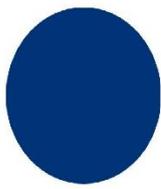


# UHY HAINES NORTON NEWSLETTER

*This issue contains articles on:*



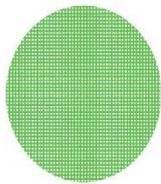
**Can You Afford To Sell Your Business?**

**If You Think Compliance Is Expensive,  
Try Non-compliance**



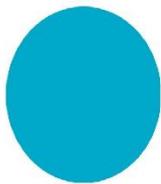
**New Tax Payment Rules and IRD  
Powers**

**Henderson-Lincoln-Central Park  
Business Improvement District**



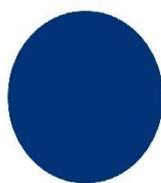
**New Tax Bill Aims To Modernise Tax  
Administration System**

**Taxing Matters April/May 2017**



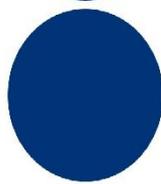
**Right First Time: Entertainment Expenses**

**Rise in Minimum Wage Rates**



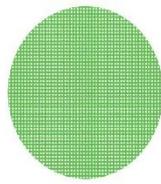
**End of ACC's Workplace Safety  
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**Tax Deductible Expenses on Rental  
Properties**



**Client Seminar: Xero Tips and Tricks**

**North West Business Awards 2017**



**Westpac Auckland Business Awards 2017**

**Staff News April/May 2017**

**April /  
May  
2017**

## Can You Afford To Sell Your Business?

*We are proud to present the first in a series of articles focusing on how and when to prepare your business for sale. In this article, UHY Haines Norton Business Valuations specialist **Kerry Tizard** explains how to determine when is the right time to sell your business.*



A 'Business Value Gap' is the difference between the value of your business today and what you need it to be at the time of sale. A shortfall can have a significant impact on your retirement plans and may force you to reassess your desired standard of living in retirement. Worst case: it may mean you can't afford to sell.

Retirement should be the best years of your life – the time for you to reap the rewards of your labour. As you approach retirement you need to determine your business value gap.

### **Business Value Gap Analysis**

Do you know?

- What your business value needs to be at time of sale?
- How many years it is until you can afford to sell?
- A future profit target that provides you with a higher business value and a desired standard of living?

Business value gap analysis is a simple process of determining your retirement income and assets, business value (current and future) and strategies to improve business profit and wealth.

### **Grow Before You Go**

If your business value gap analysis reveals a shortfall in business value, then you will need to implement business strategies to improve your profit before you sell. For example, improving your average sale per customer will increase sales, gross margin and net profit. Knowing what your business value needs to be means you can calculate your future profit, gross margin and sales targets.

Value gap analysis provides business owners and managers with peace of mind from understanding the direct connection between business value and a future standard of living at retirement.

*UHY Haines Norton Director **Kerry Tizard** develops valuations for all types of businesses and works with clients to help optimise their business profitability. For all enquiries regarding Business Valuations, contact Kerry on (09) 839-0300 or email [kerryt@uhyhn.co.nz](mailto:kerryt@uhyhn.co.nz).*

## If You Think Compliance Is Expensive, Try Non-compliance: Assurance Requirements For Charitable Organisations

All registered charities are now required to adhere to the new financial reporting and assurance standards as legalised by the Ministry of Business, Innovation and Employment (MBIE). The new accounting standards applying to charities and not-for-profit entities have been passed by Parliament and include the minimum assurance requirements for all charities.

All registered charities will be required to prepare annual financial statements in accordance with the accounting standards issued by the XRB thanks to the FRA 2013 and amendments to the Charities Act 2005. These are divided into four tiers based on size. The requirements differ depending on whether the organisation is classed as a medium or large charity based on total operating expenditure:

- If total operating expenditure for each of the previous two accounting periods was over \$500,000 (medium), the financial statements must be either audited or reviewed by a qualified auditor.
- If total operating expenditure for each of the previous two accounting periods was over \$1 million (large), the financial statements must be audited by a qualified auditor.

In some cases a registered charity with total operating expenditure less than \$500,000 will also need to undertake an audit or review, for example if required by its trust deed, constitution or charter.

