

NEWSLETTER

NOVEMBER 2021



BUSINESS SAVY: SERVICES THAT ADD VALUE TO YOU

In case you missed our recent newsletters, we are excited to introduce our newly rebranded Business SAVY services. These customised business improvement services help our clients to achieve their financial goals and take control of their financial future.

In this newsletter learn about the husband and wife plumbing business we began working with, who were frustrated by their business' lack of growth. They were a perfect fit for our Business SAVY services and particularly strategic planning.

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NEW BUILD EXEMPTIONS TO PROPOSED TAX BUILDS

The Government has confirmed that they intend that new builds will be exempt from the proposed new legislation for removing deductions for interest on residential rental properties. However, this is subject to Parliament passing the proposal into law.

What is Classified as a New Build?

A new build will be defined as a self-contained residence with a CCC confirming it was added to the land on or after 27 March 2021. It will include a self-contained residence purchased off plans that will receive a CCC on or after 27 March 2021. A new build can consist of modular and relocated homes, as it does not have to be made of new materials or be constructed onsite. It also includes converting an existing dwelling into multiple new dwellings, as well as converting a commercial building into residential dwellings.

The new build exemption means that owners can deduct interest from the date it is acquired (if it already has a CCC or is purchased off plans), or the date it receives its CCC.

When Does the New Build Exemption Expire?

The new build exemption will expire 20 years after it receives its CCC or when it ceases to be on the land, such as in the case of demolition or removal. The 20-year exemption period is fixed and therefore does not reset in the event that the new build is sold.

Note that special rules will apply for new builds that have significant delays in receiving their CCC.

Other Exempt Properties

In addition to new builds, owners of these types of properties will also still be permitted to claim deductions for interest:

- Properties used as business premises, such as shops or offices
- A portion of the main home used to earn income, such as a boarder
- Houses on farmland
- Bed and breakfasts where the owner resides on the property
- Hotels, motels, campgrounds, hostels
- Employee accommodation, student accommodation



QUESTIONS REGARDING THE PROPOSED NEW LEGISLATION AFFECTING RESIDENTIAL RENTAL PROPERTIES? CONTACT US – WE'RE HERE TO HELP

LEASING VERSUS BUYING EQUIPMENT FOR YOUR BUSINESS



A common decision that business owners need to make is whether to lease or buy equipment for running their business. This dilemma happens when first starting up a business, during phases of growth or expansion, and periodically when equipment needs to be upgraded or replaced. So how do you decide which is the better financial option for both your current situation and the future?

Things to Consider

When making that decision regarding leasing versus buying equipment, you should consider:

1. What is the equipment for?

Although this may sound obvious, think about if you want to use it for the short-term or long-term.

Consider whether it is likely to fit your future needs, or if it is in danger of wearing out quickly or becoming obsolete.

2. What is your capital position?

This can make your decision quite straight-forward. Surplus capital and a strong cashflow could make investing in your own equipment a good option. However, if your capital is stretched then leasing may make more sense.

3. Is your business focusing more on growth or profitability?

Businesses which are focused on growth and expansion should try to retain as much capital as possible and conserve cashflow, which means that leasing is a better option. But if profitability is more important then investing in equipment can allow you to lower operating costs to maximise gross profit.

HOW DO YOU DECIDE IF LEASING OR BUYING EQUIPMENT IS THE BETTER FINANCIAL OPTION FOR BOTH YOUR CURRENT SITUATION, AND THE FUTURE?

Leasing Equipment	Buying Equipment
Good option for conserving cashflow as you only need to make monthly rent payments (plus a deposit in some cases)	Equipment can be expensive to purchase. If you are able to purchase outright you will have less cash on hand for your operating expenses. If you purchase using a loan then you'll need to organise this finance along with a deposit, repayments and interest
You do not have ownership of the asset	You have ownership and therefore it contributes to your balance sheet assets
Depending on the terms of the lease, it can be easier to upgrade and replace equipment which is wearing out or becoming obsolete	You can sell the equipment and potentially recover some of the cost
The lifetime cost of leasing equipment is usually more expensive than buying	The lifetime cost of buying equipment is usually cheaper than leasing
Lease payments are typically tax deductible. However tax advice should be taken because sometimes the leased asset must be treated like an asset purchase for tax purposes, in which case depreciation would be claimed.	You can claim depreciation of the equipment on your taxes
Maintenance costs are often free as part of the leasing agreement	You are responsible for maintenance and service costs



