

FINMAN

Newsletter September 2011

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Risk and Reward

Getting paid 101

Produce, sell, invoice, collect. What a simple process business trading can be. Many businesses have excellent systems in place for the first three aspects of trading, but fall down badly when it comes to getting paid by their debtors. Here are some helpful hints for getting debtors' money into your bank account.

Prior to making the sale:

- Engage your customers and ensure they are familiar with and sign your terms of trade, which for larger transactions should include a personal guarantee and an authorisation for credit checking.
- Ensure your quotes are detailed and accurate and allow for any extras to be authorized.
- Develop quality control systems which prevent poor product or service delivery.
- Clarify with customers how and when payment is expected.

After delivery of your product or service:

- Send accurately detailed invoices promptly, restating the due date for payment.
- Promptly follow up any customer issues, avoiding the likelihood of a dispute.
- Contact customers immediately if payment is not received on due date.

What next if you have a satisfied customer who just refuses to pay? We put this to an experienced fellow of the Credit Institute of New Zealand. Here's what he had to say:

1. If phone or email contact has been unsuccessful, write to the debtor advising that if the invoice is not paid within 7 days the account will be referred to a debt collector.
2. Be true to your word and don't pussy foot around. Take a strong stance and refer the debt for collection by a reputable agency.
3. The debt collector will take you through the process, which may include a number of legal remedies depending upon the debtor's legal structure and the nature of the goods or services supplied.

Often the threat of legal action will frighten the debtor into paying up, so don't be shy in demanding payment in this way. Remember also that great debt collectors are very experienced at getting blood out of a stone. Unless you or your staff have the experience and passion for collecting money, it's unlikely you'll get the same result.

Reminders

Provisional Tax – if you're going to be paying your provisional tax online, please drop us a line to let us know – it will save us having to bother you with a phone call to follow up if it's been paid. Also, if you're paying it online, please ensure you have the right information – year, tax type, etc.

Annual Accounts - if you're looking at bringing in your Annual Account information to us, now is the time to do so. Please ring to make an appointment, and we'll go through this with you.

'The hardest thing to understand in the world is the income tax.' Albert Einstein

Tax Talk

Income tax - removing the uncertainty

'There are only two certainties in life - death and taxes!'. Although it is difficult to tamper with the sand flowing through the hour-glass of life, good habits can slow its pace. Good taxation planning can ensure that taxes can be managed so there are no nasty surprises resulting in urgent phone calls to the bank manager a few days before due date!

What processes should self employed business people adopt to plan their regular income tax commitments? Here's some direction.

1. Prepare annual budgets, forecasts and a tax plan. 'If you fail to plan, you plan to fail.'

Prior to the start of each year prepare budgets and forecasts to map the business' financial performance over the next twelve months. The operational budget will project the taxable profit from which the business' tax liability can be calculated and inserted in the cash flow forecast for the ensuing year.

2. Use a suitable computerised accounting system. 'What you can measure you can manage.'

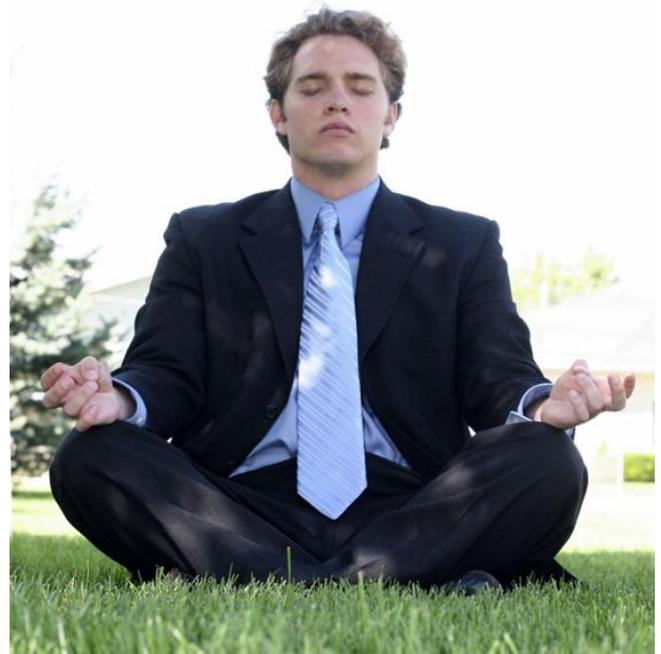
The business' financial life needs to be accurately captured with regular reports produced to indicate the company's profitability, cash flow and performance in critical operational areas. Don't just run the monthly reports and file them, analyse them to ensure the business is performing in all facets and compare actual results to budget. Talk to us about your accounting system. Our team supports a number of options, including web based solutions such as Xero.