### What's The Difference Between A Review And An Audit?

Review	Audit
Provides a limited level of assurance that financial statements are free from error	Provides a reasonable/high level of assurance (and therefore a greater degree of confidence) that financial statements are free from error
In the Independent Review Report, a conclusion is expressed in negative form, "nothing has come to our attention that leads us to believe that the financial statements are not free from error"	In the Independent Auditor's Report, an opinion is expressed in positive form, "the financial statements are free from material misstatement"
The procedures undertaken are not as detailed, based primarily on inquiry and analytical review	Numerous, in-depth procedures undertaken of detailed account record tests including inquiry and analytical review as well as observation, inspection, confirmation and recalculation
Meet International Standards on Review Engagements (NZ) 2400	Meet International Standards on Auditing (NZ)
Generally less work is required and therefore costs are lower	Greater level of work is required and therefore the cost tends to be higher

If your charity organisation is classed as medium (based on total operating expenditure greater than \$500,000), it is worth weighing up the benefits of an audit versus a review. The lower level of assurance provided by reviews may increase the risk to your organisation of unidentified errors. Being a more

thorough and detailed process, an audit not only provides a much higher level of assurance but can also uncover valuable insights such as identifying risks, highlighting potential opportunities and providing useful information to improve the day-to-day operations.

*UHY Haines Norton are skilled auditors with experience providing [reviews and audits for not-for-profit and charity organisations](#) of all sizes. For all Audit enquiries please contact Audit Director **Bhavin Sanghavi** on (09) 839-0248 or email [bhavins@uhyhn.co.nz](mailto:bhavins@uhyhn.co.nz).*

## New Tax Payment Rules And IRD Powers

Now that we are into the 2018 tax year, we thought it timely to update you on the new rules that apply. The draft version of these rules were first mentioned in our [August/September 2016 Newsletter](#).



The key elements of the new rules that took effect on 1 April 2017 include:

- No UOMI on the first two instalments of Provisional Tax, provided these are based on the standard uplift and the tax is paid on time. UOMI will apply from the third instalment. In order to take advantage of this concession, all associated parties must also use the standard uplift method or the GST Ratio Method.
- Increasing the current \$50,000 RIT limit for UOMI to \$60,000 and extending it to non-individuals. In order to get this concession, the taxpayer must:
  - By the due dates, make the three Provisional Tax instalments required by the Standard Method.
  - Not engage in a Provisional Tax avoidance arrangement.
  - Not change to the Estimation Method for P3 after using the Standard Method for instalments P1 and P2.
- The ongoing 1% monthly late payment penalty has been removed for taxes falling due on or after the beginning of the 2018 income year, typically from 1 April 2017 for Income Tax and Working for Families Tax Credits, and periods ending after 24 March 2017 for GST.
- Inland Revenue will be permitted to disclose information to approved credit rating agencies about taxpayers who have significant tax debts. Currently this is only likely to affect non-individuals (Companies and Trusts), but the IRD is working with the Privacy Commissioner to effect changes that will enable this power to apply to all taxpayers.
- Inland Revenue will be permitted under special criteria to share information they become aware of with the Companies Office in relation to some serious offences against the Companies Act 1993 (offences punishable by a term of 5 years' imprisonment or a fine of up to \$200,000). These offences include:
  - A serious breach of a director's duty to act in the best interests of the company.
  - False statements.
  - Breaches of orders and prohibitions.

- Breach of restrictions on involvement with phoenix companies.
- From 1 July 2017 the new Automatic Exchange of Information or AEOI rules come into effect which are designed to address offshore tax evasion, i.e. evading tax by hiding wealth in offshore accounts. These rules impose obligations on financial institutions (banks) to:
  - Conduct specific due diligence procedures over their financial accounts (e.g. bank accounts) held or controlled by non-residents; and
  - Report specified identity (including tax residence) and financial information on those accounts to IRD. IRD will then share that information with other tax authorities in other jurisdictions under tax treaty exchange of information provisions. **Likewise other tax authorities will provide appropriate information to IRD about offshore accounts operated by New Zealanders.**

### **Future Tax Changes**

The introduction of the two new Provisional Tax payment methods – the Accounting Income Method (AIM) and paying Provisional Tax on behalf of related parties (Provisional Tax Attribution or PTA) - will come into effect from the 2018/19 tax year. We will discuss these items in a future newsletter.

*Please contact us if you have any questions regarding any of these tax areas.*

## Henderson – Lincoln – Central Park Business Improvement District

Voting for the proposed Henderson – Lincoln – Central Park Business Association closed at the end of March. Although the level of support was promising, unfortunately the amount of eligible votes returned did not reach the 25% threshold – falling just short at 24%.

The Henderson Lincoln Business Association, West Auckland Business Club and Central Park Business Association are still proceeding with a merge to form a new voluntary business association which business members and property owners will be invited to join. The benefits of having one merged business association are to provide one strong voice to advocate for business individuals in West Auckland, and to provide necessary networking and keynote speaker events on a regular basis.

**A BID for ONE.**

**Henderson  
- Lincoln -  
Central Park  
Business Improvement District**

## New Tax Bill Aims To Modernise Tax Administration System

Last month a new tax bill was introduced into Parliament aimed at improving the fairness and modernisation of the tax administration system.

The bill contains proposals regarding the collection of employment and investment income information from taxpayers, to ensure they are on the correct tax code and receiving their correct entitlements.

