

UHY HAINES NORTON NEWSLETTER

MAY 2019



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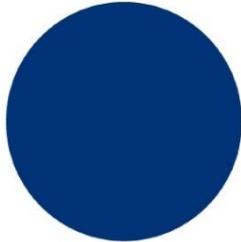
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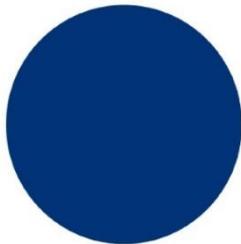
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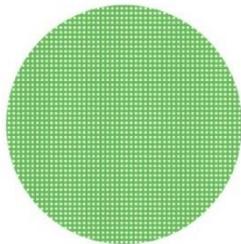
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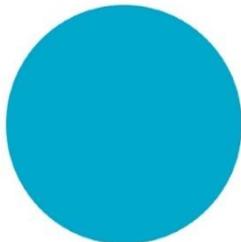
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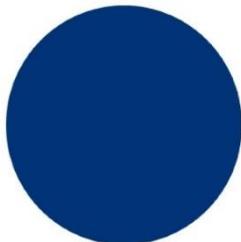
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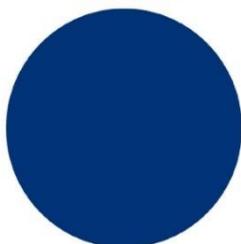
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Holiday And Short-Term Rentals

Renting out your home, rental property or holiday home for a short-term period can be a great way to make some extra income when you're not personally using those properties but don't want to lock in long-term renters. Airbnb, Bookabach and other online accommodation companies make it extremely easy to list your property as they take care of all of the advertising, booking and payment logistics. However, before you list your property there are potential regulations, agreements and tax implications you should be aware of.



Regulations

Check with your property's local council to see if there are any rules in place regarding short-term accommodation. For example, Auckland and Queenstown Lakes District are two councils who have introduced higher rates and tighter regulations on short-term accommodation. Under council regulations rented property is classed as commercial and therefore can be affected by rates charges and consents to operate.

Your council will also be able to advise on any Health and Safety regulations you need to comply with, such as smoke detectors, pool and deck fencing, storage of hazardous items and the provision of life jackets if there are boats or kayaks available to use.

Rental Agreements

Holiday rentals are not covered by standard rental agreements. Some accommodation listing sites have rental agreement templates you can use, and sites like Airbnb include booking terms and conditions in your page listing. Your agreement should be tailored to your property and circumstances, and should specify the rules regarding:

- Payment, including deposits, refunds and any additional charges such as for cleaning
- The maximum number of guests, also clarifying whether camping for additional guests is permitted
- Pets
- Smoking
- Liability if someone has an accident on your property

Rental Tax Implications

As is the case with other forms of income, any income earned from short-term accommodation, including one-off or irregular rentals, is subject to income tax. You must declare your rental income on your individual tax return. The good news is that you can claim expenses relating to the rental which were incurred while the property is rented out, such as cleaning, insurance and rates. Expenses which

have both a private and business element (e.g. insurance, interest, rates) will be apportioned reasonably between private and business use.

If you have a property which you use privately for part of the year, rent out for part of the year, and is vacant (but available for rent) for part of the year then the rules for mixed use assets come into play. These rules are designed to limit tax deductible expenses by altering the apportionment of expenses between private and business use. The IRD's factsheet '[Tax Rules for Holiday Homes](#)' explains in more detail the mixed use asset rules and provides calculation examples.

Depending on your circumstances, it is possible for short-term accommodation income to be subject to GST. GST relating to short-term accommodation can be complicated and varied, so talk to your accountant about whether you are likely to be affected and if so what you need to account for.

In all instances we recommend keeping accurate records of all of your income and expenses.

Insurance

Contact your insurance provider before renting out your property as your policy may not cover rental situations. Consider cover for theft and damage by tenants, as well as public liability insurance in the event of a renter having an accident.

Please [contact us](#) if you have questions regarding short-term rental accommodation.

Paying Tax On Multiple Jobs

Workers all around the world are increasingly favouring short-term jobs, or gigs, in place of more traditional permanent roles. Last year our article "[Getting The Gig](#)" looked at the rise of this gig economy and the advantages and disadvantages it provides from both the worker's and the employer's perspective. Gig workers who take casual short-term jobs fall into the same category as [contractors](#), freelancers and self-employed people who must account for their own tax on every job they take.



