

SUMMER 2018



**LYNCH & PARTNERS**  
CHARTERED ACCOUNTANTS  
YOUR BUSINESS PARTNER

# THE Client Link

IN THIS NEWSLETTER 

## ARE YOU MAKING GOOD USE OF YOUR BUSINESS CARD

Some advice about good use of business cards.

## TOOL HELPS TRACK KIWISAVER

This article will be useful for anyone who is a contributor to KiwiSaver.

## BE SYSTEMATIC WHEN SETTING UP A BUSINESS

Thinking of setting up a business. We suggest how to go about it.

## CAPITAL GAINS TAX

An update on the possibility of a capital gains tax.

## CHANGE AT LYNCH AND PARTNERS



From the 1<sup>st</sup> April 2019 Lynch and Partners will be joined by Sally Williams into the partnership. Sally has been in a Senior Accountant role at our firm for approximately 4 1/2 years now so many clients will have already met and had business dealings with Sally. Prior to commencing work at Lynch and Partners, Sally was employed at one of the large firms in Tauranga, mainly helping clients with computer set ups and servicing a diverse client base. Sally also spent a couple of years working in Southland after becoming a Chartered Accountant.

Sally and husband Glenn live in the Waihi area with their two boys who are at intermediate school. Sally has grown up on a farm and been involved with farming most of her life. Sally has also had extensive experience in the retail sector, working in the management team of a large retailer for many years. Computer software and systems is also a strength and an area that Sally has a passion for.

## AML REQUIREMENTS

As part of meeting our obligations under the Anti Money Laundering (AML) legislation, we will be asking all clients to bring in proof of identity documentation. This will include either your passport or drivers licence as well as proof of address (ie a utilities account/bank statement under your personal name and showing your address and no later than 3 months old).

The Client Due Diligence (CDD) will be required for all clients, especially those who are directors of a company or a trustee of a trust. If your trust has someone else as an independent trustee, we will also require proof of identity documentation for them as well. For clients with a trust, it is normal for the Trust Deed to name yourselves as beneficiaries along with children and grandchildren. For all trusts with less than 10 beneficiaries, we will need a list of beneficiaries names and dates of birth (ID documentation is not required).

Other clients who do not have a company or trust may also need to provide CDD documentation. If as part of managing your tax affairs we ask the IRD to transfer funds between tax types or taxpayers, then we are managing your funds. That is a captured activity for us and we must go through the CDD process for those clients as well.

As a result, Lynch and Partners has decided to go through the CDD process for all new and existing clients, so we ask all clients to bring in proof of identity documents when you next come into our office.

## Are you making good use of your business cards?

Take every opportunity to hand out your business cards. An excellent time to do this is when you present your bill. If you don't hand out a card, how is the customer going to remember who you are next time they want your service? Turning your card into a fridge magnet could also be useful.

There are occasions when it is better to hand out a number of cards rather than just one. If someone has commented on how much they like your service, why not give them several cards to pass on their friends. Don't hesitate to ask them to do this.

## Noise Remediation

The law is to be amended, effective for the 2019 tax year and subsequent years, to make noise remediation expenditure tax-deductible on the same basis as other pollution remediation expenditure.

## More on Scammers

Beware scammers posing as Inland Revenue. Often the sender's email address looks as though it has originated at the IRD. The department is not going to provide you with a link to click on. If you see this in an "IRD email" it is a very sure sign you are looking at a scam. **Don't click on it.**



## BE SYSTEMATIC WHEN SETTING UP A BUSINESS

*Thinking of setting up a business and not sure how to go about it. We suggest this sequence:*

1. Make a list of all the products or services you could sell and then prioritise them. There's not much point in starting to look for customers if you haven't a clear idea of what you want to sell.
2. You now need to work out who your potential customers are (your target markets). Are they builders, diners at a restaurant, people who need their computer fixed or what?
3. You will find you can group your potential customers. In the case of a person supplying the building industry, they might be builders, architects, developers and individuals altering or building their own homes.
4. Knowing who your potential customers are, you now need to work out how to make contact with them. Where would you find them? Is there a trade organisation they might belong to? Maybe some of them belong to a yacht club, golf club or the local chamber of commerce, which is a great resource for networking. Networking is about getting known and that's what you need. Prioritise the ways in which you would be making contact with them.
5. Finally, you need action plans. The four elements are:
  - What are you going to do?
  - How much are you going to do?
  - Who will have the responsibility for doing this?
  - By when will it be done?

### Helpful Tips

- *Get your partner or spouse involved, particularly with the weekly review and setting of next week's plan. This will help make you accountable.*
- *Put important work ahead of urgent work, which is not necessarily important.*
- *It is no good waiting for sales to come to you. You must go out and get them. You might wish to go and see your most important potential customers face-to-face. But this is the most expensive way of marketing,*
- *One contact is never enough. Devise ways of keeping in touch, particularly with those people who look like being good for your business. A newsletter, however brief, is a great way to keep in touch.*
- *When you have ideas, write them down immediately.*

Set the plan for a week and at the weekend review the past week to see how well you did and set your plan for the coming week.

