

## December 2022 Newsletter

### Manage your Christmas cash flow

Christmas can cause a cash flow crisis for small businesses, but you can prevent problems from spilling into the New Year:

1. **Get your invoices out early.** Ensure December and January invoices go out well before Christmas to give your customers the chance to pay before the break. Encourage customers to pay before Christmas if they are closing over summer.
2. **Chase up your invoices.** Don't let unpaid invoices linger over summer. Politely ask your customers to settle overdue bills before the break to prevent further delays.

### Keep your staff safe at Christmas

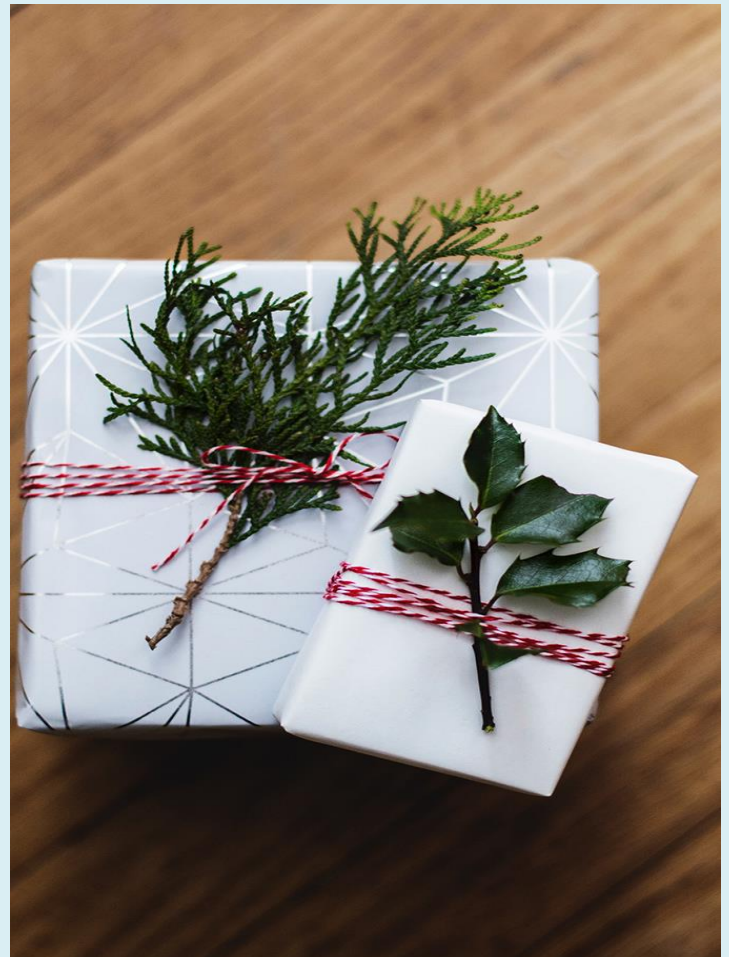
The holiday season is a great time to highlight the year's achievements. But with every Christmas party comes great responsibility. Four top tips for ensuring a Christmas party is remembered for all the right reasons:

1. **Remind staff about drink-driving laws.** Ensure that staff have a transport plan travelling to and from Christmas work events. Reiterate the rules about alcohol and company vehicles.
2. **Staff are under your watch.** As an employer, remember your business is responsible for after-work functions where alcohol is served, whether the party takes place at the office or an outside venue.
3. **If something goes wrong, bring in HR.** HR departments are designed to handle employee incidents. Poor behaviour at a work event can lead to disciplinary cases. It's vital to log issues through the proper channels.
4. **Have a sober senior staff member.** While you might be off the clock, ensure at least one senior staff member remains alcohol-free during the festivities as a responsible host to deal with emergencies and ensure everyone gets home safe.

### Wishing you a safe and happy Christmas and a wonderful New Year ahead!

Our office will close from midday on Thursday 22nd December 2022 and reopen in the New Year at 8 am on Monday 9th January 2023.

Thank you for all your support this year. From the team at HC Partners LP.



39 George Street, Timaru 7910, PO Box 125, Timaru 7940

Phone: 03 687 9222,

Website: [www.hcpartners.co.nz](http://www.hcpartners.co.nz)

Partners: Paul Wolfenbuttel, Craig Copland,  
Nick Krivan, Kalpesh Hari, Mark Evans

Consultants: Duncan Brand, John Stark

## Tricky tax questions at Christmas time

Here are some answers to common tax questions at this time of year.

### **Is our Christmas work party tax deductible? Does it matter whether it is held on business premises?**

Expenditure on entertainment is only 50% deductible for tax purposes. This applies to deductions for spending on food and drink or celebration meals, whether they are on or off premises. There are exceptions — light refreshments for employees, such as afternoon tea, are fully tax deductible.

### **How about hiring items for a Christmas party?**

The 50% tax limitation applies to any expenditure on hiring wait staff, crockery, glassware, utensils, furniture, music, or entertainment associated with a Christmas party.

