



Go green and profit

Tired of hearing about global warming, carbon footprints, and organic food? For every business, there are a number of actions that can be taken to incorporate positive environmental activities in your business and at the same time, improve profitability.

1. Improve your internal operations

Every company can save money and help save the planet by taking a few easy steps. The most important is reducing waste, which not only uses up the earth's resources, but is costly to your business. One of the hardest things to remember – but easiest things to do – is to turn off all electronic devices and utilities overnight and weekends. Your printers, monitors and copiers, are all on 'stand-by' mode. Also, look for eco-friendly supplies and raw materials.

2. Try encouraging employees to walk, bike, or take public transportation to work

Although rent may be higher, locating your business near public transport will benefit staff who don't drive to work – if you hire local staff the benefits may be even greater. Another option may be to allow employees to work from home. There are many options available now that enable remote access to a business' computer server.

3. Differentiate yourself from the competition by emphasising your green business practices

If you're willing to commit to eco-friendly operations, you can stand out from your competitors and carve a niche in the market. Many customers prefer environmentally sensitive products or services, and this can give you an advantage over your competitors.

4. Sell a "green" product or service

Ready to go totally green? The market for environmentally sensitive products and services is exploding. Those considering starting a business or those looking to revamp their existing company, can focus on serving the eco-conscious market directly.

5. Invent something

We're still in the very early days of the green movement and many problems still need to be solved. There are investors looking to fund creative companies that address environmental issues. A good, workable idea for an eco-friendly product or service has got good prospects, so now is the time to write that business plan, develop that prototype and build that product. Don't forget the intellectual property issues that may need to be addressed such as trademarks.

Even a small company can make a contribution to help save the planet, while growing the company and the bottom line.

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We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.



Domestic Reverse Charge

The IRD has recently proposed some significant changes to the current GST system.

The Domestic Reverse Charge proposal applies to property transactions and provides for buyer and seller to enter into an agreement where the buyer takes responsibility to account to the IRD for GST output tax. The seller is not required to pay GST and the buyer accounts for the tax and claims a corresponding input tax, which achieves GST neutrality.

If enacted, the DRC will apply to large transactions involving the sale and purchase of the property. Both parties must be registered for GST and have agreed that the contract is subject to the terms of the DRC system.

Under the proposed system the purchaser will not be required to pay the GST component to the vendor with the purchase price. Rather, the purchaser pays the vendor the purchase price exclusive of GST. The purchaser claims an input tax credit and simultaneously accounts for the output tax liability. As a result, no cash changes hands on account of GST between the vendor and the purchaser. In addition,

there is a neutral cash flow between the purchaser and the IRD because the purchaser's output tax and input tax on the transaction should match.

Under the existing system the IRD incurs a credit risk on the vendor, but is still required to refund a purchaser's input tax regardless of whether the corresponding output tax is paid. Under the proposed DRC regime, the purchaser accounts for GST and claims the credit. There are no cash flow issues as a result of timing and the credit risk for the IRD is eliminated.



KiwiSaver changes impact salary packaging

KiwiSaver was introduced to promote New Zealanders funding their retirement, and generally to encourage asset accumulation in New Zealand.

Whilst the changes have been largely positive, some aspects of the legislation have resulted in the operation of KiwiSaver being controversial, with the debate largely focused on the use of "Total Remuneration" arrangements.

A Total Remuneration arrangement is based on the principle that an employee's total salary package includes any contribution that an employer is required to make to KiwiSaver. The effect of this is that, if an employee is not contributing to KiwiSaver, his or her "in the hand" and pre-tax salary will be greater than an employee who is receiving employer contributions which are going into a KiwiSaver account.

There are two sides to this debate. On one side there is the argument that Total Remuneration arrangements create financial certainty for employers. The choice that employees are given about opting into KiwiSaver or taking what would otherwise be an employee contribution is also considered to introduce a level of fairness to the employee.

On the other hand, the argument exists that a Total Remuneration arrangement has the effect of an employee funding an employer's compulsory contribution and being paid less "in the hand" than those who opt out of KiwiSaver, which is stated to be unfair and the view that has been taken by the Minister of Labour.