For tax purposes, the same rules for sole traders apply to people who do gig work:

- You usually use your personal IRD number for paying income tax (and GST if applicable).
- You are personally responsible for all of your taxes.
- All of your earned income is taxed.
- [Work expenses](#) can be claimed to reduce your income tax, so you should keep accurate records and all of your receipts.
- You must complete an IR3 tax return each year, including all of your income from all sources.
- When filing your tax return with IRD, select the BIC (Business Industry Classification) code of the activity you spend the majority of your time doing. ACC bases its levy on this code and your earnings.
- You will need to [register for GST](#) if you expect to earn more than \$60,000 in the next tax year, or if you include GST in your rates. Registering for GST means that you can also claim back the GST portions of your business expenses.

When Tax Is Deducted At Source

Recruitment and labour hire companies are required to deduct income tax from your pay (tax deducted at source). In this instance you will need to fill out an IR330C tax rate notification form which will allow the company to deduct tax at your chosen rate. You will still be responsible for paying your ACC levies, KiwiSaver, and any applicable deductions for child support or student loans. You can deduct your business expenses and must file an annual IR3 tax return.

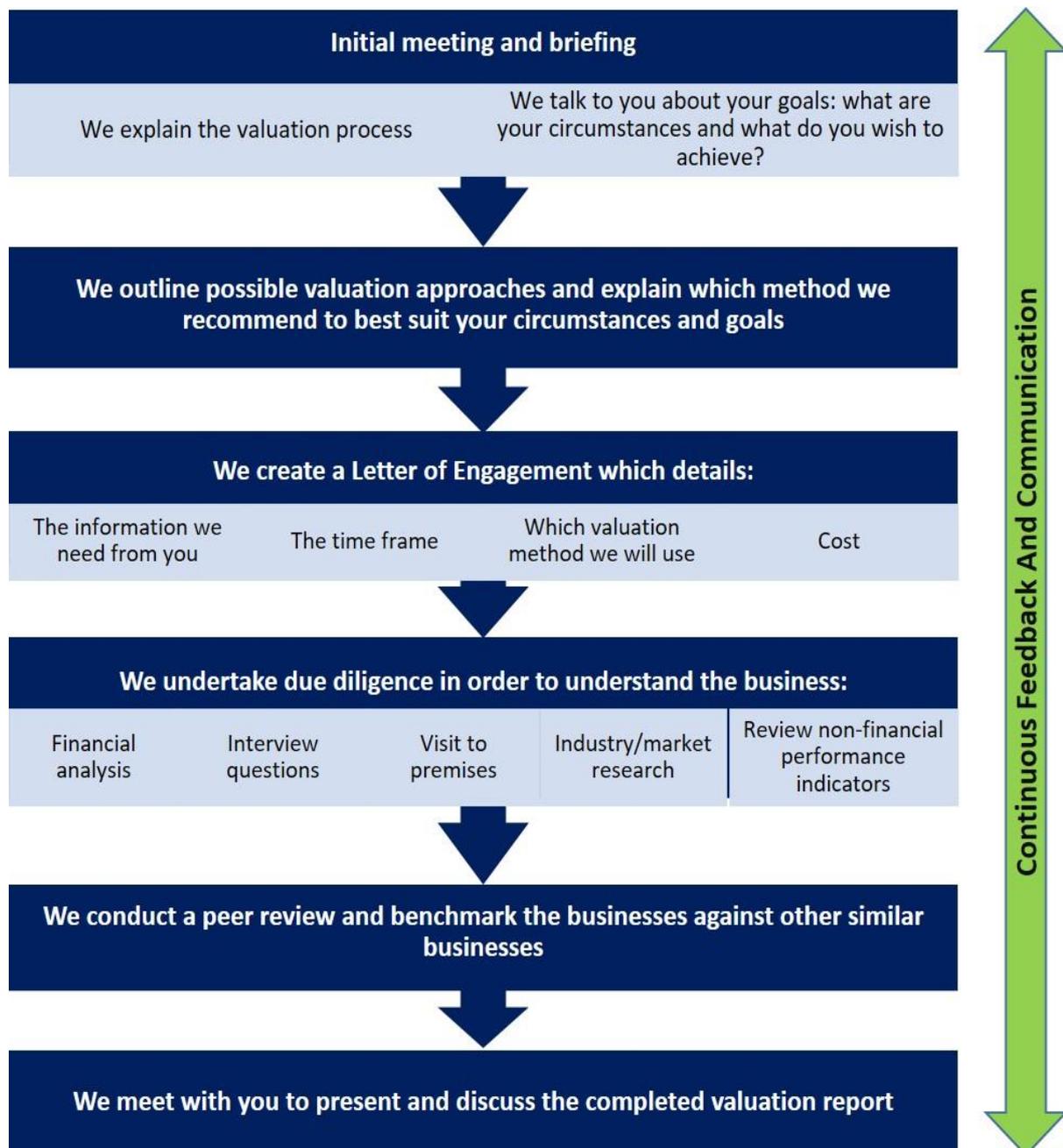
Schedular payments, which are a contractor's equivalent of wages/salary, are referred to on the IR330C. The tax code for schedular payments is 'WT' because this tax used to be known as withholding tax. The [IRD's website](#) explains schedular payments in more detail.

