



For most companies another financial year is about to come to an end. For many, it has been another tough year, with customers being cautious in their spending, and uncertainty in global markets tempering investment decisions. Companies that have managed to keep revenues to previous levels could well consider themselves to be doing well in the current environment. Client feedback seems to indicate that Wellington based businesses have been more affected than those in the Wairarapa and Manawatu regions, possibly due to the reliance that Wellington has on public sector employment and spending.

I have included below all the latest version numbers for Sage 50 software. You should check that your software is updated to the latest version, as this ensures that any known problems are resolved before they become an issue for you. Updates to your version are provided free of charge.

Time to get financial records in order

Now is a good time to get your financial records in order, and to prepare plans and budgets for the ensuing year.

Preparing for annual accounts

Review your debtors and creditors ledgers, writing off any bad debts as required before the end of the year, and generally tidying up all accounts. Make sure that you print out bank reconciliations for the 31st of March, and show un-presented cheques and any deposits not banked, as your accountant will require these reports for reconciliation purposes. Do any of those housekeeping chores with your accounts that you have been deferring so that everything is as tidy and accurate as possible. The more accurate your accounts are, the less work your accountant will have to do (resulting in less cost to you). Many accountants will supply a questionnaire form for you to complete - make sure that you supply everything that they ask for - this helps to ensure all required information is available when they prepare your accounts. If they do not supply a questionnaire form, ask them to supply a list of everything that they need to minimise the work in preparing your accounts.

Rental properties

For those owning rental properties, there will be no depreciation claim on buildings this financial year. Those who pay annual tax of more than \$50,000 may need to top up their 2012 provisional tax to allow for this. If in doubt, discuss the matter with your accountant.

IRD has also revised what it considers is a separate depreciable asset. For example, fitted furniture now forms part of the building and, therefore, there is no depreciation.

Look-Through Companies

Those with Look-Through Companies who are paying the owners a salary, must have an employment contract with the company which:

- specifies the terms and conditions of the services to be performed by the working owner; and
- specifies the amount payable to the working owner for the performance of the services; and
- is in writing.

Shareholder remuneration

If you are new in business and operate through a limited liability company, make sure the working directors have authorised income for themselves for the 2012 year.

Sage 50 Versions

(Only versions that were released in New Zealand are displayed)

Sage 50 Version	Version No
v13/v2007	13.3.36.0168
v15/v2009	15.0.20.0191
v16/v2010	16.0.17.0158
v17/v2011	17.0.15.0208
v18/v2012	18.1.00.0016

Report Designer

v1.3 Update - Build 1.3.2011.30
(for version v2007 and later)

How to check your Sage 50 Software Version

Log on to Sage 50, go to the menu bar and click on the "Help" option, then click on the "About" option.

With version 2012 the version number is displayed within the Program Details section. Earlier versions show the version number on the "Details" tab.

Rebate on school fees

There's a common misconception you can claim a rebate for all school fees. The school must be state funded or be approved as a charity. The general school fee is not a compulsory payment so it is a donation. You can claim a rebate provided the donation is into the general fund of the school and is not ear-marked for a specific project. A donation for a school trip would not qualify.

How to download and install Sage 50 Updates

1. Make a data only backup of your system.
2. Go to <http://www.adeptcom.co.uk/updates.htm>
3. Select the version of Sage that you are using, and download the updates that you need to somewhere on hard drive, and then run the update by double-clicking on the file. Make sure that you are logged on as a user with Administrator permissions. With Windows Vista and W7 you may need to switch User Access Control off while you install the update. Remember to switch it back on when you have finished installing the update.

Make sure, if you are on a network, that you start the installation of updates during a quiet time as once you have updated one computer, then other computers cannot access Sage until the update is installed.

Tax avoidance is legal, but a no-no

You might have read about the recent tax case called Penny and Hooper. It was about two surgeons. They did not break any tax laws. All they did was to pay themselves low salaries from their companies to reduce the amount of tax they might otherwise have had to pay. There is nothing in the law to say they should not pay themselves a low salary as they explained in court.

Their problem was the amount of the salary was artificial. They would never have worked for such a low wage. If it had been realistic they would have been unlikely to have attracted the IRD's attention.

If you contrive a way to reduce your tax, you could be accused of tax avoidance. The IRD might reset the figures as they think suitable and charge you interest and probably penalties.

If you contemplate paying yourself an artificially low or high salary to save tax, don't be greedy. If the amount of tax is small, IRD is less likely to take any notice. A low salary can often be justified for good commercial reasons. Be ready to justify high salaries to those who are not full-time employees on the basis of hours worked, pay rates etc. Consult your accountant if in doubt.

Selling your business?