DIGITAL CONNECTIONS FOR BUSINESS SURVIVAL

In today's modern economy staying connected and "on trend" makes an increasing difference to your business' presence in the marketplace. This is also true of your relationship with your accountant. Are you well **connected**? Can you **collaborate**? Do you share or sound board ideas off one another? Can you **look at your live accounting data together**?

If you can't answer yes to these questions, perhaps the first step is to look at how you keep your records for your business. The global pandemic has brought into sharp focus the **need to have accurate accounting data to make informed decisions and plan for future cashflows**. Without this information, your business may be in danger of irreparable damage that you can't recover from.

There are many software options out there that deal with live accounting data. As an example, something as simple as using an integrated debtor's ledger with your accounting records will ensure you can track invoices you have sent to customers, ensure you get paid on time, and chase anything that's overdue.

An integrated creditors ledger allows you to plan your upcoming payments, and make sure you have the cash on hand to meet those bills due at the end of the month. How do you track your payments? Can you accurately say how much you owe, and how much you are due to be paid at the end of the month?

UHY Haines Norton have a wealth of experience using live accounting software. If you think your record keeping needs a shot in the arm, contact us and start the process. We can **convert data to most accounting software options** and provide training and ongoing support so you can get the most out of your software for your business. Don't wait – staying connected, collaborating and understanding your financial figures may mean the difference between survival and failure!

Paul Eckford manages our UHY Haines Norton Kumeu office and loves collaborating with clients and empowering them with live accounting data. He can be contacted on (09) 839-2208 or email peckford@uhyhn.co.nz.

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HOW TO FIND AN ACCOUNTANT THAT'S RIGHT FOR YOUR BUSINESS

In one of our recent articles, we talked about the benefits of using a Chartered Accountant. If you've decided to use an accountant for your business that's great, but how do you find one that's right for you and will add value to your business? Here are some things to consider for finding an accountant that will be a great fit for your business.

1. Decide on the accounting services you need. Do you want an accountant to do all the accounting tasks, or will you do some, such as GST returns? Do you need payroll services? Do you require individual accounts to be prepared and filed or it is just business accounts? Would management accounting services such as cashflow forecasting and a business budget be useful?

2. Are there software requirements you have, or software you'd like to switch to? Some accountants specialise in working with certain types of software, while others are more versatile. Your accountant should be able to advise which software (and app integrations) will be of most value to your business.

3. Physical proximity is no longer a barrier to doing business so although you may begin searching in your area, many accounting firms work with individuals and businesses the length of New Zealand. Accounting software enables you to collaborate with your accountant on live accounting data, secure file sharing eliminates the need for delivering physical copies of your records, and video meetings have become the norm. Particularly with fluctuating pandemic restrictions regarding face-to-face contact, accounting firms that use technology to enable client work to continue conveniently and without interruption are the way of the future.