Please [contact us](#) if you have questions regarding paying tax on multiple short-term jobs.

The Business Valuation Process

There may be all sorts of reasons why you require a business valuation. As well as the most common situations of buying a business or selling your own business, they are also useful and often necessary when buying out other managers/business partners, restructuring, in matrimonial disputes, for succession planning and refinancing.

While there are several different methods for valuing a business (for example capitalisation of earnings, asset-based or market-based), there are certain steps that we commonly follow in working with you through the valuation process. The process will usually comprise the following steps:



Our previous articles "[Buying A Business? What To Consider Before Making That Offer](#)" and "[Is Your Business Ready For Sale?](#)" discuss the different sides of buying and selling a business. Having an understanding of the valuation process helps you to have confidence in the appraisal and ultimately make the best buying or selling decisions for your circumstances.

UHY Haines Norton Director [Kerry Tizard](#) works with business buyers and sellers across all industries. To find out more about how we can help to value your business, please contact Kerry on (09) 839-0300 or email kerryt@uhyhn.co.nz.



Provisional Tax: Is The Accounting Income Method (AIM) Right For You?

There are now four ways to manage [provisional tax](#):

1. The standard uplift method, where three payments are made during your financial year based on your tax bill from the previous year plus 5% (this is the default method).
2. The GST ratio method, where provisional tax is calculated based on your GST supplies and payments align with your GST periods.
3. The estimate method, based on estimated profit for the year.
4. The **accounting income method (AIM)**, which is the IRD's new way to "pay as you go" when your business has made a profit.



AIM is a new method of calculating provisional tax for companies and sole traders with turnover of less than \$5 million per year. But how do you know if AIM is right for you?

How AIM Works

AIM uses functionality in certain accounting software packages to calculate your provisional tax payments. It is available through these accounting packages:

- MYOB – MYOB AccountRight Live and MYOB Essentials Accounting
- Reckon – APS software
- Xero – Xero Tax Practice Manager

On each AIM due date (in line with your GST filing due date), your software will generate a statement of activity, which shows whether you have a provisional tax payment to make. The advantage of this is that you only need to make a payment when your business has made a profit. You are able to review your statement of activity before your software sends it through to IRD before each due date. The statement is submitted even if you have nothing to pay. It is not an income tax return so if there is a mistake you can correct it in the next statement.

Is AIM Right For You?

AIM can be helpful for businesses with cash flow issues, as well as those businesses which:

- Are new
- Are growing
- Have seasonal or irregular income
- Have difficulty forecasting their income accurately

There is no exposure to **use-of-money interest** for businesses using AIM, provided payments are made in full and on time. If your business makes a loss you can receive your refund straightaway instead of having to wait until the end of the year. You should also be aware that if you opt in to AIM then **tax pooling** will no longer be an option available for you.

For more information about AIM or other methods for calculating provisional tax, please [contact us](#) or visit the [IRD website](#).

Top Business Start-up Tips

In recent years there have been as many as 50,000 new businesses starting up in New Zealand each year. Statistics New Zealand reports that while around 80% of start-ups usually survive their first year, in the longer term often just a quarter survive to celebrate 10 years in business. While no two businesses (or their owners) are alike and there is no guaranteed recipe for success, there are steps you can take to ensure your idea has the best chance of succeeding.

