



**HAPPY NEW YEAR!**

Welcome to 2009! We would warmly like to wish you all the best for this year. Now that we are back into the swing of things, we thought we might focus this newsletter, not only on some of the things you should know, but also on some hints and tips on making the most of the current economic environment.

We know that times are challenging for many businesses and there may need to be some tightening of belts. This may mean putting a little more time into areas of business such as marketing and promotion, which previously may have pretty much looked after themselves. This however, is not the end of the world. Our consulting team are able to assist with marketing, design or refreshing your business image and promotional material.



If you have any concerns about your financial situation going into 2009, please feel free to give us a call. We would be more than happy to help with planning, budgeting, consolidating or just talking through your situation so that you feel a little more on top of things.

**BACK TO BASICS: Accounting terms you know, you should know!**

We've all heard the words, but sometimes when your new to business you might find yourself up against a language you don't completely understand. Seeing as no one wants to ask; we thought we might lay a few basic definitions just to be helpful.

**4. Shareholder's current account** - Simply, this is a term that is used in book-keeping to record the amount of money that a shareholder has put into a business. It is not a real account, but a record of moneys owed to the shareholder.

**1. Depreciation** - Depreciation is a term use in relation to recording how an asset devalues over time. Assets are devalued at a rate prescribed by Inland Revenue.

**5. Tax deductible** - This is a commonly used term which describes the tax status of an expense. To say something is tax deductible means that it is a legitimate expense that Inland Revenue will allow you to deduct from your annual taxable income.

**2. Asset / liability** - An asset is something of value that is owned by the business or something that is owed to the business. A liability is something that the business owes to an outside entity.

**6. GST invoice** - This is an invoice produced by a GST registered party. It should contain the words TAX INVOICE, show the GST number of the registered party, show what the invoice is for, and the GST component of the invoice amount. Non GST registered entities cannot give out GST invoices. This does not mean that non GST registered entities cannot give an invoice for their goods and services, only that it cannot contain GST.

**3. Debtors / Creditors** - Most people will know what these are, but may get confused as to which way around they go. A creditor is an entity or person that offers you credit and therefore you owe money to. A debtor is an entity or person that owes you money; they are indebted to you.

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**IMPORTANT TAX DATES COMING UP**

• **28th February 2009**

GST return and payment due date for the period ending 31 January 2009.

• **31st March 2009**

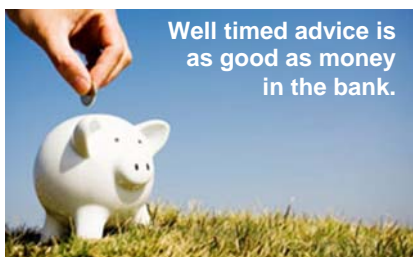
Income Tax return due date for the financial year ending 31 March 2008 (with Agency extension of time arrangement).

• **7th April 2009**

Terminal Tax payment due for the financial year ending 31 March 2008.

• **7th May 2009**

Third Provisional tax installment due for the 2009 financial year.  
GST return and payment due date for the period ending 31 March 2009.



## GET PAID QUICKER - Accounts Receivable problems?

Cash flow is a vital part of any successful business, unfortunately, doing the work, and getting paid are often two separate issues entirely. If sales in your ledger are not turning into cash quickly enough, or worse yet, not at all, you need to start taking your receivable strategy seriously.

A good place to start is thinking of it as your money, not theirs. This may give you more confidence in making the hard calls. Make sure your customers understand right from the start what your payment terms are, and make it as easy as possible for them to pay, by providing clear options and details.

Have a policy worked out in advance, then work to plan and follow up. If your customers clearly understand your expectations then it can improve working relationships as conversations focus on measured steps rather than crisis management.

Incentives for prompt payment may shave a little off your margins, but could save you a lot of time and money chasing payment.

If you would like some additional tips on managing you debtors, please send us an email, give us a call, or come in and discuss you receivables strategy and how it could be improved. This is one area of business which can have a large impact your on cashflow.



## DOING GREAT BUSINESS

In his book "How to win and keep Customers", author Michael Le Bouef notes that every customer really wants two things when they buy any product or service, the first thing they want is a solutions to a problem. The second things they want is to feel good.

They want to feel good about the product or service they have just purchased, they want to feel good about the business they purchased the product or service from, and they also want to feel good about themselves after they have made their purchase.

When a customer or client feels good they are far more likely to make a repeat purchase of the product or service and recommend other people to buy from your business. The best way to make a customer feel good is simple. Do what it is you say you're going to do, do it when you say you're going to do it.

Keeping promises to customers can be the simplest and most effective method for maintaining a loyal and satisfied customer base!



## FAIR DIVIDEND RATE: Planning for Losses

The unfair aspect of the Fair Dividend Rate (FDR) for offshore investments is that it does not allow deduction of losses.

If the 2009 outcome is expected to be a loss then consideration should be given to moving to an option that allows the loss. The options and rules are complex and must be allied on a case-by-case basis. In most cases a change of ownership entity will be required before 31 March 2009 unless the shares were acquired at 1 April 2008.

Note that the Comparative Value (CV) Method does not allow losses but some funds are excluded from FDR through being akin to debt instruments and therefore CV losses from those funds are allowed. To date the list of "loss allowed" investments is:

- Macquarie Cash Management Trust
- ING Diversified Yield Fund
- ING Regular Income Fund

If you accounted for such investments in 2008 make sure that any capital holding loss was claimed.