### **If I take my clients or staff out for Christmas lunch, is it tax deductible?**

The cost of taking colleagues out for an end-of-year lunch or dinner would be 50% tax deductible.

### **Are my gifts to staff and clients tax deductible?**

The cost of gifts other than food or drinks is generally tax deductible. If you buy food, drinks, or even supermarket vouchers, this expense is only 50% deductible.

Remember, gifts to staff must be under \$300 per quarter (including GST) to be fully tax deductible. If the cost exceeds this amount, or if total gifts or discounted services to staff for the year exceed \$22,500 FBT will be payable to Inland Revenue. In this instance, costs can still be claimed.

### **My staff can't use public transport due to public holiday schedules. Is a transport allowance for them tax deductible? Will I need to deduct PAYE from the allowances paid?**

Expenses incurred on reimbursing staff for travel expenses are tax deductible. However, whether the allowance will be taxable to staff, and hence require a deduction of PAYE, depends on the circumstances.

An allowance to reimburse extra transport costs to staff is exempt from income tax, depending on whether employees incur the costs in connection with their employment, and for the employer's benefit.

For allowances paid to staff unable to use public transport, the first \$5 will be taxable income to the employee, and you would be required to deduct PAYE on the \$5. Any additional amount paid will be tax-free provided it compensates the staff member for the additional transport costs.

Additional costs are those that staff incur on top of their usual travel costs. Employers need to make a reasonable estimate of the amount of expenditure incurred by the employees. Any costs reimbursed over and above this level or for non-work related reasons require PAYE to be deducted.

### **What is the tax treatment of cash bonuses for staff?**

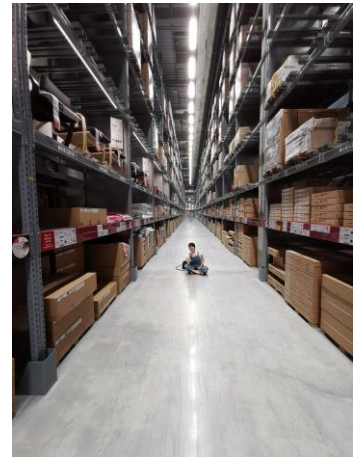
PAYE must be paid on cash bonuses and included in the employee's wages for the week.



## Don't overlook inventory

At Christmas, increased demand can take you by surprise. There's nothing worse than running out of stock during peak season, so check your stock against previous summers. You don't want to over-order or order too little.

During the holiday season, relationships with suppliers are more important than ever. Check in with key suppliers early – they'll also be dealing with reduced capacity and extra demand.



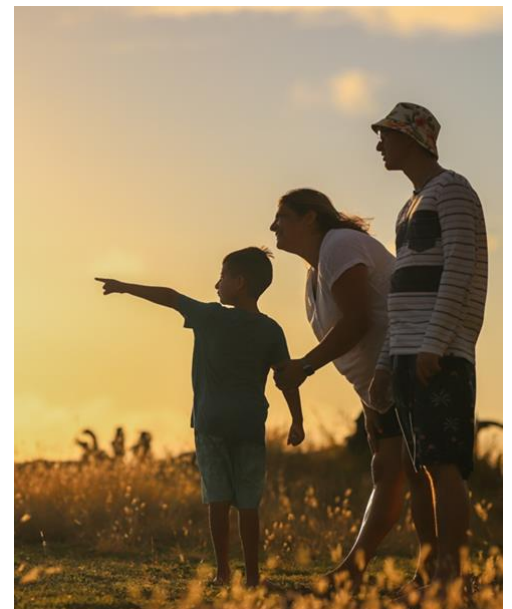
## What to consider when closing up over summer

2022 has seen a spate of ram-raids, theft, and vandalism targeting New Zealand businesses. With companies closing over Christmas, there are plenty of security issues to consider.

- Before you close, ensure all doors and windows are locked, shutters are down, and consider investing in a security alarm system (it could make all the difference).
- Use lighting to your advantage. As thieves like to commit crimes under cover of darkness, sensor lighting can deter them at the door. Keep lights on timers to give the appearance of an occupied space. It could make criminals think twice.
- If you keep valuable equipment on site, paying for a professional security service could be a worthwhile investment.

## Top tips for running a thriving family business

- Communicate effectively and early on to establish what each family member wants out of the business. Open dialogue is the best way forward.
- Don't wait for an event or trigger. Have processes in place to deal with issues as they arise.
- Pass on knowledge from one generation to the next.
- Involve family members from a young age so they understand the business.
- Be aware of the influencing factors (history and generation).
- Be mindful of company culture — family businesses can lack proper governance structures.
- Be logical, not emotional.
- Clearly define the roles each family member plays in the business.
- Establish a family advisory board with independent board members.



## The key to succession planning success

So you've created your company from nothing, put years of blood, sweat and tears into its success, and retirement is just around the corner. What do you do next? If you're one of the lucky people who have an exit strategy, congratulations. If you're unsure what will happen, it's time to think about succession planning.

Succession can mean a number of things: handing over the reins to a new generation or having someone in the wings ready to buy you out. Either way, you need a plan.

