

Alliott NZ Winter 2019 Newsletter

Take your business to the next level with help from our experienced team of Chartered Accountants and Business Advisors

TAX ALERT

RING FENCING OF RESIDENTIAL RENTAL LOSSES

The government has now passed the legislation to ring-fence rental losses on residential properties. Retrospective from 1 April 2019 this means you may no longer be able to use the rental losses. You may currently be offsetting the losses against your personal income or against other income in the entities that hold the residential properties. This may also affect any provisional tax payable. If you have a concern in regard to this please [contact](#) us directly on 09 520 9200.

Stay close to your numbers

Helping business owners understand where to focus

There is a lot of talk in the accounting profession about business advisory. What is it, and what is it not?

At Alliotts, we believe that advisory is not a logical extension of traditional accounting services. It is an entirely different skill set. A cricket batsman could not do the job of the bowler. But they are both cricketers. The oboist could not do the job of the violinist. But they are both musicians in an orchestra. A grape grower will unlikely fatten sheep. But both are primary production. So why would you expect to be able to 'flick a switch' and suddenly expect your accountant to become a business advisor? At Alliotts we have the expertise and leveraged solutions, supported by an experienced [Business Guidance](#) team to help business owners in new ways.

Key benefits when working with a business advisor:

- Build on your strength with numbers to show what is possible in your business
- Discover how to zero in on the most impactful drivers of revenue and profit
- Having the language to engage your team in setting strategic direction

Take your business to the next level with help from Alliotts' experienced team of Chartered Accountants and Business Advisors. Watch our [video](#) to learn more or call our team in Auckland on 09 520 9200 to get started today.

ABC success for small business

Check the financial health of your business now!

Set resolutions for your business for this financial year.

Well-organised businesses undergo financial housekeeping to minimise risk and maximise profits and growth. Using these pointers can help improve your own business:

1. Assess your strategic plan

The objectives you have for your business and personal life are reflected in your strategic plan. After checking your business' financial health, reconsider your strategic plan including analysing your market and trending future developments.

Your strategic plan should address the weaknesses identified in the financial health check (see Point 7 below) and include a work plan, accountability and deadlines to be implemented and monitored throughout the coming year. It need not be a length plan like most think.

Short, concise and meaningful are the key attributes of a great strategic plan. Strategic Planning need not be costly or time-consuming; the most important element of strategic planning is that you do it!

TIP: By way of a reminder, your marketing plan sits alongside your strategic plan and should support your business objectives. Remember to look at what your competitors are doing as well as what is happening globally.

2. Budget and Cash flow forecast

Strong cash flow is an enabler of business success, therefore forecasting for cash is fundamentally good business practice. Ensure that it aligns with your budget and is monitored quarterly (minimum) or monthly (even better).

Your budget also needs to align with your strategic plan so resources can be allocated to achieve set objectives. If budgeting shows an objective is not affordable, either modify your strategic plan or seek additional resources for that objective eg through borrowing.

List assumptions when setting your budget and stress test potential scenarios before locking in the final plan. Both your budget and cash flow forecasts should be regularly monitored against actual results and variations queried.

3. Digital capability

There is a strong link between technology and business growth, with businesses selling online, using social media and investing in technology being significantly more likely to grow than other businesses.

If digital is already part of your business, check in with us to see if what you are doing is working optimally. However, if digital is not yet part of your strategy, speak with Alliott NZ about how to incorporate it into your strategy, implement it across your business and develop the capability to best exploit digital technologies. Identify your technology needs and invest and if you're uncertain, check with us about what technology may be best for your business and your capabilities.

4. Exposure to risk

- too heavy reliance on a small number of major customers or one supplier
- selling on credit
- fraud
- cybersecurity

5. Financing options

To fund ongoing operations and growth, most businesses need finance which can be provided from debt, equity or internally generated cash flow. The purpose for financing an asset purchase, for example, will help determine the type of finance you should access.

If you borrow from a lending institution, meet with a Lending Specialist to discuss your business plans for the coming year. You may find they can offer better options to finance your plans.

TIP: If you can manage it, have some surplus finance available to cover business contingencies such as taking advantage of new opportunities.

