NEWSLETTER

AUGUST 2022

CONGRATULATIONS TO NEW MANAGING DIRECTOR SUNGESH SINGH

UHY Haines Norton is delighted to announce the appointment of Audit and Assurance Director Sungesh Singh to the role of Managing Director. In this issue we look at the experience Sungesh brings to the role, his career highlights to date, what he is looking forward to and what he believes will be the biggest challenges for the firm in the next few years.

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NEW MANAGING DIRECTOR SUNGESH SINGH

UHY Haines Norton is delighted to announce the appointment of Audit & Assurance Director Sungesh Singh to the role of Managing Director.

After 18 years leading the firm, former MD Grant Brownlee felt the time was right for fresh perspectives. “Sungesh Singh has the drive and commercial acumen to effectively lead the firm through an ever-evolving environment. His empathetic style combined with his determination to deal with challenges in a fair and considered manner will hold him in good stead. I feel confident that the strong reputation of UHY, the excellent team of professionals we have on board and our clients will be well-served under Sungesh’s leadership.”

Sungesh’s career at UHY spans more than 27 years. He considers his appointment as Managing Director to be the pinnacle of his working life, saying: “I am very grateful to the UHY Board of Directors for their belief in me and their trust in my capabilities.”

Sungesh has been fortunate to have experienced many career highlights and opportunities. Promotion to Partner at 36 years old, being entrusted to develop an audit division for the firm (now the biggest audit firm in West Auckland and among the largest in New Zealand), appointments to influential positions within organisations such as Chartered Accountants Australia and New Zealand, being identified as UHY HN emerging leader in 2005 and author of auditing publications with CCH New Zealand are among the many high points.

Sungesh is also grateful for the travel opportunities that his career has provided him. “I’ve travelled the world through UHY,” he says. “What I’ve learned from travelling has been instrumental to me both professionally and personally. Other cultures, countries, different norms – it’s all expanded my horizons and my understanding of people and culture. I’ve been able to bring that back into UHY, which is a multicultural, diverse team.”

There have, of course, been career challenges along the way too. For example, public sector audits have been a large area of growth for the firm but raised capacity issues in a market where experienced auditors are already in high demand. Sungesh and his team strategized to find a way to meet filing deadlines whilst maintain the top-quality service their division prides itself on. The solution was a combination of tapping their contacts, attracting the right people, and using international affiliations. The result? Being amongst the largest public sector auditors in New Zealand and achieving growth in an uncertain market when many firms were simply trying to survive.

Sungesh describes his leadership style as ‘thoughtful, open, transparent and inclusive.’

"I AM VERY GRATEFUL TO THE UHY BOARD OF DIRECTORS FOR THEIR BELIEF IN ME AND THEIR TRUST IN MY CAPABILITIES."

NEW MANAGING DIRECTOR SUNGESH SINGH (CONTINUED)

There are many things that Sungesh is excited for in his new Managing Director role. “It’s the start of a new era,” he says, “where we have Board members with fresh perspectives and a great balance of opinions, knowledge, and experience. We have wonderful people here across the whole firm that I genuinely love being around and spending my working hours with.”

Sungesh predicts that digitalisation will be one of the biggest challenges for the firm in the next few years, as is the case across so many industries. “Technology is evolving so fast and it’s important that we have the correct resourcing in this area to harness the possibilities.”

Staff upskilling and development will be a future focus too. “Staff retention and development strategies such as upskilling, creating career paths, providing flexibility and a positive work environment to empower our people and strengthen our firm will be key,” Sungesh states.

And outside of work, what is important to Sungesh? “Family – my wife and two sons,” he says, “as well as trying to keep healthy, having a balanced sense of spiritualism and a healthy level of curiosity to learn new things.”

Although spare time is not always plentiful, he is an avid reader and loves to cook authentic recipes from scratch. Cooking on a weekend alongside his family is one of his favourite ways to relax and unwind. Although he stopped playing sports a few years ago, he is still an enthusiastic spectator of cricket, rugby and squash. And of course, he also loves spending time with his best mate Prince, a 5-year-old Tibetan-terrier-Maltese-cross bundle of craziness.

"STAFF RETENTION AND DEVELOPMENT STRATEGIES... TO EMPOWER OUR PEOPLE AND STRENGTHEN OUR FIRM WILL BE KEY."

