

# Need to know

## Summer 2014

Peninsula  
Business Services Ltd

Chartered Accountants  
Business Advisers



## Risk and Reward

### A way to solve Christmas cashflow issues

The period after Christmas can be tough for many small and medium sized businesses.

According to more than half the respondents to a poll conducted by the Employers and Manufacturers Association, January to March is when they tend to experience cashflow constraints.

It's hardly surprising, really. The period after Christmas is traditionally slow business-wise. Consumers are either enjoying their holidays or getting their finances in order following their festive season spending. Earnings will be down if businesses shut during the break. Others may also feel the pinch if they paid staff bonuses prior to the holiday season.

It is, therefore, understandable how having to make a provisional tax payment on 15 January might be a bit problematic for some.

Still, it does not change the fact that Inland Revenue (IRD) expects this payment to be made on time and will charge taxpayers late payment penalties of up to 20 per cent per annum and use of money interest (UOMI) of 8.4 per cent if the tax is not received on the due date.

However, those who wish to free up cash at a time when they need it most have an option.

Tax pooling is IRD approved and can be used to defer provisional tax payments to a time that suits them - without incurring late payment penalties and UOMI.

This method is cheaper than using many other traditional forms of finance - rates at Tax Management NZ (TMNZ) start from below six per cent - and does not affect existing lines of credit.

No credit check or security is required.

The full amount of finance does not need to be paid back if less tax is owed than first thought. The finance arrangement can be easily extended as well.

### How it works

Say you wish to defer a \$5,000 provisional tax payment for six months.

You would pay TMNZ a one-off, tax-deductible interest amount and TMNZ would arrange the \$5,000 provisional tax payment on your behalf. The interest amount is based on the amount of tax financed and the period of maturity, so in this instance would be \$145.

The provisional tax payment is held in an IRD account administered by the Guardian Trust. Guardian Trust instructs the IRD to transfer the tax into your IRD account when you repay the \$5,000 principal in six months' time.

IRD treats the \$5,000 provisional tax as being paid on time once the transfer is processed.

Visit [www.tmnz.co.nz](http://www.tmnz.co.nz) or phone us if you would like to know more.



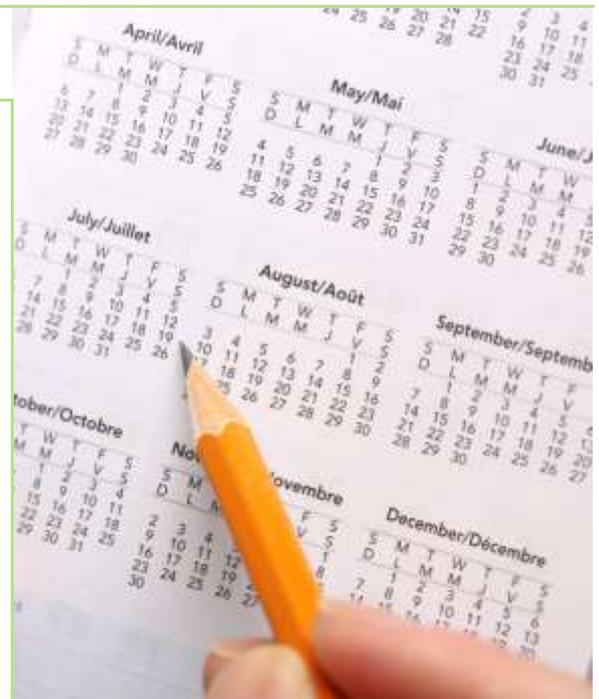
Wishing you a safe and happy holiday from all of us here. Our Whitianga office will close 2pm Friday 19 December and reopen in the New Year on Monday 12 January.

# Tax Talk

## Don't forget

IRD have changed their policy on when payments will be considered to have been received on time. Payments made by post are now treated as made on the day Inland Revenue receives them; the date of posting is irrelevant. It's therefore up to you to make sure you post your cheques in good time to reach IRD on time. There's no guarantee that a payment posted on the 18th will reach Inland Revenue by the 20th.