Selling a business is similar to selling a house. Here are some things to consider:

- Make your business look good. Spruce it up as you would your house.
- Your systems should be well documented and easy for a new owner to follow.
- Plan ahead. It is easier for a buyer to find a small amount of money than a large one. Therefore, if you are overstocked, do something about it.
- You are going to be asked to provide financial statements. Why not put together a booklet with pictures of your business and information about it. Bring out the benefits to the new owner but be sure all of them are true. Include the financial statements at the back.
- Draw up a plan of how you are going to market the business just as you would prepare a marketing plan for the business. Who is your target market? Where do you find them? If you employ an agent, work with that firm to market your business in the best way possible. Don't leave everything to the agent.
- Check the tax situation with your accountant.

Networking saves the business

A Joiner told us about how he rebuilt his business by toughing it out and making the most of his networking skills. "I employ five people. My factory had run out of work and I owed nearly \$1 million. I was at my overdraft limit. I was on stop credit with all my suppliers. I went to Work and Income and I asked if I could get the dole. I was turned down.

"An order came in and I took a deposit. I used this to restore my credit rating with one of my suppliers so I could get materials. I had a \$7500 limit on my credit card so borrowed \$2000 and continued in business."

Meantime, he put a lot of effort into making contact with his already extensive network. From that point his business picked up. At the time of writing he is optimistic. He has orders to last several months.

What went wrong?

- An employee stole stock from him.
- He was not monitoring his business closely enough.

What did he do right?

- He aims for excellence in every job.
- He is a great networker and has a lot of contacts. As a consequence, he gets a good supply of referrals.

Conclusion

We believe his marketing saved his business, particularly his networking.

Where to network

- Join organisations such as the Chamber of Commerce and get yourself a high profile. Offer your services. Don't wait to be asked.
- Join (or create) networking groups which promote referrals among their members.
- Keep in touch with your former customers, even though the jobs might be one-off. Cards and newsletters are useful for this. If you have made a good impression, you could get more referrals; if you lose touch you might not get them because you might have been forgotten.
- Join a club or organisation you are interested in and get known.

Don't wait until you have run out of work to go looking for the next job.

Make marketing, particularly networking, your top priority. People you know and who like you send you business.

Get into the right gear for the conditions

Gearing is the ratio of borrowed money to your own money. If you have a business which has a high proportion of borrowed money, you are said to be highly geared.

There is a very old saying in accountancy: "In good times get into high gear. In bad times get into low gear." If you think these are bad times, get your borrowing down.

Keep an eye on the proportion of your borrowed money to your total equity (what you own). If 80% of what you own is financed by borrowed money, you are taking a big risk in difficult economic times. In fact, you could be gambling. For small businesses, for "you" read firstly the business and then both your personal situation and the business combined. If you want to reduce your business borrowing, you could:

Consider hiring equipment rather than buying it.

Subcontract to other firms.

The extra cost of hiring another business to work for you may be a better choice than tying your money up in equipment which doesn't get sufficient use.

Tighten up on debtors (money owing to you).

Reduce the time you allow for payment. Above all, police the outstanding bills, regularly, frequently and swiftly. Make notes of any promises and remind your bad payers about them if you have to keep following up.

Keep an eye on your stock levels.

If you have made some bad decisions, you have already lost money. Sell your mistakes early. Don't over-buy.

Keep the till tapes

Should you keep till tapes? It is your job to prove you have accounted for all your income. You must therefore keep whatever evidence is available to help prove you are right. Yes, you do need to keep till tapes. Like other records, you need to hang on to them for seven years.

Note that keeping an "electronic" copy is also permitted, so long as you are able to re-produce the sale docket when asked to by IRD.

If you wish to refer to any of our earlier newsletters, these can be found here:

<http://www.beancounters.co.nz/Newsletters.htm>

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Best regards,
Shane Durrant



April 7

2011 Terminal Tax
(March balance date)

May 7

3rd Instalment 2012
Provisional Tax
(March balance date)
GST for March 2012

May 28

1st Instalment 2012
Provisional Tax
(December balance date)
GST for April 2012

Overseas super

IRD is focusing on overseas superannuation schemes and the cash economy.

Do not cash in your overseas superannuation without first consulting your accountant as you could turn a non-taxable situation into one subject to tax. If you have an overseas pension scheme, not taken out in New Zealand, tell your accountant when they do your tax return, even if you are not getting income from it.

Donations

Avoid getting involved in scams, even if you think they might be helping someone. This includes assisting a charity to dodge GST. For a donation rebate to be allowed, the charity must be approved by the IRD. Make sure your donation is legitimate.

Go to <http://www.ird.govt.nz/donee-organisations/donee-organisations-index.html> for a list of approved charities. The list is not always up to date but it is the best we can offer.

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