$2,000 STUDY SCHOLARSHIPS

In 2022 we are proud to offer three $2,000 Study Scholarships to deserving students towards their undergraduate Bachelor of Commerce or Bachelor of Business Studies qualification.

WE ARE PASSIONATE ABOUT PROVIDING TALENTED, AMBITIOUS YOUNG PEOPLE WITH THE OPPORTUNITY TO FIRMLY ESTABLISH THEIR STUDY & CAREER PATH.

The UHY Haines Norton Study Scholarships are three prizes of $2,000 towards study fees of an undergraduate Bachelor of Commerce or Bachelor of Business Studies degree to Year 13 students attending selected West Auckland secondary schools.

Students may nominate themselves, or be nominated by friends, family, teachers, coaches, community contacts… in fact anyone who knows a deserving student!

All applications must be made online by submitting the online application form on our website. Applications are open from 8th August until 12th September 2022.

Who Is Eligible To Enter?

Year 13 students currently enrolled at and attending:

- St Dominic's Catholic College
- Liston College
- Waitakere College
- ACG Sunderland College
- Henderson High School
- Kaipara College
- Massey High School
- Rutherford College
- Kelston Boys' High School
- Kelston Girls' College
- Avondale College
- Green Bay High School
- Hobsonville Point Secondary School

Planning to study a BCom or Bachelor of Business Studies degree next year?

SMALL BUSINESS CASH FLOW

Cash flow is one of the most important measures of your business's health. **But how do you monitor it?**

Everyone knows a business needs to stay in the black. It's not a new idea. So, it can be hard to imagine why a business would lose sight of cash flow. But when you're in business, tracking small business cash flow isn't as easy as it seems. For small business cash flow monitoring, this can involve:

- Keeping track of all your expense receipts – which gets tricky if there are multiple people making purchases
- Recording all your sales revenue – making sure to account for discounts you might have given
- Enter everything into your cash flow spreadsheet – including double and triple checks to ensure everything is entered correctly.

It takes a lot of time, patience, and energy before you are even ready to punch numbers into a spreadsheet. You may have to rely on employees or business partners to supply details. Their paperwork sometimes has scribbled notes in the margins, requiring a follow-up phone call. Even if you are vigilant, there is a lag between when a sale or expenditure happens and when your spreadsheet is entered. You are essentially taking snapshots of your cash flow, and there can be big blind spots.

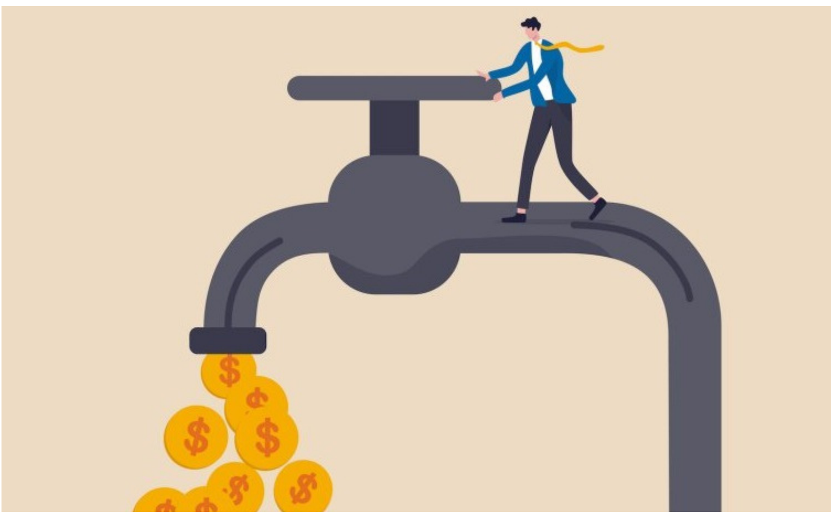
As business picks up with more sales and expenditure happening all the time, those blind spots become more significant. More transactions happen in between each cash flow snapshot. And cash flow snapshots get further apart because you are increasingly busy to update spreadsheets.

An excellent solution to these issues is to consider using cloud accounting software. You know you must monitor it, and cloud accounting software can automate the process for you. In fact, 98% of accounting software users recommend it to others.