If you're sending a post-dated cheque, Inland Revenue will not bank it until the date specified. So even though it's physically received before the due date, it will still be treated as received late if the specified date is after the due date. You can also make payments in person, either at an Inland Revenue office or at a Westpac branch (note Westpac no longer accept cheques for tax payments) as long as you do so before close of business on the due date. Now might be a good time to think about making your payments online, if you don't already.



## Timely Reminders

|   |  |   |
|---|--|---|
| <b>7 Jan</b>                              | Terminal Tax<br>FBT  | Taxpayers (where we prepare tax returns) on a December balance date<br>Close companies paying FBT on an income year basis (where we prepare tax returns) with a December balance date   |
| <b>15 Jan</b>                             | Provisional tax<br><br>GST return and payment for period ended 30 November | Standard provisional taxpayers on March, November and July balance dates<br>GST ratio method taxpayers on January, March, May, July, September, and November balance dates<br>6 monthly GST taxpayers on May and November balance dates<br>Taxpayers filing GST on a monthly basis AND taxpayers (with March, May, July, September, November and January balance dates) filing on a 2 monthly basis |
| <b>20 Jan</b>                             | FBT  | Third quarter return (for the three month period ended December)  |
| <b>28 Jan</b>                             | Provisional tax<br><br>GST return and payment for period ended 31 December | GST ratio method taxpayers on February, April, June, August, October, and December balance dates<br>6 monthly GST taxpayers on June and December balance dates<br>Taxpayers filing GST on a monthly basis AND taxpayers (with February, April, June, August, October and December balance dates) filing on a two monthly basis  |
| <b>9 Feb<br/>(7th falls on a weekend)</b> | Terminal Tax<br>FBT<br><br>Terminal Student Loan Repayment                 | Taxpayers (where we prepare tax returns) with a January balance date<br>Close companies paying FBT on an income year basis (where we prepare tax returns) with a January balance date.<br>For those (where we prepare tax returns) with a January balance date  |

Note: these dates apply to those clients for whom we prepare tax returns. Different dates will apply for those clients for whom we don't prepare returns. Please ask us if you'd like more information.

## Party party party

Are you planning a Christmas function for special clients and/or suppliers and business contacts? Be aware that this will come under the entertainment regime for purposes of tax deductibility. Any expenditure on food and drink that your business provides off your business premises will be 50% deductible. This extends to any incidental expenditure on things like hireage of crockery, glassware or utensils, waiting staff, and music or other entertainment provided for the function you're planning.

If you're thinking of a more public event to promote the business during the festive season, expenditure on food, drink and all the necessary incidentals could be fully deductible. However, be aware that the event can't cater for your VIPs alone. It must be open to the public on the same footing as clients or business contacts. Its primary purpose must be as a marketing event for the business.

If you're planning an event and you're not sure which tax regime it will fall under, please contact us for information.



## 'Tis the season to be... on call

Do you have situations where some employees will be on call during a public holiday? If so, they are usually entitled to a contractual on call payment as well as at least time and a half rates if they are called out. Whether or not they are also entitled to an alternative holiday depends on whether the public holiday falls on what would normally be a working day:

| If the public holiday falls on a day the employee would normally work   |   |
|---|---|
| <i>If the employee is on call...</i>  | <i>He or she is entitled to...</i>  |
| ... and is called out   | at least time and a half for the actual hours worked, (your employment agreement may provide for more) plus an alternative holiday as well as any contractual on call payment |
| ... and is not called out but the restrictions of being on call mean the employee has not enjoyed a full holiday (for example, if the employee is required to stay at home all day) | an alternative holiday as well as any contractual on call payment   |
| ... and is not called out but the employee's freedom is NOT restricted - for example, he or she can choose not to accept the call-out   | any contractual on call payment but he or she would only be entitled to an alternative holiday if he or she accepts a call-out  |
| If the public holiday does NOT fall on a day the employee would normally work   |   |
| <i>If the employee is on call</i>   | <i>He or she is entitled to</i>   |
| ... and is called out   | at least time and a half for the actual hours worked (your employment agreement may provide for more), plus any contractual on call payment                                   |
| ... and is not called out   | any contractual on call payment   |

## Hot Water Beach Lifeguards Xmas Gift from PBS



When Louis heard about the recent burglary of the Lifeguards equipment at Hot Water Beach he thought they would be the perfect community group to receive the Peninsula Business Services Christmas community gift. Pictured is Louis handing one of the two sets of quality marine binoculars to Andrew Oliver a Lifeguard Service board member.



