June 2022 Newsletter

Retirement of long serving staff member

It is with a mixture of pride and sadness that we announce the retirement of Stewart Young as a full-time staff member effective 31 March 2022, after nearly 45 years of loyal service! However, he is not gone permanently, as he is remaining part time looking after a small number of personal clients.

Serving longer than any other member of staff and almost all of the furniture, Stew's departure will leave an enormous hole in the firm that cannot be fully replaced. He has always been up for a chat and a laugh, has a ready supply of quick witted remarks and is ever on the lookout to cause mischief and keep everyone's spirits high.

His commitment to the firm and his work will never be surpassed in quantity or quality. More than an employee, he has been a leader, friend, mentor and active practical joker to hundreds of staff over those years. The Directors and all the team past and present at HC Partners wish Stew all the very best in his semi-retirement. Enjoy the golf and bowls Stew, thanks for everything!

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Get up to speed with employment law changes

- From 1 April, the minimum wage rate increased from $20 per hour to $21.20. Communicate the change with your employees in writing and if you have staff on salary, make sure their total remuneration meets the requirements.

- The Holidays Act is getting revamped bringing new ways of calculating holiday pay and other leave entitlements and the ability for employees to take annual holidays in advance. Jump on MBIE's website for more information.

- This year sees the addition of a new public holiday, Matariki, to be marked on Friday 24 June.

- We expect to see a fair pay agreements Bill introduced this year. People will have an opportunity to comment on the Bill during the Select Committee process.

- Dependent contractor protections are under review by MBIE with measures expected to include extending statutory minimum entitlements for leave and ensuring dependent contractors have the right to bargain collectively. Watch this space!

We'll keep you up to date as further developments are announced.

Five ways to stay on top of tax this year end

1. Earning more than $180K?

- As of 1 April 2021, a new top tax rate of 39% applies. If you earn more than $180k any interest you earn from New Zealand bank accounts and investments will need to have the 39% resident withholding tax (RWT) rate applied. Update your records by selecting the 39% rate through your online banking portal or contact your bank or investment provider directly.

- As interest payers didn't need to make this rate available until 1 October 2021, RWT will have been under-deducted from 1 April 2021 up until the date it was updated. Due to that under-deduction, you may have an end-of-year tax liability for the 2021-2022 year.

- Under-deductions of RWT may also affect provisional tax customers, including people who are already provisional taxpayers using the estimation method, or where the under-deduction will result in their residual income tax (RIT) exceeding $60,000 for people on the standard method.

3. It's a matter of Trust

From the 2021-22 income year there are new disclosure rules for domestic trusts. Trustees will need to prepare financial statements and provide extra information with their income tax returns.

4. Residential property investment?

Now that interest on mortgages taken out for residential property acquired after 27 March 2021 is non-deductible, if you have a property with existing mortgage interest that fits the frame for the interest phase-out applying from 1 October, we can calculate the interest phase-out for this year for you. And let us know if you bought or sold residential investment property during the year so we can give you an accurate picture of your tax exposure now and going forward. The brightline test for property sales on or after 27 March 2021 is now 10 years (up from 5 years for properties acquired between 29 March 2018 and 27 March 2021).

5. Got a Small Business Cashflow loan, or considering one?

We absolutely understand the financial pressure you've been under, and while repayments are not compulsory in the first 24-months, our tip for saving money long-term is to pay off the loan before interest starts being charged. If you're struggling, and your business has experienced a 30% decline in actual or predicted revenue over the period of a month (compared with the same month last year due to Covid) you may still be considering a loan. Applications are open until 31 December 2023 through the Inland Revenue website.

6. Wage Subsidy Scheme reporting

Inland Revenue is reviewing WSS payments that weren't reported in the "Government Subsidies" field of the 2021 IR3/IR3NR income tax returns, so if this was you, talk to us. Please keep any receipts or documents so when we make the amendment, we can provide supporting information to Inland Revenue. And keep all relevant information together for accurate reporting for the 2022 year.

Navigating the new world office

Pre-Covid, we never would've imagined working from home could be so welcomed and productive. The pandemic has pushed many companies to make the long-needed leap into the digital world, and as a result, remote working offers a lifestyle like never before.

Now, your team can ditch the commute, gain more flexibility for family life, and avoid the distraction of a busy workplace. The changes, however, have thrown up some fresh questions regarding accounting, culture, and connectivity.

WHO PAYS HOME OFFICE EXPENSES?

● If staff are using their own telecommunications tools and/or usage plans for work purposes, even if they're not required to work from home, you need to reimburse them. The tax-exempt amount of the reimbursement is calculated in proportion to how much of the usage is work-related.