Cloud accounting software is sold on a flat monthly subscription. You don't need to download anything, and you can run it efficiently off your existing laptop, desktop or smartphone. Next, the system pools all the data to create a dashboard of your financial situation, which is automatically updated daily. It can link to your business bank account (and POS system) to track sales and expenses with no data entry required from you. Because the data comes straight from the bank, it's clean and accurate. Smart accounting software will also send out invoices, showing what you're owed.

Accounting software only needs to save you one or two hours a month to pay for itself – which it quickly and easily does for most businesses.

A MASSIVE 65% OF FAILED BUSINESSES SAY THEY CLOSED BECAUSE OF FINANCIAL MISMANAGEMENT, INCLUDING ISSUES LIKE CASH FLOW VISIBILITY



NEW TRUST RULES THAT COULD PUT YOUR ASSETS AT RISK

New trust rules mean that beneficiaries can automatically become settlors if there's more than $25,000 in their beneficiary current account with the Trust. This has the potential to put assets at risk, so consider making changes now.

There have been a lot of rule changes for trusts over the past few years – and now Inland Revenue has introduced another tweak, one you need to know about if you use trusts to protect your assets.

Who's who when it comes to trusts
To understand the new rule, you need to know the roles within a trust:

- The settlor sets up the trust or moves assets into the trust for the benefit of others (called beneficiaries); there can be more than one settlor. For example, you might set up a trust to protect your family home from claims against your business – you are the settlor.
- The beneficiaries are those who receive benefits from the trust or the assets it holds. For example, your children or partner.
- Trustees are the people appointed to manage the trust, e.g. the trustees might be you, your partner, and a professional advisor.

The new rule can turn beneficiaries into settlors

Trusts can and often make income distributions to beneficiaries without actually paying that money out to the beneficiaries. The money will sit in a beneficiary account and recorded as money owed to the beneficiary by the trust. In the past, this hasn't been a problem.

Now, if a beneficiary account has more than $25,000 in it which is owed by the trust, the beneficiary will automatically become a settlor of the trust in the eyes of IRD. This might not be a problem for everyone, but it can become an issue. For example, if your child is a settlor and they get into trouble with their own property – the trust could be 'tainted' by the associated persons rules, possibly putting the assets of the trust at risk. There may also be potential tax issues around the bright line test, and settlors with foreign residence can change the way trusts are taxed.

What should you do if you have a trust?

If you have a trust, get in touch with us and talk to us about your options. You may not need to do anything, but it is important to understand any potential pitfalls.

THERE HAVE BEEN A LOT OF RULE CHANGES FOR TRUSTS OVER THE PAST FEW YEARS – AND NOW INLAND REVENUE HAS INTRODUCED ANOTHER TWEAK, ONE YOU NEED TO KNOW ABOUT IF YOU USE TRUSTS TO PROTECT YOUR ASSETS.

WEIGHING UP A BIG INVESTMENT IN YOUR BUSINESS

It's expensive to invest in a new website, payment platform, project management software or automation. Should you take the plunge? We can help you weigh up the costs and benefits.

Are you considering investing in a new way to make your business more productive or streamlined? With a tight labour market, everyone's time is at a premium – so finding ways to maximise productivity has never been more important.

But it can take considerable funds to pay for a new website, ecommerce platform, software system or automations. Here are a few questions to ask yourself when you're weighing up the costs and potential benefits of a significant investment.

What are the upfront costs – and the ongoing expenses?

A website, for example, has a large upfront cost for the design, content creation and build. You might think that the costs are then done, but it must be updated and maintained. You can do that in-house, in which case someone needs to be assigned to that work, or you can outsource it.

Always take into account the ongoing costs, because these are a vital consideration when you decide whether to make an important investment.

Which of your current costs will disappear?

Some of the costs you currently incur may vanish with a new system. It might be as simple as no longer paying the cost of an old subscription. Or it might be time saved that is spent manually entering data, processing payments, or dealing with customer issues that arise from an outdated system.

Financial costs are relatively easy to add to the calculations. It's trickier with time, but try to put a value and quantity on what time might be saved if you can.

How will this change your costs in the long run?