3. Update your tax plan. 'If nothing changes, nothing changes.'

Businesses are dynamic. So too are the economy and the planet we all squat on. World, national and local events can significantly change business profits, so the tax plan must evolve with the business' financial performance. Re-evaluate the tax plan at least three times a year (around provisional tax due dates) to either increase or decrease your provision. This can reduce or even eliminate use-of-money interest charged in certain instances by Inland Revenue for short paid provisional tax and, conversely, reduce bank interest on tax you didn't need to pay.

4. Seek Advice. 'A problem shared is a problem halved.'

We can help you with your budgets, forecasts and tax plans or prepare them for you. If you are considering a new business initiative come and talk to us so we can ensure you are using the right structure and allowing for the diverse range of taxes we can be encumbered with. Remember, taxes can be legally minimised and it's our job to assist you to do so!



Tax planning checklist

It's important you talk to us if you believe your income is going to be significantly higher or lower this income year. The first provisional tax instalment date for March balance dates has passed, but there is plenty of tax planning opportunity left in the year. Consider the following circumstances when talking to us:

Revenue up or down?	Yes	No	
Margins increased or decreased?	Yes	No	
Expenses up or down?	Yes	No	
Affected by removal of depreciation on buildings?	Yes	No	
Fixed interest loans maturing at lower rates?	Yes	No	
Unable to utilise company losses due to recent LAQC reforms?	Yes	No	
Any other anticipated events likely to affect income?	Yes	No	

GST private use adjustments

On 1 April this year, rules for calculating GST private use adjustments were simplified. Sounds great! Problem is that the new rules aren't very simple. Private use adjustments are calculated at the time of purchase, each year if usage changes, and when sold. If you complete your own GST returns and need assistance working out how much GST you can claim or have to pay when you have an asset with private use such as a car, give us a call or drop us an email along with the facts. We'll do the calculations and send you a detailed work sheet with the calculations explained. That way if you ever have to explain your calculations to IRD, you're covered.

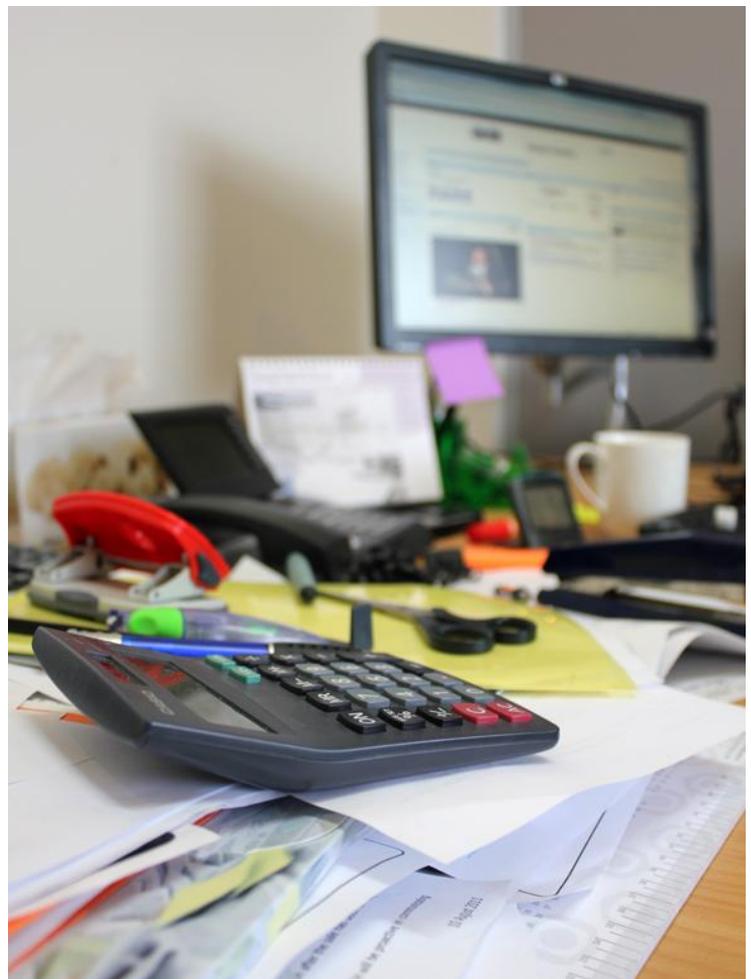
GST private use
adjustments are
easy as

Yeah right.