● If you provide staff with a work phone or device, it's up to you to cover the usage costs

● Say an employee needs personal home office furniture or equipment and pays for it themselves. You can choose to reimburse them by using:

1. the safe harbour option, where reimbursements of up to $400 can be treated as exempt income for furniture and other equipment.
2. the reimbursement option, which requires you to identify the cost of the asset and work out whether it's being used principally for employment or private purposes.

HOW DO I KNOW MY STAFF ARE WORKING EFFECTIVELY?

The swift move towards remote working has left many businesses without a culture to match the new work practices. Create policies that directly address new challenges posed by remote work to help your company culture carry over into the digital world and provide employees with much-needed guidance. Consider adopting regular informal one-on-one check-ins rather than time consuming annual performance reviews. You will enable your team to be more transparent about how they're feeling, address any concerns, and stay on track to reach their goals.

HOW DO WE RETAIN A FEELING OF TEAM CONNECTIVITY?

From virtual yoga to online clubs and cooking classes, 2022 will see more teams building their culture online. Friday drinks can be conducted via Zoom and group trivia sessions can create a feeling of fun and camaraderie.

While some staff will be enjoying the convenience and sense of freedom that comes from flexible working, be mindful others might be experiencing stress, feel overwhelmed or isolated while navigating the new way of working.

Residential investment property: what you can claim for

If you've invested in residential property, you may be scratching your head over whether recent tax changes affect you. If you borrowed to acquire residential property before March 27, 2021, interest deductions will be phased out over the next three years. If you bought on or after March 27, 2021, you won't be allowed to deduct interest incurred after October 1, 2021. There are exemptions to this – call us if you're not sure.

Wondering if it's worth claiming for operating expenses like vehicle costs when you travel to your rental property? It all adds up, so here's what you can claim for:

- repairs and maintenance (but not renovations that substantially improve the value of the property)
- professional services fees, like accountants, lawyers, or property managers' rates and insurance
- mortgage repayment insurance
- vehicle and travel expenses
- depreciation on capital expenses, like whiteware, appliances, or heat pumps
- legal fees involved in buying a rental property if the expense is $10,000 or less.

REMEMBER:

- If you've taken out a loan for a business purpose, e.g., to buy a new business asset, and the loan is secured against a residential rental property, you'll still be able to claim the interest as an expense.

Time to grow? A guide to attracting investors

If you don't have the working capital to invest in significant expansion, it might be time to consider bringing investors on board. Pitching to raise funding can be a nerve-racking experience, so here are some tips to impress:

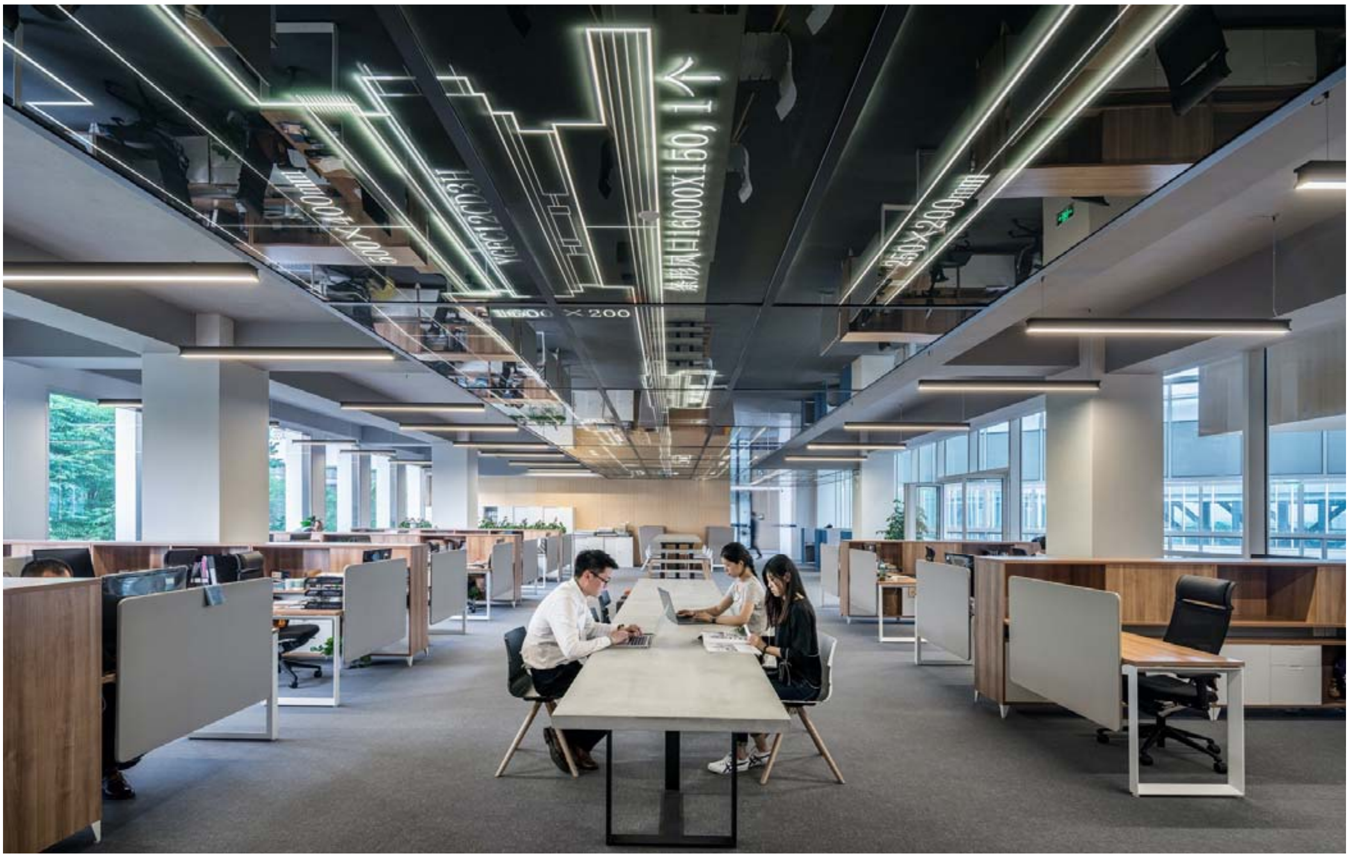
1. Investors need to see evidence of an opportunity before they'll part with their time and money. One of the clinchers is **market validation**. If people are already handing over money for your product or service, or if you have highly reputable companies trialling it, this is something potential investors need to see.