Think about how your business will operate five years from now. Will this new investment allow you to increase your profitability without growing your team? Will you be able to spend more time finding outstanding high-value clients and less time on processes?

Any large investment should make your company run more smoothly, allow you to boost your output, and easily pay for itself.

When will this investment pay for itself?

Once you have all these numbers in hand, you can formulate some idea of when the investment will pay for itself. We can help you estimate a likely timeframe, and some best- and worst-case scenarios. You don't have to make big choices all on your own – let us help you analyse the costs and benefits to give you more confidence in your decisions.

ANY LARGE INVESTMENT SHOULD MAKE YOUR COMPANY RUN MORE SMOOTHLY, ALLOW YOU TO BOOST YOUR OUTPUT, AND EASILY PAY FOR ITSELF.

OVERSEAS INCOME AND TAX

If you receive income from overseas sources, sometimes working out the tax can be tricky. Here are twelve points to consider.

#1 Declare rental income from overseas properties. You can claim deductions for rental-related expenses, and you may also be able to claim a credit for tax paid in the other country on that income. It can be complex if you hold loans and mortgages overseas. Call us if this applies to you.

#2 Do you receive income from an overseas trust or deceased estate? The New Zealand tax treatment depends on where the settlor of the trust lives. An estate can also become a trust after a period of time. As a trust does not have a legal personality, there is no concept of residency for trusts. However, a trust is recognised as a taxpayer, so New Zealand generally verifies the residency of the trustee to determine which income of the trust is subject to NZ tax. New reporting requirements for trusts have been introduced, so talk to us on how this may apply to you and trusts you are involved with.

#3 If you own shares in a foreign company, you must pay tax in New Zealand on foreign share dividends unless:

- You are a transitional resident, or
- The shares are subject to foreign investment fund (FIF) or controlled foreign company rules for calculating taxable income.

Dividends paid by overseas companies to transitional residents or FIF income are not taxable in New Zealand for the transitional period. Non-residents are not taxed in New Zealand on income from outside of New Zealand. The rules for Foreign Investment Funds and Controlled Foreign Companies are complex. Get professional advice on the taxation of offshore investments, whether from us or your financial advisor.

#4 Having offshore: bank accounts, bank loans, term deposits and credit or debit cards may trigger New Zealand tax obligations. Even if foreign withholding tax has been deducted on foreign income, it doesn't necessarily mean the income is no longer taxable in New Zealand.

#5 Do you have interests in a foreign superannuation scheme? If so, any payments received from such schemes (including transfers into KiwiSaver) will need to be considered for New Zealand tax. As with other tax rules on foreign investments, these rules are complex. Please talk to us to ensure these are accounted for correctly.

#6 Have you made a gain on the sale of a foreign residential property? Gains made on the disposal of any residential property situated in New Zealand or abroad might be taxed in New Zealand under the bright-line test.

#7 Do you receive royalty payments from offshore? If you are a New Zealand tax resident you will be taxed in New Zealand on your worldwide income, even if the funds don't make it into a New Zealand bank account. This would also include royalty income, however a foreign tax credit can be claimed for any withholding tax deducted offshore.

#8 Do you receive any foreign pension or annuity payments? These must be included in your New Zealand tax return.

#9 Do you receive salaries, wages, commissions or Directors fees from offshore? These sources of income must be included in your New Zealand tax return, regardless of whether the funds are received in New Zealand.

#10 Do you receive business, self-employed or consultancy income from offshore? These sources of income must be included in your New Zealand tax return.

#11 Do you have any foreign life insurance policies? These types of policies can result in taxable income under the Foreign Investment Fund rules. It can be complex to calculate income under the Foreign Investment Fund rules. Call us if this applies to you.

#12 Have you traded in precious metals or hold any crypto assets? Generally gains made on the disposal or utilisation of such assets are taxable in New Zealand even if the assets are held offshore.

If you're not sure about any or all of these as they relate to your tax position, please get in touch – we are here to help.

USING FORECASTING TO HELP YOUR DECISION MAKING

A crystal ball would be very handy in business! But the good news is that quality forecasting can be just as useful, giving you an informed view of the future of your business and finances.

Looking at historical financial figures can only tell you so much. In business, you want to know what the future holds. And to make truly informed decisions about your future strategy, it's important to use forecasting tools to project your data forwards in time. By running projections based on these historical numbers and producing detailed forecasts, you can get the best possible view of the road ahead – that's invaluable.

