ask you:

Have you put your prices up?'



Recent Court Cases for your Interest

Business fined for failing to protect workers from methyl bromide exposure

A failure to prevent workers being exposed to methyl bromide has seen a business fined \$250,000 after a WorkSafe New Zealand investigation.

The investigation began after workers at the company, a pest control fumigation service, suffered acute methyl bromide poisoning as a result of ongoing exposure to the hazardous substance.

“Our investigation found problems with fitting Respiratory Protective Equipment (RPE), and that some workers were not using it at all. Practices around RPE were seriously below what they needed to be,” says Api Poutasi, Manager Health, Health & Technical Services at WorkSafe.

“Businesses shouldn’t rely on RPE as the main way to look after the health of their workers. They need to consider the hierarchy of controls. This is a requirement under the Health and Safety at Work (General Risk and Workplace Management) Regulations 2016.

“In this case workers were exposed due to the way the work was carried out, or due to ineffective respiratory protective equipment”

“The company was advising workers with facial hair to use Vaseline to help the mask fit on their face. This is a myth which is deeply concerning in how widespread it is. Businesses and organisations must stop propagating this myth.

“Workers wearing RPE should be clean shaven. Even a small amount of stubble can prevent a proper seal from forming. Vaseline does nothing to help this, and workers will still be wearing RPE which hasn’t formed a seal based on incorrect information from their employer.”

WorkSafe’s investigation also found the business standard was workers didn’t use RPE when undertaking formaldehyde fumigations and no staff had been adequately trained to clean and maintain the RPE equipment that they did have. There was also no coherent system in place that monitored employee exposure to toxic fumigants.

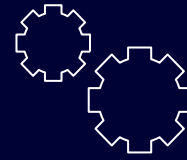
The business had been advised by an Occupational Health Consultant in 2019 that given the lethal nature of the fumigants involved, and the potential concentrations that workers would be exposed to, it was essential that RPE was provided and properly fitted.

The company was sentenced on 7 December 2021 at the Auckland District Court, under the Health and Safety at Work Act 2015 for exposing employees to toxic fumigants such as methyl bromide, hydrogen cyanide and formaldehyde.

The judgement:

- The company was sentenced under sections 36(1)(a), 48(1) and 48(2)(c) of the Health and Safety at Work Act 2015
- Being a PCBU having a duty to ensure, so far as is reasonably practicable, that the health and safety of workers who work for the PCBU, while the workers are at work in the business conducting fumigations, did fail to comply with that duty and that failure exposed individuals to a risk of death or serious illness arising from exposure to toxic fumigant gasses including methyl bromide, hydrogen cyanide and formaldehyde.

The charge has a maximum fine of \$1,500,000. A fine of \$250,000 was imposed on The company.



TAX SOLUTIONS

GST changes afoot for sharing businesses

Many businesses are using the internet to introduce buyers and sellers to each other – Air B&B, for example.

There are many other much smaller enterprises doing the same thing, such as ride sharing. Inland Revenue is looking at ways to help these businesses pay their tax, which is very thoughtful of it. The department is concerned many of these businesses might be operating below the threshold for the need to be involved in GST. It has been suggested collectively they are sufficiently significant to offer unfair competition to those who have to register.

Thought is being given to lowering the GST threshold for these types of businesses

One of the challenges for these businesses is determining tax-deductible costs. One proposal is to have a standard cost for those who earn their income in this way. This might be a better alternative to making adjustments for private use



BUSINESS SOLUTIONS

In communications, keep it brief

When writing and public speaking, consider how long your sentences are. If you want to be understood, keep them short.

Use simple words. Make sure your sentences actually make sense. Cut out unnecessary words such as “actually” (notice it in the previous sentence!). Some words are overused and are unnecessary. A good example is the word “that”.

Avoid clichés. They become irritating. I don’t know about you, but I get sick of hearing people “reaching out”. Read through your writing and tidy it up. You might need to do this two or three times. If it’s an email, don’t be in a hurry to press” send “.

Above all, spell people’s names correctly.

Residential rentals

You will be aware of the limits placed on claiming a deduction for interest on money borrowed to buy residential rental property.

If you have owned property before 27 March 2021, your claim for interest reduces over time through to 31 March 2025. For the current year, interest incurred is claimable in full up to 30 September 2021 and for the remainder of the year your tax claim is reduced to 75 percent of the interest you pay.

Just a small point: It is the interest you have "incurred" as opposed to the interest you have paid. Therefore, if you paid interest on 15 October 2021 for the period 16 September 2021 to 15 October 2021, you will see some of the interest relates to the time before 1 October and can be claimed in full.



Quick Quote

"There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."
- Sam Walton

Kiwibank devises **simplified scheme**

Kiwibank has come up with a great scheme to help its customers.

It is prepared to agree to charge interest on loans it makes on the basis you can set off credit balances in other bank accounts against the balance of the loan. You pay interest on the net balance.

Even better, the other bank accounts may include not only the person borrowing but also other eligible people. Inland Revenue has issued a ruling approving the arrangement.

The new product will be available to individuals and business customers, including companies and trusts.



For tax purposes, this is a much simpler scheme than revolving credit, where it is difficult to establish what interest might be deductible as opposed to what is private and non-deductible.

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We care about your Business Prosperity