Additionally, there are numerous reforms proposed to modernise the taxation of employee share schemes. Employee share schemes - where companies provide shares/share options to employees as part of their remuneration - will be subject to tax treatment consistent with other forms of employment income. Employers will be entitled to a deduction for the cost of shares in line with other forms of remuneration. Some share awards will be excluded from the new rules depending on the date granted or acquired.

For more information on the introduced employment and investment income tax bill, go to <http://taxpolicy.ird.govt.nz/news/2017-04-06-employment-and-investment-income-tax-bill-introduced>

## Taxing Matters

*A summary of the latest tax changes relating to individuals and businesses.*



- On 1<sup>st</sup> April 2017, the IRD introduced the ability for New Zealand contractors to choose the rate at which tax is deducted from their pay, from 10% - 100%. This may be particularly useful for contractors who want to even out their cash flow through the year. Contractors can change the tax rate twice in a year, and standard tax rates will apply by default if no other rate is specified.
- The IRD has provided additional information regarding how to tax holiday pay. Holiday and statutory holiday pay are included as earnings in the period that the employers actually pay them to their employees. The [Commissioner's operational position on calculating PAYE on holiday pay](#) helps to clarify the previous uncertainty in this area. Where applicable, the PAYE calculator can be used to calculate the PAYE, student loan repayment and KiwiSaver deductions, and any KiwiSaver employer contributions and ESCT. The [Commissioner's interim operational position on calculating PAYE on non-resident seasonal workers' holiday pay](#) explains the appropriate tax treatment for this situation.
- The rules for claiming expenses when using your home to run a business are changing in 2018. The definition specifies that the premises have to be a separately identifiable part of the house, which is used primarily for business purposes. While this usually means a room within the house, it can also include a garage if it is used primarily for business. However, this can be difficult to show if it is a double garage with dual purpose, such as housing a private car as well as a business vehicle. There will be a choice of methods for calculating a claim for use of home:
  1. Continue to make your calculations in the current way.
  2. Determine the percentage of mortgage interest and rates or rents used for business. IRD will then provide a per square metre rate to use to cover the other costs.
- Costs incurred in starting up a business are not deductible for tax purposes until a business has begun operating. Determining between start-up costs and tax-deductible costs can require an experienced eye. For example, market research in determining the feasibility of a business is certainly classed as pre-commencement. For retailers, the business commences operating when they have purchased goods and begin trying to sell them, and the costs from that point on are tax-deductible.
- Be aware that the responsibility for meeting tax obligations and keeping business records for the required seven years still remains with the tax payer, even if using a cloud accounting software provider.

*Please contact us if you have questions regarding any of these tax areas.*

## Right First Time: Entertainment Expenses

*Taking the guesswork out of common SME topics so you can get it “right first time”.*



There is often confusion around which expenses can be claimed under ‘Entertainment’ and what is the tax deductibility criterion. Certain entertainment expenses are 100% deductible, while some are 50% deductible. Sometimes entertainment expenses can be private (making them 100% non-deductible). In general terms, if you spend the money to help your business earn income, then the expense can be classed as business related, but the rules must be applied to work out if they are 100% deductible or only 50% deductible.

We recommend seeking professional assistance if you are unsure because it may be necessary to make a judgement on a case-by-case basis.

A few common examples of entertainment expenses that are deductible are:

	50% Deductible	100% Deductible
Friday night drinks for team members or clients	✓	
Corporate boxes	✓	
Hire of a launch/boat to entertain clients	✓	
A Christmas gift of a bottle of wine and/or food to a business contact	✓	
Staff Christmas party on/off business premises	✓	
Taking a client out for lunch/dinner while on business	✓	
Food and drink while out of town or out of New Zealand on business (e.g. conference, training seminar, meetings etc.), no business contacts are entertained		✓
Light refreshments like morning and afternoon teas for staff		✓
Light meal provided at lunchtime meetings for management during the course of their normal duties		✓
Donating/supplying food to general public for charitable purposes		✓
Your daily coffee/lunch while working at your regular place of business is <u>not</u> an entertainment expense, it is your personal expense	✗	✗

If you make mistakes with your entertainment expenses, you may be charged penalties and any unpaid amounts are liable for interest. Remember, when in doubt speak to your friendly accountant for advice!

## Rise In Minimum Wage Rates

Following the annual Government review, on 1<sup>st</sup> April 2017 the adult minimum wage rate rose by 50 cents to \$15.75 an hour. The starting-out and training wage rates also rose by 40 cents to \$12.60.

If you are an employer paying staff minimum wage rates, ensure you have updated your payroll and employment agreements to reflect the new rates. If you have any staff on starting-out or training wages, these rates should also be adjusted, and now would be a good time to check when those staff are eligible to move to the adult minimum wage rate.