The debate has now ended with a recent amendment to the Employment Relations Act (ERA) which prohibits the use of salary packaging (or a total remuneration approach) to KiwiSaver employer contributions.

Changes to salary packaging

It is now unlawful in relation to employment agreements entered into or varied on or after 2 September 2008 to fund compulsory employer contributions by way of a Total

Remuneration approach. Employees placed on a KiwiSaver Total Remuneration approach on or after 2 September 2008 will be able to bring a personal grievance where their employment is adversely affected because they are a member of KiwiSaver.

Existing employees who entered into a KiwiSaver Total Remuneration approach (prior to 2 September) are unable to bring a personal grievance.

Issues to consider

- To what extent do the amendments affect you and your employees?
- What employment policies need to be amended?
- Are salary reviews treated as new arrangements or extensions of existing ones?
- How soon will the amendment have an impact for new contracts and variations of existing contracts?
- Do remuneration strategies need to be changed in light of the amendment?
- Are there other total remuneration options still available?





Surviving the cash flow crunch

A day rarely goes by without a news story about the struggling economy. Good business and proper financial planning are important, more so in an economic downturn. Here are some steps that can be implemented to ensure that your business is protected during these unpredictable times.

1. Do a cash flow budget – The first step to improving cash flow management is to be familiar with your business balance sheet. The error many people make is to focus on their business' profit and loss statements and forget everything else. This is a potentially dangerous mistake because whilst profit and loss statements reveal a great deal about margins, balance sheets reveal critical information about cash and liquidity.

2. Establish credit terms wisely – The need to extend credit to customers is a fact of life for most businesses, but it is important to set clear limits. Business owners should become familiar with the cash flow consequences of allowing customers to extend their payment terms. At the same time, there are positive cash flow effects to reducing payment periods of your customers.

3. Keep on marketing – As budgets get tightened, many businesses cut back on expenses and often marketing is the first thing to go. In tough times, the market becomes more competitive, increasing the need to become more vigorous with marketing activities.

4. Manage debtors – Make sure that your business has a clear policy for approving credit and collecting debts and that customers are aware of it. Most importantly, enforce it. Pursue outstanding debts with letters and phone calls. Be fair but firm – the customer you work with will remain a loyal one and work with you when the economy bounces back.

5. Invoice promptly – Ensure invoices are sent out in a timely and accurate manner. Check customer details to prevent unnecessary delays.

6. Monitor cash flow – Be wary of cash flow problems that may be coming and plan accordingly. Don't forget about the seasons of your business. Equally, avoid funding major purchases from your business' working capital unless you are sure you have the cash to cover it.

7. Use finance products wisely – Overdrafts, premium funding, lease facilities and cash flow funding products can all be excellent tools to help match a business' cash supply with planned outlays if used appropriately. A business credit card can be a good way to manage a short term cash flow squeeze.

8. Maintain client relations – It's difficult for businesses to attract new clients during an economic downturn. Therefore,



it is important to keep your client base in order to stay afloat. Provide your clients with incentives such as loyalty programs to maintain regular contact. Measures such as these will ensure that your business survives during these tough times.

9. Think twice before lowering the price – In order to stimulate your business during difficult times, it may be tempting to lower prices. However, you will eventually be forced to increase these prices to cover the inflated costs associated with a recession. Keep in mind too, that your suppliers may raise their prices as well - so try and negotiate a long-term discount with them.

10. Keep your valuable employees – As a slowing economy forces businesses to retrench workers, it is important to maintain a positive morale among your staff. Keep in mind, that with every downturn, there are opportunities to invest in developing further skills of your staff. In the end, it is their strengths and experience that will eventually carry the business through this tough time.

11. Think long term – Whilst you may be focusing on immediate cash flow issues that are impacting your business, don't lose sight of the big picture. Apart from helping you to avoid decisions that might be beneficial in the short term, but detrimental in the long run, some long term planning may just keep you mentally prepared to overcome some of the obstacles that you may face.

