laydoddnews

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Chartered Accountants & Business Advisors

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Making payments to IRD – what is changing from 1 October 2014

Inland Revenue are changing some of your options to make payments to them as of 1 October 2014.

Paying at Westpac

If you're used to paying your tax through Westpac, you won't be able to pay by cheque anymore, or drop off returns and forms. You will still be able to pay through Westpac by:

- Cash and eftpos payments
- Online banking
- Credit or debit cards
- International money transfers

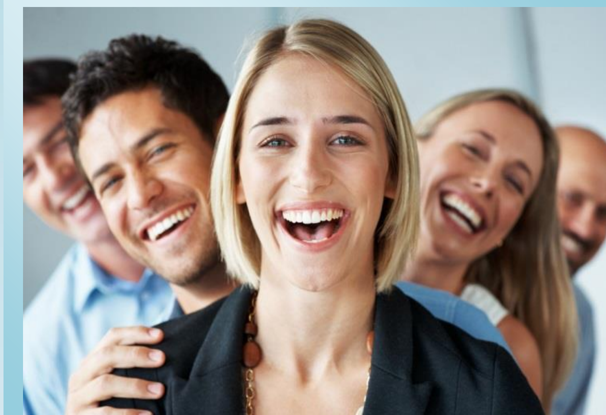
Posting cheques and returns – get the timing right

You can post cheque payments and returns direct to IRD. From 1 October 2014, all cheques must reach IRD **on or before the due date** to avoid interest and late payment penalties. Until now, it's been enough that the postmark showed that the cheque was posted on or before the due date, but that won't be acceptable after 1 October.

Online payments

Inland Revenue is encouraging taxpayers to make their payments online. You can file returns and make payments online up to, and including, the due date. If you haven't done this before but want to start, give us a call and we can talk you through it.

10 Steps to Boost Enthusiasm for your business



1. **Recognise the symptoms.** Interest waning? Heart no longer in it? It's time to take yourself in hand and become more fired up.
2. **Step back.** It's easier to make important and creative decisions when you are not embroiled in the day-to-day frustrations and hubbub of the business
3. **Remember why you went into it.** What were Your objectives, expectations and dreams? Are they still valid? If so, it's time to get back down to re-drafting strategy. If not, ask yourself what your customers really need. Better still, ask them direct.
4. **Revisit moments of inspiration**. Recall the great ideas and thoughts that you have yet to put into practice and rethink how you can make them work.
5. **Surround yourself with the right people.** Two types: Those who are able to help you recreate your vision and inject new ideas into your business. Also those positive, supportive, enthusiastic folk whose positive energy will help fuel motivation.
6. **Involve your team.** Often it is people at the coalface who know best what your business needs most.
7. **Put a new plan together.** Interest wanes when things remain the same. Update your business plan and highlight the tactics and strategies that will get quick runs on the board.
8. **Conduct a rah-rah session.** Offer incentives for achievement and motivate your staff by sharing the passion.
9. **Empower your team.** Give them the wherewithal and support to put the plan into action.
10. **Celebrate success.** Nothing motivates people like experiencing success and being given the credit for it. This will help to prevent the enthusiasm from waning again.

Q and A

Q: Can an employee be forced to work on a public holiday?

A: Yes, but only if the public holiday falls on a normal working day for the employee and the employee's employment agreement includes a clause allowing the employer to do this.

Q: If an employee is working only one day a week and has been with the company for more than six months, how many paid sick days is that person entitled to?

A: Sick leave entitlements are not pro-rated in any way. If the part-time employee works only one day a week, then he or she would become entitled to 5 days sick leave after 6 months employment, and a further 5 days for each year after that, accumulating up to 20 days. Note that the employee is only paid if he or she would have worked on the day that he or she is away sick.

Q: A Business plans to cease their GST registration as their turnover is less than $60,000 (not ceasing business). When the Business ceases GST, is there any adjustment required for the final GST return?

A: The Business needs to file a final GST return, up to date of GST cancellation. You account for GST on any business assets kept within the business, as though the asset had been sold at the time of deregistration. Make a note of these assets. In such circumstances, GST is normally calculated using the current market value of assets. It would be advisable to obtain a valuation for high value items such as real estate. Deregistration can sometimes prove to be a costly exercise.

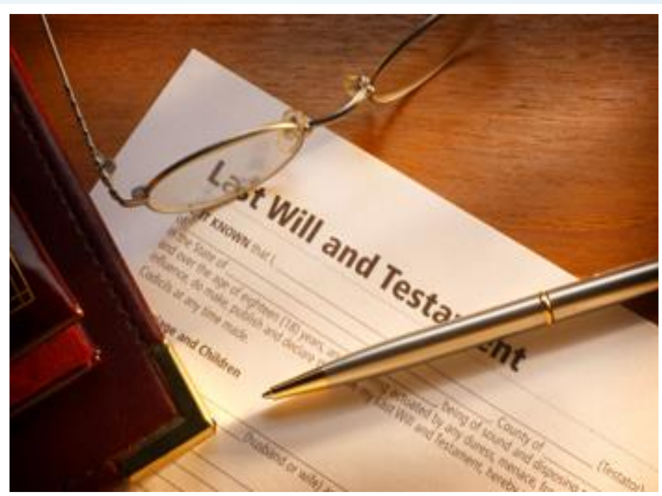
Guide to the Living

Preparing for your death takes courage and foresight. But if you visualise the difficulties your surviving family and personal representatives will face, particularly if you die unexpectedly, then you will appreciate that forethought and planning on your part will be invaluable to those you leave behind.