### Develop your succession plan

First, ask yourself these two questions:

- What needs to be done to prepare your business for succession?
- Do you have a set timetable for handing over the company?

When developing a succession plan, follow this four-step process.

1. Complete an analysis of financial and non-financial matters.
2. Conduct thorough due diligence of business risks.
3. Remove obstacles that might hinder succession planning.
4. Look at ways to enhance your company's value, if you're preparing for a sale.

### Handing over to family?

You might be planning to hand over your business to a family member. But this still requires careful planning.

A family succession plan recognises and accommodates the various needs, goals, and objectives of each family member. It should avoid creating ill-feeling and take everyone in the family into account. Compromises should be reached where necessary to ensure a smooth transition.

Ask us for our succession planning worksheet to gauge what different members of your family want from the succession process. This can help families work out how they feel, what different people want, what the business needs to thrive in the future, how much money and equity is changing hands, and who gets what.

### The lowdown on selling up

You might presume that selling your company will be a golden ticket to a dream retirement, but making that dream a reality is far from straightforward.

With so many companies on the market, yours needs to stand out. Good businesses will fetch a good price, while bad ones won't.

*Start by assessing the current position of your business.* Perform internal due diligence and conduct financial and non-financial analysis.

*Valuing the business with an independent party* is another key part of succession planning. It's common for there to be large gaps between an owner's expectations and what the market is willing to pay. Do this early.

Also, *reflect on what you can do to make your business more attractive* to potential buyers. There are four key drivers of business value that need to be addressed: growth, profitability, efficiency and capacity, and risk management. Leave no stone unturned.

### Succession is a journey

Developing, improving, and grooming your business is just the starting point in the succession planning process. Good advisers, including accountants and legal counsel, are also invaluable in helping you on your journey.

Get in touch to see how we can help shape your succession plan. Why not start today?

## Why it's important to define roles in a family-owned business

Whether you're running a small family business or one that employs dozens of people, defining roles and governance is vital for any SME. The basic roles in a company include ownership, governance, management, and operational. Setting out a clear structure can bring long-term benefits and prepare your company for growth.

**Ownership**, aside from literally owning the business, these are the people responsible for setting out an effective governance structure and protecting the company's future. Owners need to have a succession plan and ensure that a transition happens as smoothly as possible.

**Governance** refers to the people in charge of a business's long-term strategic planning and objectives. While the owner has the final say on where a company is heading, having a structured governance process ensures the owner's wishes are being met.

**Management** runs your business day-to-day, working towards quarterly, monthly, or annual goals. They focus on bills, cash flow, and play an integral role in hiring and training. Management doesn't have to be part of the family — some business owners choose to have non-family members in charge, or choose an outsider to train younger family members into future management roles.

**Operational** refers to the non-financial side of the company, for example, the people out labouring on the farm, or meeting clients every day. Many family businesses view experience at this level as essential before moving up to a management role. Clearly defining these levels can help business owners manage career progression.

Setting out job roles and a clear structure is hugely beneficial for every business owner: it ensures everyone in the business knows what they are doing and what is expected of them.

## Welcome to our new staff



### Andrea Meyer

Andrea studied Business and Accounting prior to having children. She then went down a different career path and has decided to come back to accounting since her 2 children are now grown up.

Andrea enjoys time with her family on their farm and a range of outdoor activities. She is looking forward to the challenge that this new position will bring.



### Karien Harrison

Karien found her love for accounting in her year 12 accounting class. She has since graduated from the University of Canterbury with a Bachelor of Accounting and Finance and got her first accounting job here with us in May 2022. She loves people and organising everyone's lives.



### Jamie Hanifin

Deciding to try something new, Jamie joined the Payroll Team earlier this year after 7 years at Westpac.

She is looking forward to learning the ropes and getting to know clients.

In her spare time Jamie likes to get out and about with her two daughters and spend time with friends and family.

# KEY TAX DATES – DECEMBER 2022/JANUARY 2023

Date	Category	Description
20 December	NRWT / Approved Issuer Levy	Payment and return for November.
20 December	RWT	RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during November.
20 December	PAYE	Small employers returns for November. Large employers returns for December. File employment information within two working days after payday.
<u>16 January 2023</u>	PAYE	Large employers returns for December. File employment information within two working days after payday.
<u>16 January 2023</u>	<u>Provisional Tax</u>	Instalment due.
<u>16 January</u>	GST	Return and payment for November
<u>20 January</u>	PAYE	Large employers returns for January. Small employers returns for December. File employment information within two working days after payday.”
<u>20 January</u>	FBT	FBT return and payment for quarter ended 31 December due
<u>30 January</u>	GST	Return and payment for December

**Note:** provisional tax due dates apply to clients who have a March balance date. Different dates will apply for those clients who have different balance dates. Check with us if you're not sure.



Follow us - [facebook.com/hcpartnerstimaru](https://facebook.com/hcpartnerstimaru)

***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.*

**hc** PARTNERSLP  
chartered accountants