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"They always say time changes things, but you actually have to change them yourself."

(Andy Warhol, 1928 - 1987)

Claiming Expenses on Empty Rental Properties

The IRD acknowledges that there are periods where no rental income is being derived from a rental property. This could be due to difficulty finding new tenants or because the property is undergoing repairs. As long as the property is available for rent and is still intended for

this purpose, the IRD allows expenses regarding the rental property to be claimed despite the property being empty.

However, if the property was untenanted for a significant period of time, the IRD would need to be satisfied that there

was still an intention of making a profit and may wish to see evidence that the landlord is in fact seeking a tenant (e.g. by placing newspaper advertisements or appointing a letting agent).

Source: RSM Prince

The Top 5 Business Opportunities in a Downturn

Your ability to seize opportunities in a downturn depends on your current strategic and financial strength and whether you have the ability to exploit them.

The top 5 business opportunities are:

1. Market opportunities.

Respond to customers' shifting demands and offer new products or services that better meet these new demands. There is also the opportunity to acquire clients from struggling rivals.

2. Transformation opportunities.

The 5 competitive forces that shape industry are rapidly changing in many cases. This provides an opportunity to

rethink your business model - and potentially transform your business for greater success in the future.

3. Resource opportunities.

Many struggling businesses are being forced to sell assets at low prices to raise cash.

This creates opportunity for businesses who have the financial strength to acquire those assets.

4. Portfolio opportunities.

Make the hard choices on your portfolio of business units,

products, and customers. What business should you be in? What business should you no longer be in? What new business do you need to get into? Make clear decisions on what are going to be "core", and "non-core" activities for your business going forward.

5. Operational opportunities.

Use this time to identify ways to improve the efficiency of your core processes and to improve your ability to implement your chosen strategy - by incorporating best practice systems and processes.

Source: Financial Times on 29 April and Results Group



Redundancy

Tough times can call for tough decisions and in the midst of these challenging economic times, laying off staff may be a necessary evil that your business has to endure for its own survival.

Making redundancies is no enviable task and will impact both the people being laid off and the people left behind. It is therefore important to ensure you are equipped to manage the situation in the best way possible.

Guy Kawasaki has given his opinions on how to handle this difficult process in his recently released book; "Reality Check". We have summarised a few of his key tips below:

Business Industry Descriptions

Business industry descriptions are used to classify a business in relation to the main activity it is involved in. Each business industry description has a corresponding business industry code. These can be found on the website www.businessdescription.co.nz.

These descriptions and codes are required in several situations, such as when registering for GST or completing an annual income tax return for the business. The Inland Revenue Department and Statistics New Zealand use this information for statistical analysis and surveys.

ACC use the business industry descriptions to determine classification units (CUs) - these are used to categorise a group of businesses with a similar risk of workplace injury. Taking into account these risks, each CU is given a corresponding ACC levy rate which is used to calculate the ACC levies charged for workplace injury cover and residual claims.

It is important that you choose the correct business industry description to ensure that your records are accurate and your ACC levies are calculated correctly. If you believe the CU description the ACC is using on your invoices is incorrect or your main business activity has changed, you should contact ACC to advise them of this.

Source : RSM Prince

- Take responsibility for your decision. Be clear about the reasons for the redundancy and stick with them. Do not try to place the blame on other people or factors, such as the board of directors or the economic climate.
- Cut deep and cut once. Too often, management operates under the mistaken belief that things will soon improve and therefore end up making multiple small layoffs over a period of time. This can be very unsettling for the people left behind and cause a major drop in staff morale. Take a realistic view of the situation and keep in mind that it is better to have to re-hire later on than to endure another wave of redundancies.
- The need to make layoffs can be a blessing in disguise for some businesses. Use the opportunity to review your staff and cut loose any poor performers. This is also a good way of showing remaining staff that you recognise their worth.
- If you have any friends or family on the payroll, other employees will be looking closely to see what happens to them when redundancies occur. This is no time to be biased - make sure they are judged on their performance in the same way as everyone else.
- With staff losing their jobs, it helps if you show that you are making sacrifices too. This could be in the form of a pay cut, returning your company car or flying economy class. Whatever it is, show that you are willing to share the pain.
- While making people redundant may be a difficult thing to do, always be sensitive to the fact that the person who suffers most is the one being laid off. It was ultimately your decision to downsize, so do not ask for pity by showing them how hard it is on you too.
- Try to provide support for departing staff where possible, such as counselling or help with job-searching or CV-writing. Offering this kind of support helps communicate a strong message to both the people leaving and the people staying - that you care about them.
- In most cases, if you have told someone they are being laid off, you should let them finish the day (or maybe the week), say their goodbyes and let that be it. Although this approach can seem harsh, it is better for the people leaving and the people remaining not to drag things out.
- As difficult as it may be, you must focus on moving forward. Remaining employees will be looking to you for motivation and reassurance that the future of the business, and their jobs, are in good hands. So avoid hiding away in your office - put on a brave face and encourage your staff to work towards the light at the end of the tunnel.

