

# TAX EXPERTS LIMITED

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

NEWSLETTER - THIRD EDITION

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## Good systems breed success

Success in business has a lot to do with systems. Get your systems right and your work will flow better. Your systems will save you time and costs.

Here's some useful tips for good systems:

- Start each day by planning what you're going to do and the order in which you are going to do it. You'll get interruptions and you may not finish the work. Put the most important work first so the remainder can be safely held over until the next day. Don't confuse urgent with important. Organising your golf for next Sunday might be urgent but it might not be important for your business. Make it wait until after work.
- Use checklists. Whenever you have

*"A good system shortens the road to the goal!"*  
—Orison Swett Marden

repeating work, develop checklists so you don't overlook anything. If you've made a mistake in a costing, for example, change your checklist so it never happens again.

- Keep a notebook. Any ideas you get should be written down immediately. If you leave this till later you're sure to forget that good idea.
- When you're organising papers to take to your accountant, get a system to make the job easy. For example, if you receive dividends and interest, have a folder or some place where you always put the details of each amount when you receive it.

## Watch out for phishing expeditions

Inland Revenue tells us there are currently two email scams targeting Inland Revenue customers.

These emails can't be trusted.

If you or any of your clients receives one of these emails, IRD asks that you please report them by emailing [phishing@ird.govt.nz](mailto:phishing@ird.govt.nz)

"We're aware of a phishing attack mimicking Inland Revenue's website," the IRD says. "Customers receive an email saying they're eligible for a tax refund. The phishing link redirects the customers to a fake page with multiple redirects to fake banking links. Be careful, not use those links".

Another email scam is asking New Zealand taxpayers to complete a *Property disclosure return (IR4T)*.

"If you receive this email, please ignore it and delete it. Don't complete the IR4T or send it to the fax number or email address in the email."

## Better writing

Would you like to improve the way you write?

Here are some tips:

- Avoid long sentences
- Use short words
- Bullet points can sometimes make things clearer
- Colloquial writing, such as “don’t” and “can’t” are less formal

Do sentences have to have verbs? Not necessarily! When advertising, feel free to break the rules of grammar if this will improve the clarity of the ad. Yeah, right! Think of the reader and pitch your style to suit we slip into jargon very easily. Jargon is words we use in our industry. When writing, remember the reader may not understand your industry language. “Money owing to you” makes more sense than “Debtors” doesn’t it? By the way, if you want to write a newsletter, don’t be like some lawyers and write lots of boring words that no one wants to read. Always consider the reader.

## Take notes as evidence



Occasionally you'll encounter a conflict, which you'll usually try to resolve on the telephone. Sometimes you'll succeed.

Recently a traveller took out a travel insurance policy for a year. Towards the end of the year he was heading overseas on his last business trip which would be covered under this policy. As a precaution, he told the insurance company something that had arisen recently, that he thought they should know. When he talked to the claims department he was told that if any illness resulted while overseas it would not be covered. Since he was travelling

via the United States, you can imagine this was alarming. After a stressful three or four hours he managed to contact a more senior person in the firm who acknowledged the first claims manager was wrong. The traveller asked for confirmation by email and when he hung up he took detailed notes of the conversation.

Our message is clear. When you have conflict such as this, write notes immediately of what was said. They form excellent evidence if you ever have to take the matter to court or if there's further argument. Be sure to make a note of the date and time you wrote the notes.

## Catch out staff, for the better

It's a good idea to try and catch your staff out. Sounds strange? Try and catch them doing something really good. Take the opportunity to praise them publicly (and criticise in private). Praising staff promotes behaviour you want. They'll want to please you again. It's obviously true for employees but it's as equally true for anyone else; even your children, of course. Encourage what you consider to be good behaviour by giving praise whenever you can. It will work better than telling them off for what they do wrong.



## Splitting a couple's income

Generally, splitting income of a couple is allowed only if you can justify the amount paid to the smaller income earner.

If you work for yourself, you'll need to get the Inland Revenue's approval before paying your spouse or partner. This need for approval does not apply to companies. All that is needed is for you to be able to justify the income if IRD asks.

The rules for couples who are partners in business are a little more complicated. Please ask us if you want to know what they are.

Where the couple are both working fulltime in a company, the usual rule is you can pay them as much as you like. However, we think excessive salaries to a low skilled partner could upset IRD. The department can also be upset by excessively low salaries, particularly if they result in lowering the overall tax paid.

## Useful website

If you're a borrower or a lender the website: [www.interest.co.nz](http://www.interest.co.nz) should be useful to you. You can find out quite a lot about what the banks are offering and you can compare banks. You can also use their calculator. An investor, for example, can compare a PIE investment at one bank with a term deposit at another. If you wanted to reinvest interest as you go, you could work out what you could earn over the term of the loan.

Similar calculations can be made by borrowers.

## Bank charges are down

There has been a big cut in bank charges. A bank client paid over \$70 a month last year merely to deposit and withdraw money. That amount excluded cheque fees. One day he found out from a teller he could have as many of these transactions as he wanted for just \$5 a month. This led him to check all his accounts. He found a personal account was costing \$5 a transaction because the bank was paying a tiny amount of interest. Have you reviewed your bank charges recently? You might be paying for an overdraft service fee you never use.

