

# Welcome...

WELCOME to the summer edition of our newsletter.

With the end of another year fast approaching I would like to take this opportunity to thank you for your business over the last 12 months.



On behalf of the team here at Simmonds Ball Engert Ltd, I wish you all a great Christmas and a relaxing New Year break before you take on the challenges of 2017.

## Holiday Dates

Our office will close at 2pm on Thursday, December 22, and re-open at 8am on Monday, January 9, 2017.

We are intending to complete all GST returns – due on January 15th – prior to Christmas, so we'd appreciate your assistance in forwarding your details.

For some clients, provisional tax payments fall on the 15th of January also. We will issue tax notices prior to the break to remind you to make these payments.

As always, if our services are required urgently during the break, I can be contacted on 027 4788 906.

**Ross Engert**  
**Simmonds Ball Engert**

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ACCOUNTANTS

ISSUE 66 • Summer 2016

# newsletter



## Learn to love your P&L statement

HOW OFTEN do you look at the Profit and Loss (P&L) statement for your business? Only once a year? It could be more useful to monitor it more often.

Your P&L statement gives you a great way to keep an eye on how your business is doing. Like the name suggests, it shows profit and loss for a given period. That might be monthly, quarterly or annually; in fact, as often as you like.

Your P&L statement charts revenue and expenses – incomings and outgoings – so

that it can help you see what's actually happening with your cashflow. This is why it's also sometimes called an income and expenditure account or a statement of financial performance.

### The basics

When you look over your P&L statement, look for a few basics:

*continued on page 2*

## Do you own rental properties?

IF YOU GAIN income from rentals, be aware you need to comply with new rules. On 1 October 2016 changes to the Residential Tenancies Regulations came into force to reflect new standards on insulation.

Standards New Zealand's 'Energy Efficiency – Installing bulk thermal insulation in residential buildings' provide extended guidelines for insulation installers and building owners.

This follows up on changes which took effect on 1 July 2016 requiring all rental properties to have ceiling and underfloor insulation by 1 July 2019. Landlords must now provide a statement in the tenancy agreement for any new tenancy commencing on or after 1 July 2016 about the location, type and condition of insulation in the rental home.

*continued on page 3*



continued from front page

## Learn to love your P&L statement

### This year/last year?

How do this year's numbers compare with last year's?

### What's the margin?

What's the margin between revenue and expenses? After you've taken away all your expenses, the remainder is your profit. This will give you an idea of how much you can take out of the business and how much you are likely to need for your normal business costs. Is there room to factor in a buffer amount for unexpected costs? Do the numbers fit with what you know you need for upcoming tax payments? Should you be reinvesting in the business?

### What are the trends?

Do revenues or costs rise or fall in a regular pattern from month to month? Can you see why the patterns occur?

### What bucks the trend?

Can you see any incomings or outgoings that don't fit with the pattern? With windfall revenues, is there anything you could do to extend them so they become the norm rather than the exception? With sudden unpredictable spikes in your costs, are these easily explained or are they symptoms of emerging business risk?

### Take action

Regularly checking in with your P&L is a great risk management strategy. And if you're trying new marketing techniques or running new product lines, it's a good way to track whether they're performing well.

You know we love this stuff. We would be happy to talk you through how to gain more meaningful data from your P&L.

# What can I claim?



A WOMAN got remarried and decided to rent out her former home. It was one of a group of houses.

A tradesman made an offer to the group of house owners, including her, to clean all their windows for \$100 each.

"I gave a neighbour \$100 to pass on to the tradesman, but since I didn't get a receipt I assume I can't claim it," she said.

Tax law does not say anything about the need for a receipt. Claiming expenditure is perfectly simple. Generally speaking you can claim any expense which relates directly to deriving income. That's the end of it.

If the IRD ever asks you to prove you

spent the money, you need to be ready to do so. So it's always advisable to get some form of written acknowledgement, such as an invoice, to support your expenditure. It's a convenient way to provide proof to satisfy the IRD.

In our example, the house owner could probably get confirmation from the window cleaner or even from her neighbour, if needed. The trouble is they might not be around when the proof is requested.

Incidentally, if you are in business and are registered for GST then you do have to have a 'tax invoice' for any payment you make of \$50 or more, to claim the GST.

## Computer backups

Here's a checklist to help you keep your data safe.

- Are you backing up your computer at least daily?
- Are you sending data off-site to protect against fire?
- How do you know you could retrieve information from your backup? Do you test your backups regularly?
- Are the files you keep in your email system also being backed up?