Minimum Wage Increase

The Government has announced an increase in the minimum wage from \$12.00 an hour to \$12.50 an hour, effective from 1 April 2009. The training and new entrant minimum wage will also increase, from \$9.60 an hour to \$10.00 an hour.

According to Prime Minister John Key, this rise is in line with inflation and is intended to strike a balance between protecting

the spending power of the lowest income earners and protecting jobs.

The Government had expressed concern that, given the current economic downturn, a large increase may put too much financial pressure on employers and could ultimately result in job losses. However, they also accepted that with an increase in the cost of living, it would not be fair on the minimum

wage earners not to give them a raise to help offset these costs.

It is hoped that employers and workers will be able to look at this decision objectively and see the increase as a fair compromise between the interests of all involved.

Source : RSM Prince

Tax Payment Deferral

If you will have difficulty meeting your tax (income tax, GST, PAYE, FBT) payment obligations IRD have a range of options available as follows :

- A formal instalment arrangement where you repay an agreed amount over time.
- Maximum of two years to repay your tax liability inclusive of any interest charged.
- The first payment is to be within 3 months after the due date.
- Payments can be made on a weekly, fortnightly or monthly basis or
- A lump sum at an agreed time within 3 months of the due date.
- Writing off an agreed amount if the Inland Revenue Department determine that full payment would cause you serious hardship (detailed financial information will be required).
- A combination of an instalment arrangement and a serious hardship write-off.

IRD must be contacted to make a formal arrangement before the due date. As long as you meet all of your obligations under the arrangement you will only be charged one late payment penalty of 1% plus interest

(current UOMI rate is 9.73%). Further penalties will only be charged if you do not meet your arrangement obligations.

We can set up the arrangement on your behalf. We will discuss your current circumstances with the IRD to help determine the best option for dealing with the amount due. The IRD will consider your current situation, your payment history and your ability to meet future obligations. You can of course go direct to IRD yourself.

Negotiation Period

Where IRD require extra information to determine the best option for you they will give a specific timeframe to provide the required information. During this time, they will not impose further penalties or take new debt recovery actions. Late payment penalties and recovery actions will recommence only if a conclusion is not reached before the end of the negotiated timeframe. Interest continues to be charged during the period of negotiation.

Source : Fraser Accounting



Donations

Changes to the rules regarding donation claims were introduced from the 2008/09 income year in order to give greater tax incentives for charitable giving. These changes affect donations by both individuals and companies, as outlined below:

Individuals

A donation rebate can be claimed for the lesser of 33.33% of the total donation made or 33.33% of your taxable income. This is the same as the previous rules but the rebate was previously capped at \$630, regardless of how much was actually donated. From the 2008/09 income year, this maximum limit has been removed.

Companies

From the 2008/09 income year, substantial changes were made to the rules regarding donations made by companies. Firstly, the deduction limit of 5% of the company's net income was removed. This means that all donations can be claimed as a tax deductible expense, limited only by the total amount of the company's net income. Secondly, the deduction for donations has been extended to include close companies (companies with five or fewer shareholders). In the past, close companies were not able to claim a deduction for donations unless they were listed on the official list of a recognised exchange, such as the NZ Stock Exchange.