Spring clean your business

1. **Get rid of the clutter:** Not just the physical clutter in work spaces, but also the clutter within business activities themselves. If products or services no longer suit the market, clear them out or give them a makeover.
2. **Tidy the front yard:** Your business entrance, foyer or reception area says much about your business attitude, culture and likely service standards. Have a good look from a customer's perspective. What's the experience when they visit the business, phone your team, or order a product from your website? First impressions count.
3. **Fix the fence:** Review business insurances, document management and disaster recovery systems. Create an 'Important documents' folder and store insurance policies and vital business contracts, both in electronic and physical format.
4. **Throw some paint around:** When's the last time you refreshed your brand? Is it consistent with your culture and values? Maybe you are serving new markets now, or you've extended your products and services. Make sure your brand is applied consistently across all collateral, including your web presence.
5. **Sharpen any blunt edges:** Now's the time to learn new skills or develop simple training programmes to increase your team's productivity, or sales effectiveness. Internal training does not need to cost a lot of money. What it does need is your time, attention and commitment.
6. **Get the duster out:** Revisit old business plans, mission and vision statements. How relevant are they to today's world and markets? Plan a three-monthly goal check-in to review progress on your 2011 goals.
7. **Sow some seeds:** It's amazing the number of small businesses that don't have a marketing plan. Some of the most effective marketing plans are simply a list of activities, identifying the 'what' (the activity itself), the 'who' (who's the person driving the idea?) and the 'when' (when are we aiming to get this to market?). A marketing plan creates marketing gravity.



The Abolition of Gift duty

Legislation has now passed to abolish gift duty from 1 October 2011. Government officials and Inland Revenue officers have made it clear that current NZ legislation will be used in future to prevent individuals from divesting themselves of assets overnight to defeat creditors,

relationship partners and Government agencies providing social assistance (rest home fee subsidies, student loans etc).

Gifts defined as 'extraordinary', i.e. they exceed \$27,000, may be subject to claw back at any time and legislation such as the Insolvency Act, the Property Law Act and Social Security regulations will be used in future to police this area.

The message is clear - with the abolition of gift duty, current legislation will increasingly be used along with organisational changes to police this area by the likes of WINZ, IRD, the Official Assignee and other agencies. Long story short - substantial gifts should not be undertaken without seeking professional advice.

Do you have a Family Trust?

Finman Services Paraparaumu Limited, in conjunction with Collins & May Law, are running a Seminar on the above.

'Family Trust Gifting'. Gift Duty will be abolished on 1 October 2011.....

What will happen after 1 October? Are you considering one final gift? Are you considering transferring all your assets to your Family Trust? Are you aware in doing so you may lose much of the protection your trust provides today?

Register now for this **FREE** one hour seminar and learn about the effects of the abolition of gift duty, before doing something which you may regret later.

NUMBERS ARE STRICTLY LIMITED. If you are interested in attending, please advise Angela asap on 04 298 2551, or angela@finman.net.nz.

DATE: 27th September 2011

TIME: 5.30pm – 6.30pm

VENUE: Lindale Lodge Conference Centre, 3-7 Ventnor Drive, Paraparaumu

New Team Members

We've recently had some new staff join our team at Finman Services Paraparaumu Limited, and we'd like to introduce you to them!

Sharon Dodd – Receptionist

Sharon is our new bubbly receptionist! Sharon's background is in customer services roles, along with administration. She looks forward to meeting you when you're next at Finman's.

Sonia Hood – Personal Assistant

Sonia is Personal Assistant to Jude Simpson. She brings to Finman's a great set of admin/PA skills and experience, with over 20 years of administration experience, working within a broad range of organisations in NZ, UK and Canada.

Sally Burton – Senior Accountant

Sally, who is originally from the UK, is a great addition to our team of Accounting Technicians, with a vast accounting background, having worked in a range of smaller entities through to large blue chip companies.

Disclaimer

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.

The logo for FINMAN, featuring the word "FINMAN" in a bold, black, sans-serif font. The letter "I" is replaced by a stylized blue wave or swirl icon.