Commercialise Your Idea

Think you have a great idea? You probably do, but first you need to work out how it could make money for you. Is it a product or service that people will be willing to pay for? Even at this initial stage it's not too early to think about profitability and whether your margins could be adequate to make your idea commercially viable.



Write A Business Plan

A business without a business plan is like a ship without a rudder: directionless. Formalising your goals and strategies to achieve those goals sets the direction for your start-up. It's a good idea to undertake a SWOT analysis (strengths, weaknesses, opportunities and threats) to ensure you look at both the internal and external picture and really understand where you want your business to go and how it will get there. The [Business.govt.nz website](https://www.business.govt.nz) has tips and user-friendly templates for preparing a business plan.

Talk To The Experts

Accountants, lawyers and business mentors can all provide you with invaluable advice for getting your business off to the best possible start. Accountants can advise you on the best [business structure](#) to suit your goals - because different business structures provide different benefits – as well as advising on loan structuring, cash flow and profitability. A lawyer specialising in business start-ups can guide you through the parts of New Zealand business law that are relevant to you, as well as contract law, licensing requirements, consents, terms of trade and other important legal aspects. Business mentors can be a voice of experience to help you get your business started, grow and develop.

Hire The Right Employees

If you need to hire staff, you'll have to get up to speed with a myriad of HR requirements, including payroll, leave entitlements, holiday pay, employment contracts, performance reviews and trial periods to name just a few. Don't rush the decision-making when it comes to appointing staff – it is important to get the right person who will be passionate about supporting your business for the long term.

Actively Manage Cash Flow

Poor cash flow is one of the biggest reasons why businesses fail. Even before you are operational you should consider how to set your business up to keep your [cash flow healthy](#). Consider what your payment terms will be, and how these will be communicated and reinforced with your customers (for example in clear terms and conditions). Decide how you will manage your debtors, including following up unpaid invoices and granting credit terms.

Tax can have a big impact on start-up businesses, with provisional tax in particular hitting a heavy blow in the second year of trading. Putting money aside into a separate account for tax can help you to budget for your GST and other tax payments.

Don't Forget To Take Care Of Yourself

There's no two ways about it – being a business owner/operator is tough and can take its toll on you personally. It can be particularly stressful in the start-up phase when you are working so hard to establish your business. Don't forget to look after your health and personal relationships, and try to keep a work/life balance.

Please [contact us](#) if you have questions regarding starting up a business.

ACC Self-Employed Levy Changes

If you are self-employed or work as a contractor, you can choose between standard CoverPlus or CoverPlus Extra for your ACC cover. Next year ACC is introducing some changes to simplify the standard CoverPlus levy.

Previously ACC has estimated the amount of the standard CoverPlus levy based on your previous year's earnings, and you will have paid these levies in advance. From 2020 onwards ACC is changing this process to levy self-employed people after the year has finished, based on their actual earnings filed with IRD. Therefore invoices will be issued from July/August 2020 instead of 2019.

If you have opted for CoverPlus Extra for your ACC cover then your levy will stay the same because it is based on an agreed level of cover, and invoices will continue to be issued in advance.

Visit the [ACC website](#) for more details regarding the ACC self-employed levy changes.



Te Kaporeihana Āwhina Hunga Whara

Audit Shield: Protection Against IRD Audits

The IRD and other government agencies regularly select individuals and businesses to conduct audits on. They examine your finances to see if you've paid the right amount of tax and comply with the applicable tax laws. This may consist of a simple check of your GST registration through to an in-depth examination of your business and personal records.



If you are chosen for an IRD audit it may not be because you've done something wrong. Individuals and businesses are selected for lots of different reasons, including being part of a certain industry or geographical region, or from a purely random selection.

How long an audit takes and the costs you can incur depend on a number of factors such as the size and complexity of your entity, and the standard of your records. Checking ledgers, journals, invoices, bank accounts and other records is an important part of an audit and usually takes the most time.

[Audit Shield](#) is a comprehensive tax audit insurance designed to protect you from any unplanned professional fees resulting from an IRD audit, enquiry, investigation or review. Available to all of our clients, the Audit Shield Master Policy covers relevant professional fees up to a prescribed limit if you are required to respond to audit activity. Different levels of cover are available for different thresholds of wage earners and businesses, and the cost of the policy is tax deductible if you are in business or self-employed.