It is hoped that these changes will encourage greater financial support for the work of charities and other non-profit organisations and will help develop a culture of generosity in New Zealand.

Source : RSM Prince

Individual IRD Number Applications

In order to get a personal IRD number for yourself or a child in your care, you now need to apply in person at an Automobile Association (AA) Driver Licensing Agent, PostShop or selected New Zealand Post retail outlet. These agencies are known as Inland Revenue appointed verifiers.

Applicants must complete an IRD number application form (IR 595) and provide two original identity documents (one from Category A and one from Category B, as detailed below), and also provide photocopies of these.

Category A

- New Zealand full birth certificate (issued on or after 1 January 1998)
- New Zealand Passport
- Overseas Passport
- New Zealand emergency travel document
- New Zealand firearm or dealer's licence
- New Zealand refugee travel document
- New Zealand certificate of identity
- New Zealand citizenship certificate

Category B

- New Zealand driver licence
- New Zealand 18+ card
- New Zealand student photo ID
- A letter confirming registration as a student in New Zealand
- An "offer of employment" letter from your employer, on company letterhead
- International Drivers' Permit
- Overseas Drivers' Licence

The Inland Revenue appointed verifier will confirm the original documents and forward the photocopies to the IRD. The IRD will then process the application and advise you of your IRD number within 10 working days.

The same application form is now used if you are applying for an IRD number for a child in your care. However, as well as full proof of your own identity, you must also provide a

Category A or B document for the child and a document indicating the nature of the relationship between you and the child.

These rules do not affect people who already have an IRD number, nor does this process apply to IRD numbers for non-individual taxpayers, such as companies, partnerships and trusts.

Working From Home

If you have your own business and use an area of your home for work purposes, some of the costs incurred in relation to your home will probably be deductible.

Deductions are only available if an area in your home is set aside predominantly for business purposes (such as an office or storage space) and you keep complete records of all expenses to be claimed.

Household expenses that could be partially deductible include power, gas, rates, house and contents insurance, mortgage interest, rent and depreciation (if you own the house).

The usual way of determining the proportion of these costs that can be attributed to the business is to take the percentage of the total floor area of the house that is used for work purposes. For example, if your home office is 15 square metres and the total area of the house is 100 square metres, 15% of the household expenses will be deductible. If you are registered for GST, 15% of the GST content of these expenses would also be claimable in your GST return.

If you decide to depreciate your home and claim a portion of this

depreciation as a business expense, you should be aware that you'll be required to account for any depreciation recovered when you sell your home or stop using it for business purposes. Depreciation will be fully deductible on any capital items used solely for business purposes (e.g. a computer in your home office or shelving used for storing stock in the garage).

The treatment of home phone costs is a little different. If you run your business from home, and only have one home phone line, you may claim 50% of the line rental charge and 100% of the cost of toll calls that relate to the business. However, if you have both a business and personal line at home, you can claim 100% of the business line rental charge but none of the personal line rental charge. The cost of business-related toll calls will be fully deductible, whether made from the business or personal line. It is best to analyse the toll calls as soon as you receive your telephone bill so you don't forget whether these calls were business or personal in nature.



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	- Hamilton	(07) 848-1586
	- Auckland	(09) 262-3634
RSM Prince	- Auckland	(09) 379 5324
	- Papakura	(09) 299 6612
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Sudburys Limited	- Whangarei	(09) 438 1113
Whitelaw Weber Limited	- Kaikohe	(09) 401 0991
	- Kerikeri	(09) 407 7117
	- Mangonui	(09) 406-2173

The Importance of Marketing during Good Times as well as Bad Times

When there is over-confidence and over-optimism in the market, value often takes a backseat and therefore consumers indulge. When the time gets tough, consumers often tighten their purse strings and value comes to the driving seat. Cutting prices doesn't sound like such a good idea if you might be getting less work to begin with.

A good marketing plan can help launch a new business or grow an existing one. There are however, numerous common marketing mistakes. One of the biggest mistakes that we have encountered is that numerous business owners concentrate far less on marketing during good times falling into the trap of being in a comfort zone.

Changes in Particulars

Please remember to let us know of any changes in:

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Or anything else that may be relevant.

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