## Beware terms and conditions

MANY LARGE suppliers seem to be using their terms and conditions in ingenious ways to take advantage of their customers.

It's been reported that TrustPower advertised unlimited broadband for \$49 a month. However, customers needed to sign up for a minimum of two years and in the small print it stated that the second 12 months was to be charged at \$79 a month. The Commerce Commission has filed charges under the Fair Trading Act.

Magazine publishers sometimes include a clause in their terms and conditions which

says if you don't say you do not wish to renew your subscription, the company automatically renews it for a further year.

Be selective in choosing who you are going to allow to direct debit your bank account. If there is a dispute, you might find it hard to get your money back.

Unfortunately, none of us has enough time to read all the terms and conditions. About the best we can do is be aware they can be badly skewed against the customer.



## New rules for mileage rates

A BILL is before Parliament which has a section dealing with tax deductions based on mileage.

The calculation at present is easy. The rate is 72c a kilometre and the maximum number of kilometres you can claim for is 5000.

The self-employed, only, will be allowed to continue to use this basis for calculating their business mileage.

The new system proposed will be a two-tiered system. You'll have to use a logbook and keep it for three months once every three years. Those who have relatively high business mileage should take advantage of this change.

It's probably easiest to explain the system with an example. X travels 30,000km for both business and personal running in one year. His tier 1 calculation applies to the first 10,000km. Fifty-five percent of his running costs are for business. This means he can base his claim for tier 1 on 5500km. If the rate were 75c a kilometre his claim would be \$4125.

He's still got 20,000km of mileage left.

Supposing the tier 2 rate is 25c per kilometre, his claim is based on 11,000km which entitles him to another \$2750. That makes a total claim of \$6875, which is much better than the maximum available under the old rules of \$3600.

The Government plans to bring in these new rules from 1 April 2017. The actual mileage rates are likely to be announced sometime after 31 March 2018.

This new system provides a more accurate way of calculating mileage, but it is going to add to the amount of record-keeping. You're going to need to tell us the total number of kilometres you travel in each year.

Therefore, please start now. Make a diary note to record your odometer reading when you finish work on 31 March 2017. Then make another diary note to do the same on 31 March 2018 and so on.

If you change vehicles, you'll need to get your odometer reading before you trade in your old vehicle and then make a note of the reading on the new vehicle.

## Trustees need to minute their decisions

IF YOU have a family trust, be fussy about recording trustees' decisions.

One problem that arises is taking money out of the trust for your own use, i.e:

1. A reduction of money owing to you;
2. A distribution of some of the trust;
3. A payment out of the capital;
4. Reimbursement for trust expenses;
5. A beneficiary loan.

It's important to clarify these withdrawals. This is done by means of a trustee minute.

If there could be any doubt about the reason for a transaction, be sure to prepare a trustee minute and make sure all trustees sign it before it is actioned.

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## Do you own rental properties?

### Smoke alarms

Landlords must now have working smoke alarms installed in all their residential rental homes. Replacement alarms that are subsequently installed need to have long life batteries and a photoelectric sensor. Hardwired smoke alarms are also permitted.

### Expedited abandonment process

There is a new process for landlords to regain possession of their rental property if the tenant has abandoned the property. This enables a Tenancy Adjudicator to decide the case based on evidence landlords provide in their application. The process doesn't allow for landlords to claim the bond, or costs such as rent arrears and damages. This would need to be done by further application.

### Retaliatory notices

It is now unlawful for a landlord to end a tenancy in retaliation where a tenant exercises a right under the tenancy agreement, relevant law, or by making a complaint relating to the tenancy. Tenants who take direct action against landlords will now be able to challenge an alleged retaliatory notice up to 28 working days after it has been issued.

## Some contractors to choose their own tax rate

**FROM 1 April 2017, the Government is proposing to allow contractors whose income is subject to withholding tax deductions, to choose their own tax rates.**

**Those who have typically been over-taxed might want to choose a lower rate. The minimum for New Zealand residents has been set at 10%. Others, who have a lot of year-end tax, might**

**be more comfortable having higher deductions.**

**The maximum number of times you will be entitled to change your rate during the year is twice. After that, the payer will have to agree to your request to make the change.**

**If you haven't been complying with your tax obligations, you might not be allowed to choose your own tax rate.**



## Don't grab all the money

If you sell your business, which you run through a company, the money does not belong to you. It belongs to the company.