12. Don't panic and do get advice – Most importantly, despite the recent downturn, this change is part of an economic cycle. Things will change and the most important action is to remain focused to ensure that your business is poised to take advantage of the upturn when it takes place. If in the short term things don't go to plan and your business is at risk, seek advice without delay.

New payroll giving system

A system that allows people to donate to charities directly from their pay will commence next year. The July Tax Bill introduced a voluntary scheme that allows employees to make regular donations through their pay to charitable organisations. This will be effective from 1 April 2009.

Employees that take advantage of the system will receive an immediate tax credit for their donations at a set rate of one third of the donation made. The maximum tax credit an employee can obtain in any income year will be limited

to their PAYE deduction in each pay period. Payroll donations must be made to an eligible recipient, usually a charity.

Employers are required to ensure that payroll donations are transferred to the charitable organisation within a three month period. Employees receive immediate tax relief for donations. Employees that choose to make donations this way cannot also make an end of year rebate claim in relation to those donations.



A GREAT READ

Click: What Millions of People Are Doing Online and Why it Matters

Author: Bill Tancer

How does the quick adoption of technology affect business success. How do time and money affect the gender of visitors to online dating sites? And how is the Internet itself affecting the way we experience the world? In Click, Bill Tancer takes us behind the scenes into the massive database of online intelligence to reveal the naked truth; the way we navigate the web says much about who we are.

As online directories replace the yellow pages, search engines replace traditional research, and news sites replace newsprint, we are in an age in which we've come to rely tremendously on the Internet--leaving behind a trail of information about ourselves as a culture and the direction in which we are headed. With surprising and practical insight, Tancer demonstrates how the Internet is changing the way we absorb information and how understanding that change can be used to our advantage in business and in life. Click analyzes the new generation of consumerism in a way no other book has before, showing how we use the Internet, and how those trends, provide a wealth of market research nearly as vast as the Internet itself. Understanding how we change is integral to our success. After all, we are what we click.

WEBWATCH

www.greenbiz.com

Green Biz is a leading online news and information resource on how to align environmental responsibility with business success.

www.searchenginewatch.com

Search Engine Watch provides tips and information about searching the web, analysis of the search engine industry and help for website owners trying to improve their ability to be found in search engines.

Business and personal planning need not be left until the end of the tax year - talk to us now about tax and financial strategies for you and your business.

Associated persons update

One of the most controversial elements of the July Tax Bill is the change proposed to the definition of associated persons.

While there are advantages as a result of the rationalisation of the definition, reducing them from four definitions down to one, there is little doubt that the purpose of the changes is to curtail the opportunity to circumvent the rules through the use of complex tax structures.

Weaknesses in the existing definition have been addressed. Key changes include:

Settlers of a trust. Under the proposed change, two trusts with the same settlor will be associated. The settlor will also be considered associated.

Aggregating interests of associates. When determining if two companies are associated, shares held by a shareholder will be deemed to be held by any other person that is associated with that shareholder.

Tripartite tests. Two people will be deemed to be associated if they are both associated with a common third party.

Changes come into effect next year. Those that are actively involved in land dealing or other land transactions, should seek advice as soon as possible to ensure current land ownership structures are reviewed with respect to these changes.

Reminders for your diary

DECEMBER

22 Employer deductions (IR 345) or (IR 346) form and payment due and Employer monthly schedule (IR 348) due.

JANUARY

- 15** Provisional tax instalments due for people and organisations with a March balance date.
- 15** GST return and payment due for periods ending 30 November.
- 20** Employer deductions (IR 345) or (IR 346) form and payment due and Employer monthly schedule (IR 348) due.
- 28** GST return and payment due for periods ending 31 December.

FEBRUARY

- 9** 2008 End-of-Year income tax due for people and organisations with a March balance date and who don't have a tax agent.
- 20** Employer deductions (IR 345) or (IR 346) form and payment due and Employer monthly schedule (IR 348) due.
- 28** GST return and payment due for periods ending 31 January.

Source: IRD