## HOW MUCH SHOULD YOU BE CHARGING PER HOUR

*The Ministry of Business, Innovation and Employment has created a calculator which helps work out how much you should charge per hour to achieve your desired income.*

Go to [www.business.govt.nz](http://www.business.govt.nz) and type charge-out-rate-calculator. The best way to identify your overheads is by referring to your last set of financial statements. Don't underestimate your non-chargeable time. If you were to keep a diary of what you do every day and how long you take, you would soon discover how much time is not being charged. The calculator could be better as it works in whole number of hours per day, only.



## TAX CALENDAR

### 15 January

Second instalment of 2019 Provisional Tax for those with March balance dates who pay three times a year

Pay GST for period ended 30 November 2018

### 8 April

Terminal tax for 2018 (March, April, May and June balance dates)

For all clients except those who have lost their extension of time privilege

## CAPITAL GAINS TAX

A capital gains tax, before the end of this Government's term, is starting to look like a real possibility. The current indication from the Tax Working Group is for the entire profit from a capital gain, such as the sale of a farm, business, shares in a company, rental property et cetera to be treated as income and added into your tax return. This would seem particularly harsh when compared with the Australian system which takes half of the profit and puts it in your tax return.

Gains are likely to be measured from a date such as the date when the law becomes operative. This would mean assets are going to need to be valued as at that date. You can take some comfort that this is only a preliminary report and it is likely there will be a number of changes before the proposed law is finalised.

## BINDING RULINGS FOR SMALL BUSINESSES

The current Tax Bill proposes to make it easier for small businesses to get binding rulings.

Smallness is measured by gross income below \$5 million and a question involving tax of less than \$1 million. The advantage of a binding ruling is that it gives certainty as to how Inland Revenue is going to respond to your tax decision.

There are often situations where there is some doubt about the correct tax approach. Inland Revenue will be charging an application fee and a rate per hour for their service.

If you have an uncertain tax situation involving a reasonable sum of money, a binding ruling could be just what you need.

## MODERNISING INDIVIDUAL'S INCOME TAX

Inland Revenue is proposing to get more involved with taxing individuals in the following ways:

- Helping them to use the most appropriate tax rates and codes
- Tailored tax codes to improve the way secondary and irregular income is taxed
- Year-end tax obligations for individuals will be simplified
- Tax refunds will become automatic
- The administration of donation tax credits will be improved

All your income like interest, dividends and salaries will automatically appear in your tax return.

## BRIEFLY



### Second tier patents

A Bill is before Parliament called the Patents (Advanced Patents) Amendment Bill. The object is to provide patent protection without the fear of being copied. It will be more accessible, quicker and cost-effective than obtaining a full patent.



### Updating your will

Recently, the *Dominion Post* newspaper (9 June 2018) wrote an article about Gary Wendt, who had not updated his will. A row broke out between his closest friends and a former lover. Circumstances change. Whenever they do, you need to consider whether you should be updating your will. If you remarry, your previous will becomes automatically revoked.



### Non-profit business

Some charities also run businesses. It is now proposed that where such a business buys a piece of equipment or property and claims GST, it must pay Output Tax when it later comes to sell it. Any purchases before 15 May 2018 will not be affected by the new rules.



### Card fees

Fees charged to customers for using credit and debit cards take on the character of the goods or services being supplied. You should not break these out and treat them as financial transactions, when preparing your GST return.



### Crypto wages

No decision has yet been made as to the correct tax treatment of wages paid in crypto-currency. Inland Revenue is calling for comments but has said it favours applying PAYE.



## TOOL HELPS TRACK KIWISAVER

The authority has produced a tracker tool to help members compare and contrast fees and returns more easily. Just type "FMA KiwiSaver Tracker" into your search engine and you will get a wealth of information, provided yours is one of the many funds listed.

### Quotes from the report include:

*"The tracker shows that there is no clear link between higher fees and higher returns, apart from a couple of standout funds."*

*"The average investment management fee paid by members over the 2018 reporting year was \$117, almost 20% more than a year ago"*

*"This year we ran a campaign calling on KiwiSaver members to check their annual statements."*

*"All KiwiSaver members were due to receive their annual statement in May and, for the first time, all KiwiSaver providers were required to tell members exactly how much they have been paying in fees in dollars."*

*"We used influencers ... to encourage KiwiSaver members to check our new Health Checker page in the hope they would take a few simple steps which could make a big difference in the long-term."*

*"Throughout the coming year, we will be conducting further work on the unreasonable fees test, as defined in the KiwiSaver Act."*

*"We regard active choices as important as they are a good indication that the provider's financial literacy efforts have resulted in a member making a meaningful, informed choice in their own interest."*

### Scam warnings

Meanwhile, the Financial Markets Authority has listed a number of suspected scam schemes. If you wish to check the list, type into your search engine: FMA warnings and alerts.

## Five key features of KiwiSaver changes

The following changes to KiwiSaver are proposed to be effective from 1 April 2019.

- Additional KiwiSaver contribution rates of 6% and 10%
- Maximum contribution holiday to be reduced to one year
- Contributions holiday to be called "savings suspension"
- Over 65-year-olds to be allowed to opt in to KiwiSaver

The following change is proposed to be effective from 1 July 2019

- Removing the lock-in period, which currently affects members who join between the ages of 60 and 65. The lock-in period is to be removed because the kickstart \$1000 contribution has gone. Those who have already joined KiwiSaver over the age of 60, will remain locked in.



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