6. Gun record-keeping

Generally a rule of thumb is to 'record-separate-keep'. Failure to do so opens up common traps that the IRD is seeing as mistakes:

- RECORD cash income and expenditure; personal drawings and goods for your own use
- SEPARATE private expenses from business expenses
- KEEP adequate stock and motor vehicle claims; valid tax invoices and creditable acquisitions when registered for GST

7. Health-check your business financials

Review your financials and calculate key metrics such as liquidity, solvency, profitability and return on investment. Comparing results against previous annual figures and peers in your industry will help you understand strengths, weakness or potential threats to your business.

Review business profitability

Issues impacting business profitability may be unearthed in your financial health check, strategic plan review or draft budget. Other factors affecting profitability may also be found by reviewing staff productivity, production processes, supply chain, use of business assets and/or costs.

Consider measures to improve profitability across your business such as reducing costs or better reporting transparency and seek our advice on effective tax strategies.

FINAL TIP: during this financial year be open as much as possible to new opportunities consistent with your strategic direction that can be properly funded.

NZ GST on low-value imported goods

New GST rules for low-value imported goods

From 1 December 2019 overseas businesses selling low-value goods to consumers in New Zealand must charge GST at the point of sale if they meet the GST registration requirements, including a NZ\$60,000 turnover threshold.

Low-value goods are physical goods valued at NZ\$1,000 or less (excluding GST), such as books, clothing, cosmetics, shoes, sporting equipment and electronic items. Goods sold for more than NZ\$1,000 will continue to be taxed by Customs at the border as they come into New Zealand. These changes apply to:

- **merchants (or retailers)** who sell goods directly to New Zealand consumers (either online, by mail order or phone)
- **online marketplaces** merchants sell goods and services through
- **redeliverers** that offer mailbox redelivery and personal shopping services from other countries.

For each transaction, only one entity will be required to collect GST on the value of the good. There are rules for working out which of these businesses is treated as the supplier of the goods.

What does this mean for our overseas business clients?

Overseas businesses are required to register for GST if their total taxable supplies of low-value goods and services to New Zealand consumers exceeds or are likely to exceed NZ\$60,000 in a 12-month period.

If you only supply goods for business use to GST-registered businesses in New Zealand, you don't need to register.

We will be able to register our clients online from early September.

What does this mean for our New Zealand business clients?

Low-value goods sold by overseas suppliers and sent to GST-registered businesses in New Zealand, for use in their business (business-to-business supplies) are generally excluded from these rules. In limited circumstances, overseas suppliers may collect and return GST on these sales.

Overseas suppliers will charge GST to New Zealand GST-registered businesses unless your client provides the supplier with their GST number, New Zealand Business Number or informs them that they're a GST-registered business.

Visit ird.govt.nz/GSTupdate for detailed guidance on these changes. If you have questions, please [contact](#) the team at Alliott NZ in Auckland.

Watch your cash flow

Cash flow housekeeping

In a business environment of continual flux, your business will be affected if you are operating your business with loan funds, bank overdrafts, credit cards, etc.

Now is an appropriate time to fully review all of the processes which can affect your cash flow including:

- Do you promptly dispatch invoices to clients?
- Do you have clients complete a credit application form?
- Do you obtain personal guarantees from company directors of customers?
- Do you promptly dispatch debtors' statements at the end of the month?
- Do you follow-up debtors who are not paying in accordance with your firm's payment terms?
- Have you clearly stated to your customers what your payment terms are?
- Have you analysed your work in progress to ensure that jobs are completed and billed as soon as possible?
- Have you analysed your stock turn? Are you trying to do something about slow-moving stock?
- Should you negotiate better terms or delayed payments with your creditors?

If you are experiencing delays in receipts and you are relying on loan funds, bank overdrafts and/or credit cards to finance your business then any increase in interest rates will start imposing greater burdens on your business.

The key thing for you to do is to be aware of the necessity to monitor your cash flow position on an ongoing basis, particularly relating to work in progress, stock, debtors and creditors, to see whether any improvements can be made that would have the effect of reducing reliance on borrowings, therefore reducing interest cost.

We can assist you in reviewing your cash flow position. Call the team at Alliotts in Auckland on 09 520 9200 today.