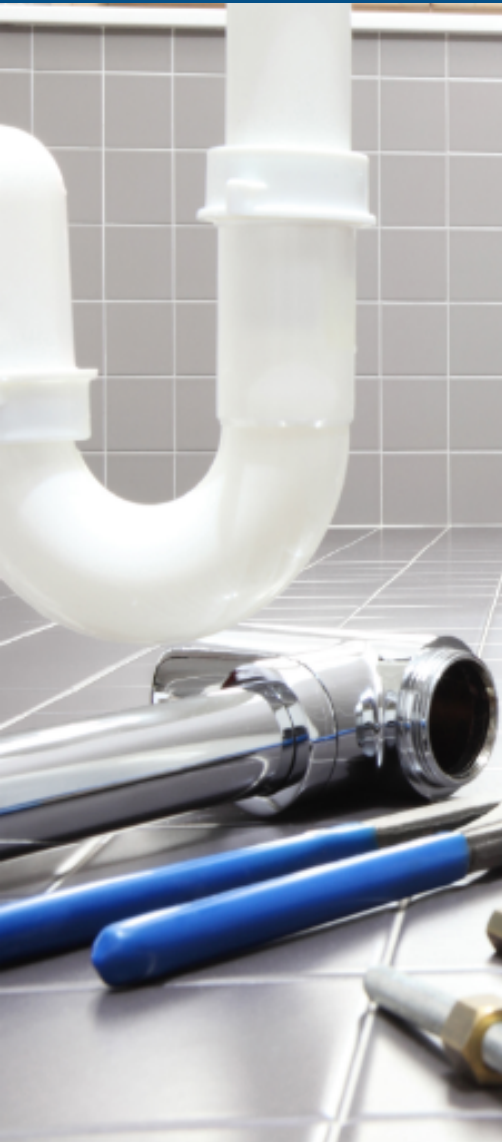
4. Remember to give some thought to your future. If you want your business to grow and evolve, you need an accountant who will support your future needs, not just your current ones. Business valuations, business improvement services, strategic planning and succession planning are just some areas of accounting expertise that could prove invaluable to your business in the future.

5. Look for an accountant with a good reputation and longevity in the market. This speaks volumes about the service they have provided to their clients in the long-term, and how they have adapted to changing technology, client expectations and industry influences.

6. Ask for recommendations from people you know and trust. Community pages on social media may not exactly give objective recommendations, so as well as talking to friends and family, try asking other business owners in networking groups or business associations, and professionals like your lawyer.

7. Not all accountants are Chartered Accountants. While you do not actually need a qualification to call yourself an accountant, in contrast CAs must have completed rigorous academic and practical workplace requirements, as well as ongoing professional development. CAs belonging to the Chartered Accountants Australia and New Zealand professional body must adhere to a strict code of ethics that ensures they behave honestly, have integrity, exercise due care, and maintain confidentiality for their clients at all times. This can provide great peace of mind that your finances are in good hands.

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SAVY CASE STUDY: THE PLUMBING COMPANY LTD

The Business

The Plumbing Company Ltd is owned by husband-and-wife team, Matt and Susan, who employ 4 additional staff. The business provides both residential and commercial plumbing services.

The Issues

Although demand was steady, in recent years Matt and Susan became frustrated by the a lack of growth. They knew they wanted to grow their revenue and profit but did not know how to go about achieving it. They spent all their time working “in” the business rather than “on” it, which meant there were no goals, strategies, or action plans in place to give the business direction.

Another of Matt and Susan’s major frustrations was the fact that they simply didn’t know how much The Plumbing Company was making throughout the year. Like most small businesses, financial accounts were prepared at the end of the financial year and therefore they had no knowledge or transparency of their accounts on a regular basis.

The Solutions

We worked with The Plumbing Company Ltd on comprehensive strategic planning to identify their goals (both business and personal), strengths, weaknesses, opportunities and threats, with growth being a key focus. We created an action plan for the next 12 months of strategies for each of the core areas including financials, operations, marketing and HR. The action plan included:

- Using business budgeting to give Matt and Susan clear insight into their revenue and expenses, and showing how to set, modify and use the business budget to help meet goals.
- Analysis of gross profit and the elements that impact upon it, and identifying improvements that could be made such as passing on additional credit card charges to customers.

- In-depth product costings and assessing where mark-ups on certain products should be adjusted to improve profitability.
- Matt and Susan dedicating two hours per week, every week, to work “on” their business strategically.
- Implementing a marketing plan, e.g. growing their social media presence.
- Switching from general accounting software to software specialising in job management to gain major productivity efficiencies in managing a job from start to finish.
- Regular collaborative meetings to keep their goals on track and ensure Matt and Susan continued to be supported by our expertise and experience at every step.

The Results

After 12 months, Matt and Susan no longer feel frustrated or worried about their business and their future. They have confidence in their knowledge about the financial aspects of their business and love having transparency about how much money they are making during the year. They are secure in the direction that the business is now heading in and can clearly see growth in both revenue and profit.

Importantly, Matt and Susan have confidence in their company’s ability to survive the impacts of any crisis, knowing that we will continue to support them and help them to navigate future threats.

