

NEWSLETTER

February 2010

ARE YOU READY FOR YEAR END?

It's time to check to see if you have done everything possible to save tax before the year end.

DEBTORS

Write off all bad debts for 31/3/10 if all avenues of recovery have been exhausted, leave an audit trail to prove they were written off before 31/3/10.

STOCK

If your sales are less than \$1.3 million and your stock level at year end cost you less than \$10,000 you don't need to count it, you can use the same value as last year.

Have a sale and dispose of dead stock now. If you don't it must be valued at cost or a proven net realisable value.

RETENTIONS

Do you have to wait for retentions to be paid to you? Any amount you have invoiced before 31 March but is not due for payment until after that date can be held over for income tax purposes as income for the next financial year. Please let us know the value of these.

COMPANY DIVIDENDS

Up to 31/3/10 when a dividend is paid by a company imputation credits can be attached at 33% but from 1/4/10 this percentage drops to 30%. This means that 3% RWT will need to be paid to take it back to 33%. If you have accumulated profits in your company it may be worth paying a dividend before 31/3/10 to get the maximum use of your imputation credits, particularly if those shares are owned by a family trust. If we have not discussed this with you and you have sizeable accumulated profits in your company please contact us as soon as possible.

PLANT & EQUIPMENT

Any item you, or a related person, no longer intends to use, can be written off if the cost of disposal will exceed any amount you might get from its sale.

BRING FORWARD PLANNED EXPENSES

Do maintenance early and incur the cost in the current year.

Advance payments for travel are deductible when paid.

Update your stationery levels.

CRIPPLING TIME OF YEAR FOR TAXES

The IRD in their wisdom without much business sense have aligned GST and Income tax due dates. This is a reminder that for most of you 7/4/10 is 2009 terminal tax due date and 7/5/10 is 2010 provisional tax due date as well as GST with periods ending on 31/3/10. Having just got over the holiday period with holiday pay paid to staff and debtors slow to pay please manage your cashflow and budget for these three payments that fall very close together. We will send our reminder notices as usual three weeks before due dates. If you are unable to make full payment of all of these taxes contact us prior to the due date to discuss an instalment arrangement. It could save some penalties.

USE OF MONEY INTEREST

By now you should have a fair idea of how your business has performed for the year. If results are greater than year end 31/3/09 you may be liable to use of money interest. The current rate of interest charged by the IRD is 8.91% pa whereas they only pay interest at 1.82% pa. Please contact us to discuss topping up your 2010 provisional tax to reflect actual results – the final instalment is due 7/5/10.

XERO ACCOUNTING SOFTWARE

We have become a partner with Xero. Xero is an accounting software package that is accessed remotely via the internet. This means that you and your staff can access your accounts from anywhere the internet is available. It also means we can access it in real time to help you with it, get the information we need and help you with your business in a timely manner. It imports your bank transactions automatically ready for ticking off against debtors and creditors. When you open it up you see a dashboard of your key indicators to monitor your business instantly. This software is very user friendly and removes the hassle of back ups, hard drive crashes or out of date versions with your PC based system. This is a good time of year to implement a new system so that by 1/4/10 you are up and running. If you wish to know more either visit the Xero website at www.xero.com or contact us.



Partners:
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ACC – COVER PLUS EXTRA

If you have previously been assessed for ACC using Cover Plus Extra, ACC will be contacting you shortly to see whether you wish to renew your policy for the next year starting on 1 April 2010.

For clients not on Cover Plus Extra you should consider changing from your current Cover Plus policy where the following may apply:

- If earnings fluctuate from year to year.
- Just starting out in business.
- Splitting income for tax purposes with your partner and this doesn't give an accurate indication of your earning capacity.
- Want a guaranteed prearranged level of income cover.
- Don't want the hassle of proving to ACC your loss of earnings.

Cover Plus extra can also be used for shareholders of companies where they are not receiving a PAYE salary.

If you want to know more call us.

TAX CHANGES COMING

The Government announced recently an outline of proposed tax changes that will be contained in the May Budget.

They include a possible increase in the GST rate from 12.5% to 15% to help fund cuts in personal tax rates. This Government made it clear when they came to power that they would like to see the top personal and trust tax rates aligned. Currently the top personal tax rate is 38% while the trust rate is 33%. Hopefully we will see a drop in the personal tax rate to 33%.

The company tax rate is also being reviewed and tends to depend on what our Australian neighbours do. However any drop in the company tax rates will not affect most NZ based businesses, it is the personal tax rate that is more important.

In addition to lowering the top personal tax rate there will need to be reductions at the lower level particularly if GST is increased to 15%. At the end of the day the Government has said that what it collects in new taxes (ie GST increase) will be spent on direct tax deductions (personal tax) so that no one is worst off. However those higher income earners will be better off.

REFERRALS & FREE MEETING

We are looking to expand our client base to keep our excellent team busy. We would greatly appreciate you passing our details on to your friends and business contacts. They can have a look at our website (www.hswtax.co.nz) to check us out first and the initial meeting is free. You could qualify for a delicious chocolate cake if they become a client.

IDEAS INTO BUSINESS WORKSHOP

As you all know we have been working with Ideas into Business. On 23 February we are holding a 3 hour business development workshop starting at 7-10am. This will provide you with time to "work on" your business instead of "working in" your business. You will discover key skills to accelerate profits and walk away with a practical business plan that contains real life strategies to achieve growth in your business. Watch for the flyer we are emailing shortly detailing this. The places are limited and the cost is \$195, you can also bring a guest for \$99.

CASHFLOW CLAMPDOWN

During these testing times you need to watch your cashflow like a hawk. Below are some tips:

- Address slow payers immediately
- Enforce late payment administration fees if in your terms of trade
- Minimise stock levels
- Consider leasing plant
- Tighten overhead spending
- Ensure debt recover procedures meet legal requirements
- Minimise work in progress – invoice regularly
- Negotiate better terms with your suppliers
- Make it easy for customers to pay, consider adding Paypal or the like to your website

REST AND MEAL BREAKS

A bill introduced and expected to be effective 1 April 2010 relaxes the rules for meal breaks and encourages good faith negotiations to maintain continuity of service or production. Alternatives to breaks like early finishing time can be offered.

BOOK RECOMMENDATION:

The Winners Bible by Dr Kerry Spackman
Rewire your brain for permanent change

QUOTE: "There are only two things in business that make money
Innovation and Marketing
Everything else is a cost.

Peter Drucker