Run Regular Cashflow Forecasts

Positive cashflow is vital to the short, medium and long-term success of your business. Without cash, you simply can't operate the business efficiently. Running regular cashflow forecasts helps you overcome this challenge. With detailed projections of your future cashflow, you can spot the cash gaps that lie further down the road and take action to fill these cashflow holes.

Income can often be unpredictable, especially in challenging economic times. If customers fail to pay an invoice, or suppliers increase their prices, this can all start to eat into your available cash. Using forecasting, you can extrapolate your numbers forward to which weeks, months or quarters are looking financially tight. And with enough prior warning, there's plenty of time to look for short-term funding facilities, or to get proactive with reducing your spending.

Run Sales And Revenue Forecasts

Keeping the business profitable is one of the key foundations to making a success of your enterprise. You want your sales to be stable and your revenues predictable if you're going to generate enough capital to fund your growth plans. And you need to know how those revenues will pan out over the course of the coming financial period.

Revenue forecasts work much like a cashflow forecast. Instead of looking at your future cash position, a revenue forecast gives a projection of your sales and how much revenue is likely to be brought into the business in future weeks and months. With better revenue information you'll be more on top of your profit targets. You can manage your working capital in a more practical way. And you can improve your ability to invest in new projects, additional staff or funding the long-term expansion of your business.

Run Different Scenario Plans

What's going to happen to your business in the future? None of us have a crystal ball to predict this future path exactly. But by looking at different possible scenarios, you can run projections to see what the potential outcomes and impacts may be.

These '**what-if scenarios**' can be exceptionally useful tools when thinking about big business decisions. What if there's an economic recession? What if our sales increased by 25%? What if we raised our prices by 10% next quarter? What if we lost a quarter of our customers? By plugging the relevant data into your forecasting engine, you can run these scenarios and see how each option pans out. That's massively useful when the worst (or the best) does happen.

Update Your Strategy Based On Your Forecasts

By making the most of your forecasting tools, you give your Board, finance team and advisers the most insightful data and projections to work with.

A good business plan is designed to adapt and evolve to meet the needs of the changing market, and the changing needs of your own business strategy. By making use of your cashflow forecasts, revenue projections and what-if scenario planning, you give yourself the insights needed to update your strategy and your business plan. You can make solid, well-informed decisions and keep yourself one step ahead of your competitors. In the dog-eat-dog world of business that's a competitive edge that can make a huge difference.

If you want to delve deeper into the positive benefits of forecasting, please do get in touch. We can assist with developing forecasts and scenarios for your business so you can make informed decisions.

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HAVE YOU ACHIEVED YOUR START UP BUSINESS GOALS?

Have you achieved your start up business goals? Here are 5 important questions to ask yourself before you take the next step in your business journey.

Founding, managing and growing a business is a BIG commitment. For most business owners, it will take years to build a customer following, turn a profit and create a truly scalable business. It's a journey that can sometimes be pressurised, stressful and risky. But when your plan really does come together, there is the chance of real success, a lasting legacy and a business that delivers on your initial dream.

So, how do you know when you've truly achieved your goals for the business?

Has the business met its growth targets and scaled up as intended?

You'll have seen your business idea grow from being a fledgling start up to an established business and on to become a scaled-up, ambitious enterprise with a solid customer base. If you've met your growth targets, then you know you're on pretty solid ground as a business. Your idea clearly has legs and you're delivering a product/service that your customers see as valuable, and which they're willing to part with their hard-earned cash to purchase.

Are you running a profitable enterprise that's in good financial shape?

Running a tight financial ship is crucial. You need solid revenues, positive cashflow and good liquidity to keep your business ticking over.

In the early days of being a start up, cash will have been tight. And your own personal income as a founder and director will probably have been scarce too. But as the business has become more established, you should have found that your business revenue became more stable and predictable – and that your own personal wealth also followed this same reliable pattern. If the business has a solid balance sheet, great cashflow and meets your intended profit targets, you're onto a good thing and can be sure that your financial position is in good shape.

Do you have a stable customer base who say good things about you?