REMINDER Changes to NZ Payroll

What you need to know - Xero Payroll

There have been a number of changes concerning payroll this year. A reminder of these are:

Changes you should be aware of:

- The minimum wage increased by \$1.20 to \$17.70 on 1 April 2019. The starting-out and training minimum wage rates increased from \$13.20 to \$14.16 per hour. To see how to update this in your organisation, please take a look at [Xero Central](#).
- The annual ACC earner levy threshold has gone up to \$128,470, and the Student Loan threshold increased to \$380 a week – Xero takes care of both of these updates automatically for you.
- KiwiSaver maximum deduction increased from 8% to 10%.
- Payday Filing was compulsory from 1 April 2019, more information can be found [here](#).
- Introduction of Domestic Violence Leave, 10 days after 6 months of employment. This is automatically added to your Leave Pay Items and can be manually assigned to the employees. You can see how to assign this to your employees [here](#).

Xero makes payroll painless and simple by providing the tools and education to make your compliance and updates a breeze, leaving you with more time to focus on doing the things you want to do.

Always check with the Xero Certified Consultants at Alliotts in Auckland for professional advice. Alliott NZ are Xero Platinum Partners. Contact us today for a free trial and to speak to one of our Xero certified advisors in Auckland about how to get the most out of Xero for your business. For more information on end-of-year payroll information, check out our free tax planning [checklist](#).

Partner Q&A: Behind the scenes with Luc Lamy

Luc Lamy, Partner at Tax Consult and member of the EMEA Advisory Committee, shares what motivates him, the best career advice he ever received, and just as importantly, what he does when not working.

What do you love most about your job? Our domain of expertise brings each day a lot of development opportunities and hot topics to resolve, and this provides passionate discussions and reflections with my colleagues and clients. Partnering with clients for years and developing a solid relationship are really appreciated.

What is one piece of advice you would give to someone who was looking at starting out in your industry? First, it is key to accept that your degree is the first step and will not make you a complete professional. You will be in a continuous learning process. University does not provide the skills for leading a team and taking care off/serving clients. Each day is an opportunity for improvement.

What would you do if you weren't in your current role? I would love managing a wine bar. I could easily imagine visiting French, Italian and Spanish wine producers from Sunday to Tuesday. The bar would be opened from Wednesday to Saturday. Do you want the opening hours?

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Name 3 people that you would invite to a dinner party (living or dead). I would be interested to dine with three successive presidents/country leaders and get their feedback on the evolution of their country. For instance, imagine doing that for the USA (Trump, Obama and Bush) or France (Macron, Hollande and Sarkozy).

What was your first job? I started as a tax junior with Arthur Andersen. I started during a tax return peak season. The first months were challenging and provided solid foundations for my future.

What motivates you? The diversity of things resulting from my day-to-day activities make me get up and enjoy the day.

If you could live anywhere in the world, where would you live? Thanks to Alliott Group worldwide conferences, we can visit nice locations. Sydney left an outstanding impression.

How do you start each morning? Turning on the radio, getting the news. I am not connected to social media. So it happens that I need to come back home ... to get my mobile phone.

What's the best piece of advice that you've received? My first boss always encouraged me to go visiting my clients. Do visit client on a systematic basis and offer advice proactively.

What is your favourite holiday destination and why? For the first months of the year, it is definitively the mountains (i.e. French and Swiss Alps). I love skiing and enjoying après-ski with friends and children. For summer, South of Spain and Morocco are nice spots for kite-surfing.

Name one item that you can't live without. At this time, my glasses. Without them, no access to books and I like French literature.

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What is the number one problem Alliott Group solves for your clients? Alliott Group enables my clients to get direct and accessible assistance in many locations where they operate. Providing solutions to an expatriate in Canada or in Malaysia through a quick call/meeting is that easy to implement with our Group.

Which countries do you most regularly work with? We have on going business with our friends from Borrie in The Netherlands. Our common clients have subsidiaries and plants in both locations and this creates nice tax issues to tackle together.

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For any questions or queries, please call 09 520 9200 or email enquiries@allriott.co.nz to ask for advice that is relevant to you.

Kind regards,

Greg Millar & Vanessa Williams

