

Winter Wilco 2013

Risk and Reward



Encouraging employers to employ youth

The government has introduced a new initiative aimed at encouraging employers to recruit young New Zealanders, especially those who have been on a benefit. It allows the lower minimum wage rate - 80% of the adult minimum - to apply to a wider range of people. The new scheme came into effect on 1 May 2013.

The 'starting-out' minimum wage can be paid to certain categories of youth aged 16-19 years. Currently, the categories are:

- 16 and 17 year olds in their first 6 months of paid employment with their current employer
- 18 and 19 year olds who have received a benefit for 6 months or more and have not completed 6 months' work with any employer since starting on that benefit
- 16 - 19 year olds involved in a recognised industry training course of at least 40 credits per year

The starting-out wage replaces the new entrant minimum wage and the trainee minimum wage for under 20s. (There is still a trainee rate for those who are 20 years or older.)



Is your workplace safe?

ACC levies will not be rising this year but that's not the only good news. If you run a safe work environment, you may be eligible for a Workplace Safety Discount from April 1, 2013.

In 2012, Cabinet agreed to expand the Workplace Safety Discount programme from the current seven high-risk industries to all industry groups.

This decision was made for a number of reasons but came about after requests were made from major industries to be considered for Workplace Safety Discounts. It aligned with ACC's goal to make health and safety incentive schemes attainable for all self-employed people and all small to medium-sized businesses in New Zealand.

Most importantly the expansion of Workplace Safety Discounts is an opportunity to encourage small to medium-sized businesses in all industries to increase their focus on their health and safety systems and raise their standard of safety management.

What does the expansion of Workplace Safety Discount mean for New Zealand businesses?

It means that all self-employed and small to medium-sized businesses will have the opportunity to apply for a Workplace Safety Discount, regardless of their industry. It's a way to save 10% on the work component of the levy.

Tax Talk

To save or splurge?

So you had an exciting moment when you received a letter advising you of your tax refund. A clatter of thoughts tumbled through your mind about how you might use the money. A fancy item for your wardrobe? A deposit on a holiday? A new electronic device?

That little devil on your shoulder shook his head wildly when you made a conscious effort to think about using it for new car tyres, putting it into a savings account or doing anything remotely sensible. However, being sensible with your tax refund is not such a bad idea. Before you let the cash burn a hole in your pocket, think about the following options:

Consider your business - Perhaps you own your own business and need to replace particular assets within your business or purchase new ones? By doing this, you can substantially improve your business' health, which in turn can lead to greater cashflow down the track.

High interest debt - Are you currently paying off credit cards, hire purchase or a personal loan? By paying a large chunk using your tax refund, you will be surprised at how quickly you can bring down the remainder of your debt.

Save it or set up an emergency fund - It always pays to have a stash of cash on hand. A healthy savings account allows you to have the freedom to enjoy the things you like to do, without having to pull out the plastic. An emergency fund provides you with the comfort of knowing that if unexpected costs arise, such as car repairs or medical bills, then you are capable of paying them.

Consider your children - If you have children, remember that they can get refunds too and your accountant can help you with this. Talk to your children about the importance of saving and look at opening a high interest savings account in their name. Monitor their access so they can learn to budget effectively.

Home improvements - If you own your own home, take a look around your house and assess whether any repairs and maintenance need taking care of. Often if left, general repairs can become expensive so it's best to deal with these early on to save additional cost.

If it's a substantial sum, you may have the option to use part of it for something nice but receiving a tax refund does not necessarily mean it's a good time to splurge. Take the time to assess all your options and put the money to good use.



A bit late with your payment?

If you missed payments on end-of-year income tax, Working for Families Tax Credits or your student loan bill for the 2012 tax year and you can't make the payment in full, you may qualify to make payments by instalments.

The original cutoff date was 7 February (or 7 April if you had an extension.)

Be aware use of money interest will still apply for the payment duration, together with any late payment penalties already imposed.

If you want to know if you qualify for this arrangement, call us and we can request this for you.

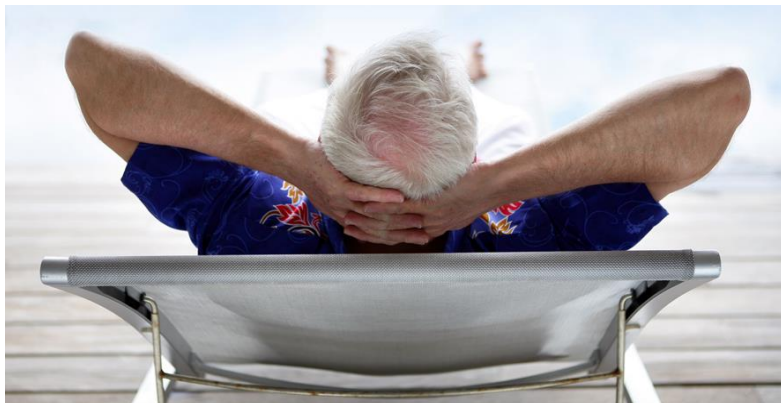
'Mondayisation' ahead

Previously, when New Zealand celebrated Waitangi Day or ANZAC Day, and it fell on a Saturday or Sunday, it wasn't recognised with a day of paid leave unless the employee normally worked on that day. For some New Zealanders, this projected the idea that these dates, marking significant moments in our history, weren't important enough. Many also wanted to see employees enjoying their full entitlement of 11 public holidays every year.