You can only take it out if you are entitled to do so. If there is money owing to you, according to the balance sheet of the company, then that money can be paid out. However, any more than this becomes a loan to you or may even be an illegal distribution.

A problem often arises when a business is sold. The seller gets paid for 'goodwill'. This is the value of the customers who have been built up over the years. It is a payment for the potential to get a higher income.

The sale of goodwill in excess of what was paid for it (if anything) is usually a capital gain. This capital belongs to the company.

You can get it out if your company happens to be a Look-through company or one of those old qualifying companies. Otherwise, it must stay there until the company is wound up.

If you take the cash out prematurely it has to be treated as a loan from the company to you. There are tax consequences as a result.

If you want the capital gain paid out to you, without tax consequences, you must first have a signed special resolution of shareholders resolving to wind up the company.

## TAX CALENDAR

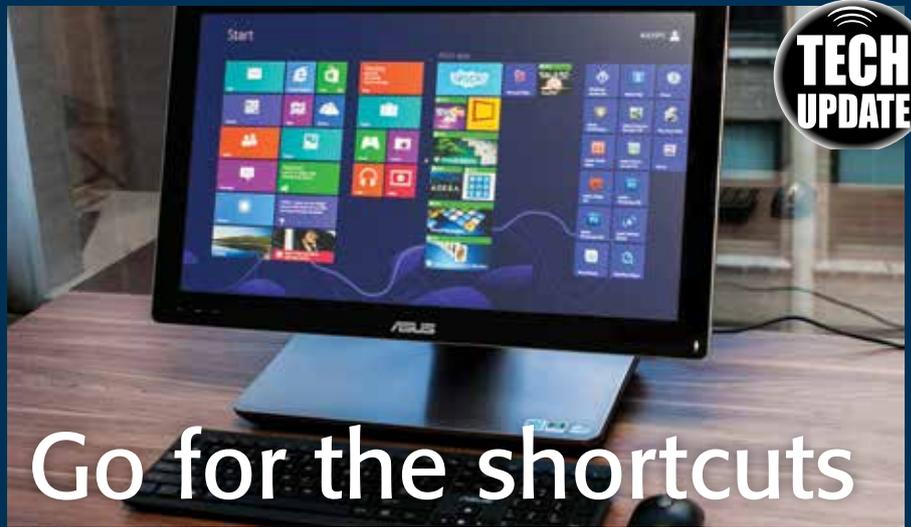
### January 16, 2017:

- **2nd instalment of 2017 provisional tax** (March balance date except for those who pay provisional tax twice a year).

- **Pay GST** for period ended 30 November 2016.

### April 7, 2017:

- **Terminal tax for 2016** (March, April, May and June balance dates). For all clients except those who have lost their extension of time privilege



## Go for the shortcuts

MOST OF us only scratch the surface of what's possible when we use our computers.

Underlying all the usual stuff we do daily, are a multitude of smart tricks that can make life easier, improve productivity and ease the pain of OOS.

For the next few newsletters, we're going to give you a few one-click shortcuts to help avoid the laborious use of the mouse and having to click several times. Do try these shortcuts and get in the habit of using them regularly. It'll save you time.

These suggestions are for PCs only. Also,

they may not work in older versions of Windows.

If you press the function key, F9, at the top of your keyboard, it will automatically magnify the document you are looking at. Press it again to return to normal size.

If you're looking for a keyword, you can find it by holding down the control key and pressing F. You then type in the word you are looking for. Each time you press "enter", the cursor will take you to the next place where this word appears in the document. Press the function key F2 and you will find this is a shortcut for renaming a selected item.

## Choose your internet service provider with care

**A COUPLE of months ago some horrendous stories were published in the daily papers about businesses unable to function because they could not get their internet connection repaired.**

**One firm in Auckland was without the internet for five weeks. One supplier said: "The average time to fix the fault has increased to more than 60 hours, with some customers waiting considerably longer."**

**Before selecting your internet service provider, check the firm out as best you can. The internet is a great resource for this purpose as are your friends, particularly on Facebook. If the service provider has a bad reputation, avoid it, even if**

**the price is a bit lower.**

**If you've got a couple of minutes, try checking out your existing internet service provider. It could be time for a change.**

**Recently, Ken was approached by a power company with an offer for cheaper power and a free ultrafast broadband connection. He found communicating with the company was very difficult and it was almost impossible to talk to the supplier of the ultrafast broadband connection.**

**For this reason, he cancelled his arrangement. It later transpired that the broadband supplier was none other than the one who failed the Auckland business described above.**

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