2. It's not just about your business. Investors are putting their trust in you. What is **your experience or competitive advantage** over others? Showcase what you have to offer.

   Even if you're an expert in your field, investors want to see that a founder is **coachable**. These investors are willing to share their expertise and contacts, but they don't want their advice to fall on deaf ears. Give examples of how you've adapted your idea in response to feedback and show you're willing to respond openly to any questions they may have.

3. Don't be afraid to show the **passion** you have for your business. It takes tenacity as well as talent to get off the ground, so you'll want to tell investors the story of your journey in such a compelling way they'll want to join the ride.

Could your business survive without you?



Would your business still thrive, or would it suffer a catastrophic failure if you suddenly stepped away?

It's tough to remove yourself from the day-to-day operations when you're passionate and busy. However sudden accidents, illnesses, or family emergencies can – and will – happen and you need to be able to step back knowing your systems are robust enough to cope.

For your business to work for you, you need to make yourself replaceable. Large corporations have plans in place to mitigate what's known as 'Key Man Risk'. But when you run a small entrepreneurial venture, who is the backup?

The more you can train and empower your team to perform the business's essential daily functions without micromanagement, the closer you'll be able to enjoy a lifestyle business.

Establish repeatable and scalable support infrastructure to run the daily operations and create a great team that you can lean on. Your staff need a common purpose – knowing why what they're doing matters – as well as clear expectations around their roles. By creating a suitable work environment, where employees both individually and as a team are more efficient and likely to enjoy what they do, you'll breathe easier knowing they have your back (and your business) in an emergency.

Finally, it's important to know what the business looks like without you. An exit strategy is often thought of as the way to end a business — which it can be — but in best practice, it's a plan that moves a business toward long-term goals and allows a smooth transition to a new phase. That may involve re-imagining business direction or leadership, keeping financially sustainable, or pivoting for challenges.

A fully formed exit strategy takes all business stakeholders, finances and operations into account and details all actions necessary to sell or close. Strong plans recognise the true value of a business and provide a foundation for future goals and new directions.

Top Tips:

No one is irreplaceable – Challenge yourself to step away for a week. Which systems fall over? Which procedures get left hanging? Which duties get ignored? Go cold turkey as a test case for the time you may have to leave your business in the hands of others.

Embrace innovation – Get systems that are simple, streamlined, effective and can be used by multiple key team members. Make sure anyone can log in and see exactly what's needed for what reason at any time.

Recognise the value you're creating – A business that doesn't rely on its owner is worth a lot more when the time comes to sell or pass the reins to someone else

KEY TAX DATES – JUNE 2022

Date	Category	Description
7 June	PAYE	Large employers' payment due. File employment information within two working days after payday.
20 June	PAYE	Small employers returns for June. File employment information within two working days after payday.
20 June	RWT	RWT return and payment due for deductions from dividends and deductions of $500 or more from interest paid during May.
20 June	N-RWT / Approved Issuer Levy	Payment and return due.
28 June	GST	Payment and return for May
28 June	Provisional Tax	Instalment due for May balance date taxpayers

Note: the provisional tax due dates apply to those clients who have a May balance date. Different dates will apply for those clients who have a standard March balance date or a different balance date to May.

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