
Newsletter

Winter 2009



New tax thresholds introduced

INLAND REVENUE has introduced new tax thresholds. Below are some of the important ones to be aware of.

The **PAYE** threshold for compulsory bi-monthly returns is now \$500,000.

The threshold for **annual Fringe Benefits Tax** returns and the allowances for minor other benefits has increased (see separate article in this issue).

You can have a deduction for **legal costs** of a capital nature. This does not mean all non-deductible legal costs are now deductible. For example, the costs of forming a company will remain non tax deductible **as will any private costs**.

The **Use of Money Interest** limit for individuals has gone up from \$35,000 of tax to \$50,000. This will help some of our clients. However, the \$2500 threshold for companies and trusts has not been changed.

You can do your **GST** returns **six-monthly** if your total annual sales do not exceed \$500,000. Be careful if you are a company and want to change.

Tax will be payable on 28 October and 7 May each year. If you want to transfer tax payments from the company to yourself, the payments will be late. This is because, as an individual, you will pay tax on 28 August etc. A 28 October payment is therefore two months late.

The **provisional tax uplift** has been reduced. In future, when we have completed your annual accounts, you will pay the same amount of provisional tax as your tax liability for the previous year. Put simply, there will no longer be an extra 5 per cent.

However, if your income rises in the ensuing year, **you could still be caught for Use of Money Interest** by exceeding a UOMI threshold.

The **GST registration** threshold has gone up to **\$60,000**. You may deregister for GST if you are below this figure. However, if most of your customers are paying GST, you could be better to stay registered so you can continue to claim GST paid on your expenses.

Name it right and reap the rewards

NEW business owners often agonise over a good name for their business. You should always aim for a name easily remembered. We like these names:

Ministry of Plumbing Ltd

The Moving Company Limited

And how about ABC Bakery – All Bread and cakes?

All three tell you what the business does and are easy to remember.

Such things are even more important for retailers, who rely on people knowing where they are.

A takeaway food shop calling itself “So Good” has food which lives up to the name. But trying to find it in the telephone book if you can’t remember the name is difficult.

It would help if its street address was part of the name. If So Good were a burger bar on High Street, it could be called High Street Burger Bar. In one name you have the address and the type of business.

Knowing where it is and what it does, I could find it in the telephone book much more easily and ring through my order for dinner, rather than giving up and calling one of its competitors.



Directorship a serious matter

COMPANY directors can be sued personally if they have not taken care when the company is borrowing money.

They need to know, at the time they borrow, they could repay the debt, according to the arrangement made. For example, a builder has just had a major customer fail and there is

considerable doubt whether he will be paid. If his own business is now shaky and he orders some more materials on credit, he could be personally responsible for the debt.

Company law requires him to know, at the time of placing the order, the goods

can be paid for when payment is due and the assets of his business exceed the liabilities. This determines whether his business is solvent.

In the event of trouble, the director could be asked to show why he believed his company was solvent at the time the order was placed.

Don't let one customer dominate your business

THESE are typical comments from bigger firms which are not paying their debts on time.

"We can't pay you until we get paid." "You will need to get this job done so we can finish our contract and pay you what we owe you."

If you let one customer dominate your business you will find yourself at its mercy. If it fails, will your business go, too?

Set a maximum size for any one customer – say 20 per cent of the whole business and aim to achieve this.

What if the customer is safe – perhaps a government department? Your payments may be safe but the customer isn't. It can easily change suppliers, even if you have performed well.

You might need to turn away some work from the big customer. If you are getting a steady flow of enquiries from elsewhere for your services, this might not be so difficult. However, if this is not the case, you will need to stimulate other new business, first.

Getting advice

WHEN you consult someone, you will get the best results if you:

1. Take a list of your questions.
2. Listen for at least 80 per cent of the time.
3. Write notes you can refer to later.
4. Bring your partner with you so you can fill in gaps for each other after the consultation and can compare notes on what you learnt.

IN BRIEF

Reducing retention time

IMPROVE your cashflow by offering a discount for early settlement of retentions. Retentions can be held for six months or even a year and when they amount to 10 per cent of the contact price, they tie up a lot of money. It could pay to give away 2 or 3 per cent in return for early settlement. It might also reduce your risk of a bad debt.

Hotels and motels

ONE of our clients travels a great deal. He says the welcome you get when you walk in to a hotel or motel determines whether you go back to it.

He commented that forgetting the customer's name is nowhere near as bad as failing to make him feel welcome.

Personalise correspondence

A CLIENT told us he had found a way of using Outlook for mail merging which boosted his response rate. He was sending out notices of a meeting, which required a response, but the first time the notices went out he got a response rate about 25 per cent. "Then I tried mail merging and personalising the letters – the response more than doubled!" You can improve your responses to direct mail advertising by personalising it.

Newsletters

ONE of our clients who sends out regular newsletters, swears by them. "This woman rang me earlier in the week and bought nearly \$1000 worth of services from me," the client said. "Somehow I got her onto my database for newsletters about two years ago." Do you send newsletters to your customers, clients and anyone else who might refer business to you? There's always some news. Even a one-page newsletter is better than none at all. They will help you keep your clients and will sometimes

Be kind to your customers and they'll love you for it

WE should be kind to our customers if we want them to like doing business with us. How many of us are? We list some ways to be kind. Think of major corporations, who do not do these things, and what you think of them.