Please [contact us](#) if you are interested in learning more about [Audit Shield](#) and how it can protect you and your business.

Taxing Matters

A summary of the latest tax and business changes, updates and news.

- The **new ACC levy rates** have been set. For both of the 2019-2020 and 2020-2021 tax years, the earners' levy stays at \$1.39 (including GST) per \$100 liable earnings. For self-employed workers, the minimum liable earnings increases to \$36,816 (up from \$32,760).
- As you may be aware, the IRD will now **automatically calculate the year end income tax** for individuals whose sole income is from either employment or investments (bank deposits, savings etc.) Over the next couple of months they will be automatically issuing income tax assessments indicating if there is a tax refund or tax to pay.
- **New employment law** changes have come into effect earlier this month, stipulating set rest and meal breaks and restricting 90-day trial periods to businesses with less than 20 employees. More changes will come into effect later this year. Full details can be found on the [Employment New Zealand website](#).
- **KiwiSaver contributions:** you can now choose to contribute 3%, 4%, 6%, 8% or 10% of your pay. The default rate is 3%, and you can elect to change your contribution rate once every 3 months, although your employer may agree to a shorter timeframe. To change your rate you need to let your employer know in writing by either completing a KiwiSaver deduction form (KS2) or in a letter. It is also possible to contribute more than the maximum rate of 10% by making a payment directly to your KiwiSaver provider.
- There are several tax traps associated with **running an Airbnb** you should be aware of. The IRD considers an Airbnb to be a residential property and not business premises, therefore it could be subject to the bright line test when it is sold. Additionally, if an Airbnb is required to be registered for GST then the land and buildings will need to be apportioned between private and business use. If that property is ever sold to a person not registered for GST you can expect to pay GST on the full sale value.



Please [contact us](#) if you have questions regarding any of these areas.

Sally Houghton Optometrists Celebrates 20 Years

Congratulations to Helensville local [Sally Houghton Optometrists](#), trading as 'Eye-Q', who are celebrating their 20th year in business.

Sally Houghton was first introduced to the world of optometry at the young age of six years old, when she was diagnosed with short-sightedness. Her early interest in this as a profession never waned, and she eventually went on to graduate from Auckland University with a degree in that field. In April 1999 she opened her business 'Sally Houghton, Optometrist' in the main street of Helensville.



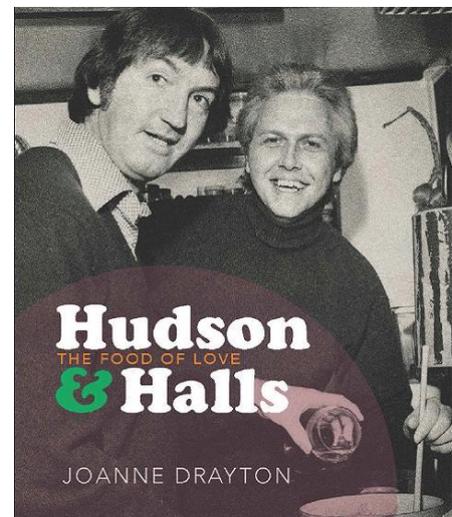
After 20 years in the heart of Helensville, Sally has seen a lot of changes to the town. She has watched the township go through business booms and recessions, and can recall times when half of the shops in Commercial Road were vacant. In recent years the spreading northern Auckland urban fringe has made Helensville an affordable option for commuters, leading to steady population growth. Today the business centre is a busy commercial hub, although the area still maintains all of its appealing rural atmosphere.

Over the years Sally's business has evolved in line with changes to the optometry industry, such as online contact lens sales and optometry franchises. While adapting to these challenges, Sally's relationships with her clients have been her mainstay and have continued to thrive. And even after 20 years, she continues to love the variety her work brings, saying that no two days are ever the same.

Twenty years in business is an incredible achievement, and a testament to the passion, dedication and adaptability that Sally has brought to her business.

Book Award For Joanne Drayton

Congratulations to author [Joanne Drayton](#), who has been awarded the Royal Society Te Aparangi Award for General Non-Fiction for her book *Hudson and Halls: The Food of Love* at the [2019 Ockham New Zealand Book Awards](#).