## Don't be mean with a guarantee

A woman bought a watch from a well known New Zealand jeweller, but had trouble when she questioned the guarantee.

After 18 months the watch failed so she took it back as there was a two-year guarantee on it. The assistant told her that as someone had opened the back of the watch to see if the battery had run out, the manufacturer might not honour the guarantee.

This advice was not well received, as you can imagine.

A week or so later she received a call telling her the manufacturer had thrown away her watch and supplied a new one. She therefore asked for a fresh two-year guarantee. She pointed out the old watch was obviously so bad the manufacturer did not want to repair it. It was a new watch, so a new guarantee, surely.

"Oh no," said the assistant. "You only get the remainder of your guarantee period – six months."

The customer stuck to her guns and eventually the assistant said "if I give you a fresh two-year guarantee, will that satisfy you?"

"Yes," the customer replied. "That will do fine".

In due course she was talking with a solicitor friend who advised her not to worry about guarantees.

"I rely on the Consumer Guarantees Act which requires that the product be suitable for the purpose for which it was bought," the solicitor said.

To which the customer responded: "Well how long should a reasonably priced watch from a reputable New Zealand jeweller last? Do you think 10 years would be unreasonable?" The solicitor agreed 10 years was probably fair enough.

The solicitor's reasoning applies also for "extended warranties" often offered by big store retailers. They're usually a waste of time because you're covered by the Act.

We are telling you this story because: You should never be stingy with your guarantee or try to find a way to dishonour it. Doing so leaves a bad taste in the customer's mouth. It's also very stupid because logically, if the product is any good, you should rarely have to honour a guarantee. In the illustration above, the shop assistant should not have suggested the guarantee might be void and she should have given a further two-year guarantee without blinking.

The second reason for this article is to explain that it doesn't matter too much whether you have a guarantee or not because you can fall back on the Consumer Guarantees Act. A guarantee really defines a minimum time for putting the product right. The woman is telling her friends about her bad experience – not good for the jeweller's business.

## Are you using the correct PAYE tables?

Each year the PAYE deduction tables change, even if it's very slightly. This occurs even though tax rates may be unchanged. It's caused by changes in ACC levies. IRD does not send out new PAYE deduction tables. You can get them off the internet or apply for them from IRD.

## UOMI rates up

The Use of Money Interest rate charge by IRD has just been increased from 8.4% to 9.21%. Clients get caught for UOMI when they have big incomes. The current threshold for an individual who has no tax deducted at source is \$179,030. If this is you, see us now and let us get some more tax paid, even if you're not yet ready to see us about annual accounts. If you have a family trust and you want to keep income in the trust, the threshold is only \$7575 before UOMI applies.

## New car and FBT

In one case recently, a car company included a free set of tyres with a new car after three years, \$1000 worth of petrol vouchers and free servicing for three years. You can't deduct the value of these from the price of the car, to achieve a lower cost for FBT purposes. They're merely promotional items. However, they could be used as bargaining chips to get the original cost of the car (and hence FBT) reduced.

## Investment income

Where a couple have a joint account, the income from money taken out for investing belongs to both people. This is true regardless of who earned the money. Split the income equally. Some people are tempted to treat the income as belonging to the partner with the smaller income. This is wrong and would not be acceptable to the Inland Revenue Department.

## The power and risk of social media

Social media such as Facebook can be both powerful and risky for businesses.

Powerful because it has the ability to reach a wide audience instantly and risky for the same reason. What's important to business people is what goes onto Facebook, as our example.

Remember, what you post goes public (unless you adjust your privacy settings). So you can promote your product or service to your heart's content. However, observe the same rules of good writing and comprehension as you would for any print publicity. Bad writing indicates sloppy work practices, whether the work is or not.

Other risks come with the messages you convey. Sacking a staff member "because things are tight at the moment" and posting a photo showing you at Lake Taupo on your new boat will not sit well with staff. Beware especially of business functions, where everyone can take photos on their cell phone and post on Facebook. Do you look drunk or overly friendly with a staff member?

Staff, too, need to be careful. Employers and especially prospective employers check social media to what sort of person they might have on staff. Gripping about work on Facebook or posting a fun photo at the rugby when they've called in sick is a sure path to the door.



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## NZ in tax swap info deal with United States

New Zealand has entered into an agreement with the United States for information sharing in response to a US Act called the Foreign Account Tax Compliance Act (FATCA).

Our financial institutions have to provide information about US citizens to the US Government. Citizens of the US are subject to tax on their worldwide income, even if they live in New Zealand. If you're a US citizen, be sure to tell the IRS about any income you have derived in New Zealand.

It works both ways. The New Zealand Government will receive similar information about New Zealand residents who have accounts in the US.



## Read important documents

The Insurance and Savings Ombudsman said recently that customers of financial advisers should keep all documents, read them carefully, and always ask questions. This includes insurance companies.

Who has the time to read all this detail? When it comes to these documents, you need to make the time. You should challenge anything you read and don't like. Get it deleted or changed. If the company won't negotiate, look elsewhere.

A woman took off her expensive diamond ring and put it on her dressing table. It was stolen. The policy required the ring to be always worn or put in a locked safe – no claim.



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[WWW.TAXEXPERTS.CO.NZ](http://WWW.TAXEXPERTS.CO.NZ)

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