- When a customer rings, answer the phone promptly and get rid of automated telephone answering services.
- Don't leave a customer on hold for a long period. Ring back.
- After the receptionist, the next person answering the phone should be able to handle the enquiry without the need to pass the customer from person to person.
- Trust your customers. If they bring goods back and do not have your till tape or receipt and claim they bought the goods from you, believe them. There are very few cheats. How many times will the same person be able to come back to your store and make false claims?

Cheats, rare though they may be, are part of your cost.

- Use people's names whenever you can. A coffee shop keeps a record of customer loyalty in her shop, instead of giving them a customer card. The owner calls all her customers "love" and yet she has their names in her system!
- Customers should feel important. A contractor didn't turn up when he said he would. He said he had one big customer "and when he says jump, I jump." How many referrals is he going to be getting?

Be kind to your customers and empower your frontline staff to make significant decisions on the spot. Aim to own your customers.

Debt collection – a net tip

ONE of our readers has told us about New Zealand Blacklist. It is an online debt recovery service. We think it could be useful. Interested? Try www.nzblacklist.com

Quick quotes good for business

OUR client wanted a fence built. He met a builder who said he had very little work.

Keen to help a fellow traveller, our client decided he only needed the one quote. He waited and waited. In the meantime, he referred the builder to a friend who wanted a deck repaired.

Eventually, he sent the tradesman an email asking him if he was at all interested in doing the job. That brought a prompt response.

If you want to keep your business going, be prompt with your quotes.

See the situation from the customer's point of view. He has a problem needing to be solved. If you offer a prompt solution, even if it might be a little while until you can get on with the job, you will get more business.

Customers may be busy and may not always seek multiple quotes. Even if they do, some tradesmen will look at the job and then not send in a price. Why do they waste their time?

Our story teller was not in a hurry to have the fence built. He wanted it to stop his grandson, who lived next door, from straying onto his drive. The grandson was only a month old at the time.

Pocket no place for business cards

THE second-best way to waste business cards is to keep them in your pocket. The best of all is never to have them there in the first place! Sprinkle your business cards generously. You don't have to give them out one at a time. Look for opportunities to give away several at once, where the prospect of referrals is good.

DEPOSIT DANGERS

THIS story is based on fact. B is not a client.

A: "How's the business going?"

B: "Not very well. We ran out of work a couple of months ago." However, he had some jobs at the time A was talking to him and added: "I have employed a salesman. We are going to climb out of this problem. The bank has refused to lend me any money but fortunately we have our deposits and they will keep us going for a little while. I have to keep paying the creditors or they will refuse to supply me."

Enough said. He is in a precarious situation – what happens if the deposits get used up and he can't continue work? He will have to repay them but might go broke instead.

Be careful of deposits. If you collect deposits, you could hold them in a separate bank account, like a trust account, and draw on them to match the specific payments you have to make.

We doubt many people do this but it would surely be good housekeeping.

Clever use of a loyalty card

A CITY coffee shop gives its customers the usual loyalty card.

It takes customers' contact details and posts out a piece of plastic. When the customers come into the shop, they present the loyalty card and the shop's electronic system keeps the tally of coffees purchased.

The subtle twist is that the shop records the person's name. When the food is brought to the table, instead of saying who ordered the latte the server can say: "Wendy, your latte." Wendy, of course, looks up and that little personal touch makes such a difference.

Reduce risk with family trusts

YOU can put your home in a family trust to help protect it from business risks.

Do this by selling the house to the trust and then forgiving the debt over several years. The sooner you start the sooner the trust can own the house.

The maximum permissible gift per year by any one person, without incurring gift duty, is \$27,000. Therefore, a couple can give a total of \$54,000 a year.

Note: If you are in a relationship breakdown, the family trust is separate and does not become part of matrimonial property. The only formula to determine who gets what in a trust is the trust deed. It is unlikely to cater for a breakdown in the relationship.

Interest in debtors

AS BUSINESS becomes more difficult, you could charge interest on outstanding bills, if you are not already doing this.

Be sure the customers understand you charge interest before you start. Put it in your terms of trade.

The threat of incurring interest could encourage prompt payment.

Other ways of collecting your debts more quickly include having credit and eftpos card facilities. You could also get a direct debit agreement from your customer.

TAX CALENDAR

May 31

Deadline for
Fringe Benefit Tax return

July 28

3rd instalment 2009
Provisional Tax
(June balance date)

August 28

1st instalment 2010
Provisional Tax
(March balance date)

Customers are like kids

CUSTOMERS like to be wanted. They are like children. They like your attention and they like to feel important. Focus on making them feel good and help grow your business.

- SMILE. Think of John Key during the election campaign.
- Use their names.
- Don't keep them waiting.
- Send thank you notes.
- Give small, unexpected gifts to record appreciation.
- Sending a card while you are on holiday can also work well.

Lease checklist helps avoid mistakes

IF YOU are looking to lease premises, develop a checklist so you are able to make informed comparisons. You might like to include some of the following:

- Which floor?
- Lift access
- Car parks
- Light or dark
- Air conditioning
- Double glazing
- Carpet condition
- Windows – leakage
- Kitchen services
- Bathroom services
- Entrance appeal
- Layout
- Who cleans?
 - * Windows
 - * Bathroom
 - * Kitchen
- Paint work
- Security system available
- Curtains and blinds -condition

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