## End Of ACC's Workplace Safety Discount

On 1<sup>st</sup> April 2017, the ACC's Workplace Safety Discount for small businesses and self-employed people was discontinued. Introduced 10 years ago to encourage small businesses to implement health and safety systems, it has now been superseded by the ACC's introduction of new health and safety laws last year. If you are currently on the Workplace Safety Discount programme you do not need to take any action as your discount will continue until its expiry date.

## Tax Deductible Expenses On Rental Properties

If you have a rental property, be aware of the rules regarding tax deductible expenses if you begin using that rental for personal residency. When a tenant vacates your rental and you switch to using the property for personal use, any repairs and maintenance expenses incurred after that date become non tax deductible. This is true even if the expenses relate to damage inflicted by the tenants. If you do not switch the property to personal residency use then the expenses continue to be tax deductible.

As soon as you make a property available for renting and are marketing it as available to rent (even if it remains vacant for some time), any property maintenance costs become tax deductible. For example, lawn mowing and garden maintenance, rates and house cleaning costs would all be tax deductible from the time the property is available for renting - not from the time it is actually tenanted.

## Client Seminar: Xero Tips and Tricks

Tuesday 16<sup>th</sup> May 2017

UHY Haines Norton, in conjunction with Xero, are proud to present an informative free seminar packed with tips, tricks and advice to take your Xero knowledge and skills to the next level.



If you are using Xero and are interested in learning about useful features, short cuts, new advancements and add-ons, this seminar is for you. Advance your basic skills and ask the experts how you can get more out of Xero for your business.

Includes demonstrations, real-life examples and Q&A.

Date:	Tuesday 16 <sup>th</sup> May 2017
Venue:	UHY Haines Norton, 22 Catherine Street, Henderson
Time:	5:30pm – 6:30pm
Cost:	Free, includes refreshments

For more information or to reserve a space, please contact Debbie Robson on **(09) 839-2204** or email [drobson@uhyhn.co.nz](mailto:drobson@uhyhn.co.nz).

## North West Business Awards 2017

The winners of the 2017 North West Business Awards were announced at a gala dinner held at The Riverhead attended by more than 150 local business operators and their staff, family and friends. The awards are an opportunity to celebrate the local region's business successes, diversity and creativity. From the 46 finalists across eight categories, Physio Flex in Helensville received the Supreme Award and also won the Health and Beauty category. The People's Choice Award went to Woodhill Mountain Bike Park.

The judging was based on a variety of factors, including public vote, mystery shoppers and a submission of their choice from each business.

Congratulations to all of the finalists and the businesses who were winners on the night. For the full list of winners, go to <http://www.northwestcountry.co.nz/>.

## Westpac Auckland Business Awards 2017



### WESTPAC AUCKLAND BUSINESS AWARDS

CENTRAL | NORTH | SOUTH | WEST



Entries are now open for the [Westpac Auckland Business Awards 2017](#). Divided into North, West, South and Central regions, the awards are a prestigious celebration of success, innovation, strategy and creativity in today's competitive business world. The entry process is free and can be completed entirely online. You may enter

yourself, or nominate another business you believe deserves recognition for its achievements.

The Awards and the entry process provide an invaluable opportunity for businesses to receive feedback from the experts on their accomplishments and insights as to how they may continue their success. It also allows the chance for business owners to benchmark against other organisations in their industry.

Entries close Thursday, 22<sup>nd</sup> June 2017.

The Westpac Auckland Business Awards are run by Auckland Chamber of Commerce in partnership with Auckland Tourism, Events and Economic Development. For full details on the Awards go to

<http://www.aucklandbusinessawards.co.nz/>

## Staff News April/May 2017



We are excited to welcome on board **Carol Rewega** in the new role of Bookkeeper. Carol has a varied career in accounts, ranging from SMEs to large corporations, and is experienced with numerous accounting software systems including MYOB and Xero. Her specialties include handling all aspects of corporate accounts and utilising her reconciliation skills – and she loves sorting out particularly challenging bookkeeping situations! Originally from Canada, Carol loves reading, painting and travelling in her spare time.

We have also welcomed back Accountant **Lalita Robertson**, who returns from maternity leave on a part-time basis.

We have bid farewell to Helensville Receptionist/Administrator **Jane Foster**, who has resigned to spend more time on her farm. We will really miss Jane's helpful attitude and positivity, and wish her all the best.

Congratulations to Kumeu Accountant **Arpita Khanwalker**, who is now a fully qualified Chartered Accountant.

Congratulations to Henderson Accounting Manager Bhuwana Narayanan's daughter Nithya, who was awarded Top Scholar for Economics in the 2016 Scholarship Exams. Nithya was also part of the Outstanding Scholars group for the year.



And finally, a belated happy birthday to Kumeu and Helensville Director Mark Foster, who celebrated his 50<sup>th</sup> birthday last month.