Luxury At Any Price

High-end brands offer experiences as much as services. It's a trait that – in an increasingly customer-focused world – all businesses can and should adopt.

Ask five people to define the concept of brand in a business context and you may hear five different answers. Is it simply a product manufactured by a company under a particular name, as one definition has it? Is it a logo, symbol or design feature? Is it, as somebody suggests, 'the emotional and psychological relationship' a business has with its customers?



In reality, it is all those things and more. Most brand experts liken it to a business's personality. It is what a company is called, what it looks like, how it positions itself, what its values are, and even who it associates with (its partners and customers), all rolled into one. All businesses, big and small, need to be aware of their brand image and work to promote it.

Interbrand is widely recognised as one of the world's leading brand consultancies. Speaking at the UHY 2018 EMEA regional meeting in Barcelona, Jorge Camman, director of innovation and verbal identity at Interbrand Iberia, explained why brand has never been more important. "In a rapidly changing world, globalisation, standardisation, technology and deregulation have created more players, more products and more options. It is confusing, and people have less time to manage it all."

For that reason, consumers look to brands to simplify their lives. If they know that a brand represents qualities they admire or aspire to, they can make quicker, easier purchasing decisions. On the flipside, brands can easily be associated with negative events. Toxic brands also simplify the lives of their customers, by removing themselves as an option for consideration.

Authentic, Relevant, Different

How do businesses create brands their customers recognise and want to associate with? "Inside the business, there has to be clarity, commitment, protection and responsiveness," says Jorge. "Outside, the brand has to meet many criteria. I would say it must be authentic, relevant, different and consistent. Above all it has to be present (visible), and understandable."

It is easy to see how big global names leverage that kind of brand identity to drive sales. Do you want sneakers, or Nike sneakers? Do you want a burger, or a Big Mac? But brand is not the preserve of huge global names. Small businesses can have incredibly strong brands, and that is often most true at the top end of the market. There is a historic perception that luxury brands weather economic storms better than non-luxury brands, because they attempt to satisfy desires rather than simply solve problems. In a rapidly globalising, hyper-consumerist age, the best luxury brands provide timeless authenticity in a volatile world. They are beacons of stability and consistency, cutting through the confusion of endless choice. Their approach provides lessons that all businesses can learn.

Brand Is The Responsibility Of Everyone

[Hotel d'Angleterre](#) is a luxury hotel in Copenhagen, Denmark, and the only hotel in that country with the five star superior classification. It is also a client of Danish UHY member firm [inforevision](#). As a small player in a market dominated by large luxury chains like Marriott and Radisson, Hotel d'Angleterre leverages brand to stay ahead of competitors.

“Hotel d'Angleterre works with branding in all imaginable areas,” says William Dixon, the hotel’s financial director. “For example, we offer training classes in ‘Luxury Behaviour’ for all staff. Both the interior and exterior of the hotel underline the fact that the brand only uses upscale products in all areas of the hotel. Of course branding is a great part of the communication across all platforms – what we are communicating, to whom and on which channels. Together all these points create a very strong brand – probably the strongest luxury brand in Denmark.” To Hotel d'Angleterre, brand is not a logo, colour scheme, website design or staff uniform (though all these things are part of it). Brand is about experience and communication. Guests are submerged in the brand from the moment they contact the hotel to make a booking, to the moment they check out at the end of their stay. Creating a strong and positive perception is not a function of the marketing department: it is a core function of the entire business. William says: “First and foremost it is important to us that our guests get a world-class experience during their stay with us, that we meet their expectations – or even better, that they feel they got great value for money. Prestige is nothing we deliberately pursue, but in our opinion comes naturally with the luxurious product we offer to our guests.”

Guests of Hotel d'Angleterre want more than a nice hotel room. They want a great experience, with personal service that feels unique. They want something they cannot readily find anywhere else, something William summarises as, “the legacy, the long history, the exquisite location and the staff’s deep passion for hospitality and service.”

The Evolution Of Brand

This chimes with the evolving definition of a luxury brand, which strives to build a perception beyond the utility of the product or service on offer. Malinda Sanna, founder and CEO of brand consultancy Spark Ideas, puts it like this: “True luxury today is experiential; it is having the inside track that not everyone knows about. It is highly personal and intuitive. It never copies, it leads. It surprises and takes risks. And it makes you see the brand as the only solution to your desire in a sea of sameness.”