Without customers, you simply don't have a viable business. Finding your first customers as a start up was probably a significant turning point in your journey. A good customer base brings with it the bonus of new sales, fresh revenues and a business that can actually turn a profit.

"WHEN YOUR PLAN REALLY DOES COME TOGETHER, THERE IS THE CHANCE OF REAL SUCCESS, A LASTING LEGACY AND A BUSINESS THAT DELIVERS ON YOUR INITIAL DREAM."

HAVE YOU ACHIEVED YOUR START UP BUSINESS GOALS? (CONTINUED)

When customers engage with you and buy your goods and services, that confirms your original faith in your business idea. You're providing something they value and want to purchase, and you're also building a community of people who all think your brand is great.

Do you have a team who can operate the business without you?

In the early days, you'll probably have become a Jack (or Jill) of all trades. You'll have run the sales and marketing campaigns, taken care of all the main operational tasks and dealt with the many invoicing, accounting and bookkeeping tasks. Turn the clock forward, and you probably have a team of people around you to take care of these jobs – but could they function with you?

This is really the acid test of whether you've scaled up and succeeded. If the business is still reliant on you personally then you have a problem. To be a saleable proposition, a business needs to function effectively without its founder. If not, you'll never be in a position to sell up. To make this possible, you need a team of engaged and talented people around you – people who share your vision and talents and who can keep the ship on an even course, even once the original captain has set sail on new adventures.

Do you feel you've achieved what you wanted to achieve?

In your formative years as a founder, you'll have sat down to draw up a start up plan. In that plan you'll have outlined a clear vision for what this business was going to achieve.

For example, this vision might have been:

- To scale up over five years, sell-up and retire
- To deliver a new kind of technical widget and make it the global standard
- To help your target audience improve their lives, helped by your product/service
- To provide the income needed for you to live your desired lifestyle
- To plough your profits back into the local community and be a force for good

We all have different goals, and whether they are financial, personal or moral comes down to the individual. The important thing at this point is to assess whether you've actually met the vision that you set out to achieve. If your aim was to sell for a profit and then retire, are you ready to do this? If the goal was to become a household name and move your sector forward, do your customer engagement figures and market share stats reflect this?

Deep down, only you and your fellow founders know whether you've truly met your intended goal. But if the general consensus is that you aced it, then it's time to think about the future.

What's the next chapter in your business story?

If you can answer yes to all five of these questions, then congratulations! You've built a successful, stable and profitable business.

But what's next? Do you continue to plough this fertile furrow and live off the profits? Do you find a buyer for the existing business and start on your next business idea? Or do you sell up and look at retirement and enjoying the benefits of your money and lifestyle? Our Business SAVY team are experts in helping business owners achieve the next level or step in their journeys. We draw on years of experience and knowledge to create customised strategies to overcome your barriers and achieve your next goals – whatever they may be. Contact us to get in touch and discuss your options today.

TAX ACCOUNT TYPES

When you make a payment to IRD you will need your IRD number as a reference. Make sure you choose the right account type when making payments, as mis-coding your payment could result in IRD refunding the payment or missing future tax payments which may cause penalties to be charged by IRD.

GST and Provisional Tax (GAP)

The correct use of this tax type for paying the IRD relates to a single payment for GST and provisional tax made to IRD that matches the total filed in the GST return. This tax type should only be used for provisional tax when the provisional tax figure is included in the GST return filed with IRD. IRD will take this single payment and split it between the filed GST and the provisional tax figure, where it is also filed on the GST return, will be moved to the income tax account.

Where the provisional tax figure is not filed in the GST return, IRD will refund the over payment. The practice of filing the provisional tax payment in the GST return is seldom used now-a-days. This was previously the norm when sending in a cheque for a single payment on the due date rather than sending multiple cheques to the IRD. The IRD no longer accept cheques and prefer all filing and payments to be made electronically.

Income Tax (INC)

When paying provisional or terminal tax to the IRD, the correct tax type to use is Income Tax (INC) and the correct 31 March year-end date - which may be different to your entity's balance date.

MIS-CODING YOUR TAX PAYMENT COULD RESULT IN IRD REFUNDING THE PAYMENT, AND IF THIS MAKES YOU MISS A PAYMENT YOU COULD BE HIT WITH PENALTIES.