One file containing all the documents below will be an invaluable help to your surviving loved ones, personal representatives, trustees of your trusts, lawyer and accountant in the event of your sudden or unexpected death or permanent mental incapacity.

Suggested inclusions (for both partners if you are in a relationship):

- Wills
- Enduring Powers of Attorney
- Memorandum of wishes
- Life assurance schedule and policies
- Funeral requirements:
    - Funeral Director details
    - Prepaid funeral details
    - Burial or cremation preference
    - Order of service
    - Burial plot
- Details of valuable possessions/chattels (by dollar value or intrinsic value). Many people take photographs of jewellery, artwork, antiques, classic cars, etc
- Family tree – parents to great grandchildren
- Passwords (if considered appropriate) for computer, security system, telephone, etc.
- Contact details of doctor, lawyer, accountant, investment adviser, etc.
- Contact details of all trades that service the home maintenance
- Location & description of investment details
- Bank account details, signatories and how to operate electronic bank accounts (hopefully a joint account exists)
- If owning multiple properties – property titles / certificates
- Vehicle ownership details
- List of people to notify on death – family, friends, relatives living overseas
- List of positions held – trusteeships, directorships, guardianships, etc.
- Other documents:
    - Birth, death & marriage certificates if appropriate
    - Citizenship papers
    - Separation or divorce papers and Section 21 property relationship agreements
    - Mortgage and other debt details including guarantees
    - Partnership and shareholder agreements
    - Photocopy of passport front page
    - Insurance documents – make sure your insurance is up to date when you change your will



Succession Planning

According to Gerry Harvey, Chairman of Harvey Norman Holdings Ltd, "We lose too many perfectly functional family businesses because no one has looked at the succession issue when the founder retires".

The business owner has five alternatives:

a) Sell to an Outside Third Party
b) Transfer internally to family, co-owners or employees (as in a management buy-out)
c) Continue ownership and appoint a new C.E.O
d) Become a public company
e) Liquidate the business

Some Successful Examples

Some professional consultancy firms are specifically involved in assisting business owners to make this transition and a number of great success stories exist. There is a large pool of talent in New Zealand and Australia available, looking for business buy-in opportunities.

For example: A businessman with a company specialising in providing components to the electronics industry was aware of his succession planning problem. He had a successful business employing nearly 20 people. Through specialist consultants, he employed a potential successor who was in his mid 40s. This person had vast experience in the industry, having worked for a large multinational, and his knowledge and ability was considerably greater than that of the business owner.

Although the younger man had little capital to buy in to the business, an arrangement was negotiated where he would take over many of the responsibilities of running the business, although at a lower salary than he had been earning. If he was successful at increasing market share, profitability, and business value, he would be rewarded by receiving shares in the business. The arrangement worked well, with the company doubling in value over 18 months. The new man was progressively buying into the business and the company founder's shares were also increasing in value. A win-win situation for all.

Sometimes the potential successors are able to contribute some substantial capital to the business. Redundancy settlements, superannuation payouts, immigrants with money, or New Zealanders returning from overseas, frequently have some capital to contribute. This, coupled with their experience and knowledge, can result in additional markets and profit to an already successful business. A well-structured incentive plan enables the orderly transition of ownership.

One popular option being explored by business owners is to provide incentive plans for employees to buy into the business. There are a number of benefits for a plan like this. For example, the staff have a feeling of ownership and begin to look at company issues differently. An increase in productivity and reduction in staff turnover will result in higher profits. Staff earn more, and there is an increase in company value. However, a careful assessment of staff values needs to be understood.

Sometimes employees do not want the responsibility of running a business and misunderstandings can occur, in spite of the best of intentions.

Maybe the decision is made to try to sell the business as a going concern. An analysis of the company will be completed to ensure that it is in the best possible shape to maximise a sale price. This includes looking at issues like manual vs computerised systems, stock levels and suitability of premises. The sale of a clean and tidy operation might result in achieving twice the price.

Contingency plans need to be put in place in case either party is unable to complete the transition of ownership, where either party suffers a serious health mishap or dies prematurely. Life and disability insurance is a usual component of these plans. Sometimes the retiring owner becomes re-energised with the new success of their business and decide they want to retain ownership and control after all. It is usual to include clauses in the agreement between the two parties to allow for this to happen, but providing adequate compensation to the new partner.

If you need help with any aspect of your business succession plan, please contact us.

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