We will now see the Mondayisation of these holidays. That means that if the date in question falls on a Saturday or Sunday, the public holiday will be treated as falling on the following Monday for those staff who do not normally work on the day upon which it actually falls. (Of course, the employee will only be paid for that Monday if it would otherwise be a working day.) And the public holiday will continue to be treated as falling on the Saturday or Sunday for those staff who normally work on the day it actually falls.

The changes do not mean that the actual observance of the two holidays will occur at different times.

The cost to businesses following the law change is not enormous since these holidays fall on weekends in only two out of every seven years. Although the relevant amendments come into force on 1 January 2014, the first time one of these holidays falls on a weekend is not until 2015.



'Wise are those who learn that the bottom line doesn't always have to be their top priority.' - **William Arthur**



Keeping the wolf from the door

The first few years in a new business can be the most delicate and you really don't want any unwanted surprises when your initial tax bill arrives. There have been constant murmurs recently about what to do if you're facing tax debt but what about some guidance as to how to avoid it altogether?

It's that age old solution: planning. By planning ahead and ensuring you have a surplus set aside for tax payments, you'll prevent any over the top or unexpected bills. The key is to start putting money aside from the beginning. And the trick? Once it's there, don't touch it. This is an essential point for new businesses because in the first year of operation, the IRD do not charge tax. However, these first year taxes will be lumped in with the second year tax charges and this is often where businesses get into trouble and wind up facing tax debt.

It's not just about the additional cash though. Always ensure you keep hold of your receipts and ensure your records are as accurate as possible.

- Understand your tax obligations and budget for them
- Keep money aside from a capital gain when selling an asset such as property or shares
- If you are collecting GST, always keep it in a separate account
- Update your financial records regularly (at least once a month)

We may be able to help you forecast for potential cashflow and assess what you may expect in your first few years of business. Avoiding tax debt should be on the radar for all businesses, new and established. Call us today if this is something you'd like to discuss.

Business Perspective

Studio64

When it comes to setting up a business and the space you operate from, it can be a costly and overwhelming experience. Many budding businesses are put off at the thought of seeking out and securing the right space. But six Bay of Plenty business owners have come up with a solution.



Arriving at Studio64 and meeting the group that greets you, it seems as if these guys have known each other for years. Banter begins soon after excited chatter, handshakes and a round of introductions. So what is Studio64? It's a co-space that currently houses six small businesses: The Likeable Marketing Co, Emerge Film, Marketing First, Reid Design, Creative Q and Archistudio. The space works as an open environment where the creative crew work in close quarters, yet they run their businesses completely independently of each other. The dynamics clearly work.

The six blokes first met and got to know each other at a regular Young Professionals' breakfast and the idea was born from there. Now, the aptly nicknamed 'virtual agency' is a hub for the like-minded businessmen, who all share the same business goal.

When the group came together, they were all so passionate about the success of collaborative working space that any challenges only seemed like small ones. There were of course concerns about how two marketers and two web designers from different companies could work in unison together and whether the issue of competition would arise.

Studio64 Co-Working Space

Josh from Reid Design is quick to point out that any worries were quickly quashed, 'I worried that we might have concerns about client poaching or crossing paths with quotes for designs, but in actual fact we find that being in the same space generates more business and we often end up sharing the workload in a really diplomatic way.'

Curiosity creeps in and you wonder whether there is conflict amongst the tight knit crew. 'We tend to communicate really well and every Friday we get together over breakfast and just get everything out on the table.' This includes any issues from the past week, any concerns for the coming one, as well as a brainstorming session. This is where the real creativity begins. Often an idea is brought to the table and the guys each contribute feedback and from here a project is born. 'It's great because everyone from the group has a different creative perspective on the idea and it really gets the creative juices flowing.'

When asked if they can share some advice for budding businesses, Marketing First's Sheldon says 'the world is full of choices now and no idea is too small - anything is possible. You just need to pick one, take action and start building a passionate team around that idea. The main theme though is focus, always check in with your end goal to steer your focus. Be assertive.'

Seeing this team in action proves that a collaboration of this nature is a great way to motivate and get a business off the ground.



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www.gilesandliew.co.nz

Auckland Branch

PH: 09 262 1955

Waihi Branch

PH: 07 863 3026

Tauranga

PH: 07 571 1542