[The House of Gübelin](#) is a Swiss, family-run fine jewellery, gemstone and watch institution with a 160-year heritage; the business is a client of UHY member firm [Balmer-Etienne AG](#). The carefully nurtured luxury brand Gübelin Jewellery speaks softly of craftsmanship, expertise and gemmology as much as unique jewellery and design philosophy. Boutiques in Switzerland and a private salon in Hong Kong provide an extraordinary luxury experience and excellent services, creating precious moments for their guests. They nurture a reputation for virtuosity that feeds into a strong and resilient brand image.

Raphael Gübelin, President, explains how this is achieved: “The House of Gübelin possesses a sensibility for luxury based on our Deeply Inspired philosophy. With a unique combination of beauty and knowledge, we provide a deeper sense of luxury. The creations by Gübelin Jewellery are based on the inner world of gemstones, so there is an authentic inspiration – the soul of the gemstone.” Sharing this passion and inspiration is at the heart of the House of Gübelin. For example, the Gübelin Academy has been founded to share its knowledge about gemstones with connoisseurs and professionals. And in order to increase transparency and traceability to the whole gemstone industry, the Provenance Proof initiative has been created, which provides technologies such as the Emerald Paternity Test and the Provenance Proof Blockchain, offering more information about a gem’s history.

Today’s consumers, and particularly millennials, demand this kind of interaction, and that is increasingly true even when they are in the market for less exclusive goods and services. Forward thinking businesses in all sectors – aided by technology – try to build personal relationships and emphasise

authentic company values. They offer consistency, difference and relevance. Luxury branding norms trickle down to the mainstream. In truth, there is very little difference between mass market smartphones, but the Apple brand speaks of craftsmanship and difference in a way some of its competitors struggle to match. Airbnb rents rooms or apartments of all kinds – from the luxurious to the basic – but builds its brand around the idea of an authentic travel experience. These companies are not selling exclusivity, but they are meeting millennial expectations of what brands should be.

The trickle-down effect is everywhere. Personalised marketing speaks directly to individual customers. Authentic experiences and artisan products are not necessarily luxuries, but are branded in a way that cuts through Malinda Sanna's 'sea of sameness'. According to research by customer intelligence agency Vision Critical, by 2020 customer experience will overtake price and product as the key brand differentiator. In other words, it is increasingly true that it does not matter whether your product or service is considered a luxury or not. Consumers care less about price and more about the experience – personal, real, different – your brand offers. That's a little bit of luxury brand wisdom every business can employ.

UHY And Brand

UHY member firms around the world can help companies put the systems and processes in place that help to create positive brands, from advising on intellectual property to addressing the accounting challenges of brand valuation and other intangible assets such as people and reputation. But it is also true that the UHY brand itself is increasingly recognised around the world as representing value for money, peace of mind and a proactive advisory culture. Member firms understand the need to offer clients the best experience.

Increasingly, UHY firms – which are independent accounting and advisory businesses operating as members of the global UHY network – are themselves using the UHY brand to substantially increase awareness, enquiries and engagement. Whether this is through considered use of digital communication platforms, bringing together previously disparate parts of the business to help clarify the offer for clients, or even using communication channels like WhatsApp and face-to-face workshops to increase engagement with clients and colleagues, the brand and what it stands for empowers UHY member firms to continuously create and offer better customer experiences.

Most importantly, clients themselves regularly comment on the personal service they receive from UHY member firms around the globe, regardless of their size or spend. By getting to know client businesses in detail, UHY member firms are able to offer a service that goes far beyond core accountancy functions. Instinctively, UHY member firms fulfil the main criteria for positive branding in 2019 by offering clients a professional services experience they will not easily find elsewhere.

Staff News

We have said goodbye to **Julia Rewi**, who was a wonderful Receptionist and Administrator in our Helensville office. Julia has left to spend more time with her family in the UK, and we wish her all the best for her retirement.

We have also said farewell to **Kala Lad**, who has been a much-valued member of our Kumeu team for the past four years. We wish Kala the best of luck for the future.

The Henderson, Kumeu and Helensville teams have all held Pink Ribbon Morning Teas to raise funds for the Breast Cancer Foundation NZ. We were proud to support this very worthy cause.