**Disclaimer:** Information in this newsletter is produced as a guide only. Before you act on anything mentioned, ensure you take professional advise regarding your particular circumstances. Contact us by emailing [info@pbservices.net.nz](mailto:info@pbservices.net.nz) or ring us on 07 866 4195.

## Business Perspective

There is a saying that, after childbirth, women feel as if they can take on anything. As Erika Achilles Dunseath will attest, this was never truer than immediately after the birth of her second born. With a two year old already in tow, Erika found herself redundant, while partially through maternity leave and in a complete and utter rut. After a light bulb moment, she decided to 'stick it to the man' and embark on her own fashion label - Anyone's Daughter.

Erika noticed a gap in the Australasian fashion market between high-end boutique stores, street-wear and chain stores.

'There was simply nothing that offered feminine styling with a distinctive edge.' Erika wanted to offer the intelligent, active and fashion savvy woman clothes that would take her from the office to the weekend and also be adaptable enough to wear on into the evening. The look had to be effortless with the utmost importance placed on premium fit and quality.

Each piece of Anyone's Daughter clothing you see is proudly made in New Zealand. There are no large factories or sweatshops and staff hours are flexible, with the ability to work from home.

Understanding that everyone has different things going on in their lives and allowing for flexible working conditions has been one of the most effective management decisions Erika has made. 'It makes sense to me. As long as they are doing the work required I don't really mind where or what time of the day it's being done. We actually see the people we work with face to face and have met many of their families too. Look after your team and they will be loyal to you and your company.'

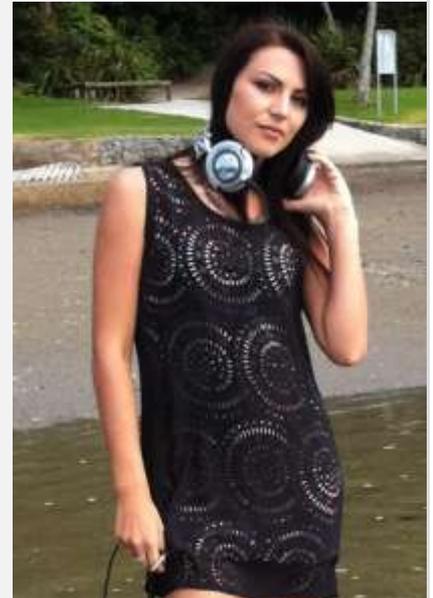
Gaining recognition in the fashion industry is tough though. How does one prove to stockists just how wonderful a new label is upon starting out? Erika understood the risk stores took by ordering a new product, so decided to offer trial stock on a return basis in order to expand on and grow her brand awareness. The risk paid off. Erika believed in her product and those stores now have trust and confidence in Anyone's Daughter, leading to increased orders and sales each season.

There are so many things to think about when setting up a business. The excitable whimsy of creative souls needs grounding now and then and Erika's accountant does just that. 'When I first set up the business, he did all my paperwork and helped me register the business for GST. Although I don't see him as much now, he still helps with my monthly reports and questions a lot of my decision making; why we do things in a particular way and could it be done better or more efficiently.'

To many, Erika would seem like wonder woman. Looking at her business, you can see why, but she is humble while encouraging to other businesses. 'Don't be afraid to ask questions. Learn from people who know more than you do. I was once given the best advice: "Don't try to do too much at once. Write down your ten best ideas. Cross out nine of them. Give all your love and energy to your biggest idea - the one that keeps you up at night. If you can successfully focus on a singular vision, good things will happen. If you want something badly enough you'll figure out how to make it happen.'"

Exciting times lie ahead for the talented team and this cutting edge brand. Anyone's Daughter recently started working with a sales agency based in the United States, lending a new focus toward export and expansion internationally.

## Anyone's Daughter



Peninsula  
Business Services Ltd

Chartered Accountants  
Business Advisers