At the end of their first 12 months, Matt and Susan were also able to achieve one of their personal financial goals of property investment due to the improvement in their business’ performance.

**Names changed to protect privacy*

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WORKING FROM HOME OFF A SINGLE LAPTOP SCREEN WAS NOT SOMETHING I HAD ANTICIPATED PRIOR TO STARTING MY NEW JOB!

THE UHY TEAM: STARTING A NEW JOB REMOTELY

In August we were excited to welcome four new Graduate Accountants onto the team. The only hiccup was – we were in lockdown! Here two of the grads, David Reddy and Setefano Talamaivao-Marsters tell their story about starting a new job remotely.

It's a painful feeling that most of us go through on a regular basis. Its 5:30am, right as the early bird is enjoying its much sought-after worm breakfast. The all-too-familiar sound of an alarm blares, slapping us out of that beautiful dream we wish was real. Whether it was winning Lotto, a gold medal at the Olympics, giving your winning Oscar speech in front of millions of TV viewers...too bad, it's over. A cascading array of worries streams through our minds. Gotta beat the traffic! Is my shirt ironed? Why'd I stay up late watching that Seinfeld re-run?! Then suddenly the beautiful realisation dawns upon you. 'Hang on a sec, we're in lockdown...' Remote working means we get to savour the next three hours. There's no gridlock traffic jam to get to your office for that 8:30am meeting. And that is definitely one of the few pros of starting a job during lockdown!

UHY Haines Norton (Auckland) Limited decided to tackle the COVID turmoil head-on. Far from letting the pandemic derail their plans, our firm decided to take on four grads at the same time. Sure, it may seem like quadruple the effort of taking on one grad, but the benefits are also as great.

Although we were far from being qualified Chartered Accountants with years of knowledge and experience under our belt, what we did have going for us was a surplus of enthusiasm. Coming out of university, we were willing to trek through a muddy swamp, or run through a lion enclosure for our chance to get our first accounting role.

However, the excitement of anticipating our start date was followed by what can only be described as fate playing a bad practical joke on us. A week before we were set to start our jobs, Auckland went into lockdown. Two thoughts entered my mind: 1) Do I still have a job? And 2) can I still order Uber Eats?

Luckily, UHY was not to be deterred and our start dates went ahead as planned. So instead of heading into the office on day one to settle into our desks and be introduced to lots of team mates only to immediately forget their names, we got to grips with Microsoft Teams. Working from home sounds like a walk in the park. But as most of you readers will know, in reality it soon turns into a game of dodge ball. It is a never-ending game of inconveniences, especially when you are brand new. A tech issue is sure to occur at some point throughout the day. As Murphy's Law says, if it can go wrong it will.

Although I am extremely grateful for the technology that made it possible for me to continue commencement of my new position, it hasn't come without its trials and tribulations. Just some of the challenges I have had during this unique but exciting time are:

- Working from my room off a single laptop screen was not something I had anticipated prior to starting my new job!
- Awkwardly meeting all my new colleagues remotely through Zoom and trying to engage on a human level. Also knowing when to let others talk or when to start talking to break the silence.
- Facing tech and internet issues and calling our Technical Support team to gain remote access to the UHY network and systems.
- Developing a professional set of skills at home and being mentored online by a Senior Accountant.



When all's said and done there is one thing all four of us grads agree on. Our time spent at this firm over the past couple of months has made the ups and down of learning more than worth it. The level of training already invested in us has surpassed all our expectations. We have met some of the smartest people we have had the pleasure of knowing. We've learned what sets our firm apart from others, and that there are no shortcuts taken when it comes to making the right decision. As the saying goes 'there's nothing more expensive than a cheap accountant'. This firm, located in the heart of West Auckland, chooses to embody integrity over a quick client invoice.

Doing things the right way no matter what is why us grads were kept on even during a crisis situation – because it is good for the future of our firm and the future of our clients. UHY has set an example with us of how a business can still grow and look ahead despite a gloomy and unpredictable economic climate. This is proof as to why it has thrived for so many decades, and it stays loyal to its cause.

David Reddy and Setefano Talamaivao-Marsters are Graduate Accountants at UHY Haines Norton.

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