The Foreign Investment Fund (FIF) rules are extraordinary complex and in 2008 some fund managers were guilty of providing misleading advice as to the tax options. You should be naturally cautious of 2008 portfolio results that are said to give rise to a tax bill, as the majority of correctly calculated results give rise to a nil income amount due to FDR dividends and losses being ignored.



## BUILDING CONSENT EXEMPTIONS

Recent changes to the Building Act have made it easier for homeowners to do minor building work without having to get council consent. Effective from mid-October the list of work that no longer requires a building consent now includes:

- Changing existing household plumbing, including minor drainage work, as long as the work is done or signed off by a licensed plumber or drain layer.
- Building or installing a small cabin near to an existing home, as long as the cabin is smaller than 10m<sup>2</sup> and does not have cooking or sanitary facilities.
- Removing or changing a non load-bearing wall.
- Building awnings, pergolas or verandas over a deck.
- Installing or replacing windows or exterior doors, provided there have not been weather tightness problems and there is no change to structural elements.
- Making a home more accessible by widening doorways and building access ramps.
- Fitting out shop or office interiors where the work does not modify certain important building features, such as fire escapes.
- Erecting tents or marquees, as long as they are smaller than 100m<sup>2</sup> (for private use) and 50m<sup>2</sup> (for public use) and will not be used for more than a month.

Even though the above activities no longer require a building consent, all building work must still comply with the Building Code and may also be required to comply with other legislation and/or local by-laws. If in doubt, please seek professional advice. Also, don't forget there are still restrictions on undertaking structural changes, electrical, gas fitting and major plumbing work yourself.

## THE RIGHT LOAN FOR THE PURPOSE

Almost every business uses some type of borrowing. Credit cards, overdraft facilities or even large long-term loans. It is important to get the type of borrowing that you do right. You want to match the loan to the purpose, rather than just getting funds the easiest or simplest ways.

In most cases your business banking manager will assist you in this, but for them to do their job effectively you need to be upfront about your requirements, and you need to have a clear and accurate understanding of what those requirements are.

There is no point in getting a high interest credit card debt for large capital items that will take a long time to pay off. Likewise, you don't want to end up owing money on a loan when the asset has long since past it's useful life. It is often worth considering the life span of the asset being brought, before setting the term for the loan.

If you're unsure about how best to set up your borrowing in regard to personal or business loans, we can talk you through your individual situation to find the best solution.

## EMS Non-payment Penalties Now Apply

From November 2008 a non-payment penalty, as well as a late payment penalty, may be applied if employers don't pay their Employer Monthly Schedule IR348 (EMS) on time. Don't be caught out as these fines can get hefty. If you're unsure of anything at all, please give us a call.



## CLIENT SUCCESS

We thought it appropriate to briefly acknowledge the recent success of a few of our valued clients.

### NZ Representation Selection

Client Suzie Patrick runs a very successful hands-on organisational consultancy. Projex Unlimited is Dunedin based and works with businesses and local Government organisations throughout NZ and Australia to improve customer service and business systems ([www.projexunlimited.co.nz](http://www.projexunlimited.co.nz)).

What many people would not realise is that she is also a very successful International-level body builder. Suzie has recently been selected to represent NZ in the Asia Pacific Bodybuilding Champs to be held in Christchurch in April this year.



Suzie would also like to acknowledge Olympic Gym Mosgiel for their sponsorship and support, as well as her trainer Glenn Morton, whose assistance has helped her reach her goals to date.

### Triathlon Win

Nicky Samuels is one of NZ's elite triathletes and a professional sports woman.

Nicky recently stepped onto the top of the podium again after winning the Tamaru round of the Contact Tri Series by a comfortable margin.

This comes on the back of top performances in NZ events in December 2007 and a strong international season in 2008.

Nicky is looking forward to continued success at the ITU and World Championship races later this year.



### Folk Music Success

Success hasn't all been on the sporting front. Client Lynn Vare recently featured in the news with her three-piece acoustic group called Delgirl, after winning a Tui award for best folk album of 2008. This is a huge success for their debut album *Two, maybe three, day ride*.



## INTEREST RATE FALLS DO HURT

For those with mortgages or business loans, a falling interest rate can offer room to breathe and big cash savings. However, for those that derive an income from their investments, especially those who are retired, a falling interest rate can be crippling.

It is tempting in these circumstances to be prepared to take higher risks with investments to maintain a high level of income. Great care needs to be taken in this regard, as failing finance companies are a valuable reminder that the risk in high return investments is very real.

Older investors should be selective in the shares that they own as they have less opportunity to absorb losses and ride out the storm. Generally, mature industrial companies and utility companies are the least risky and pay the best dividends, but it is always important to get qualified advice that you can trust, tailored to your own personal situation.

## NEW YEAR, NEW BEGINNINGS!

Kim Sturge and her husband Adam are expecting their first child in June 2009. Kim will be taking some time off from her current role of administrator and GST matriarch, however she will be returning part time to keep us in line. Congratulations Kim and Adam, we hope all goes well for you over the coming months.

Josh Bruce has spent his summer break enjoying the wide world of home renovation. After purchasing his first house in December 2008, he has spent nearly every waking hour preparing the house for tenancing. We're pleased that Josh has decided to keep to his strengths in design and branding rather than start a new career as a builder... for now.

Last but not least, Lindsay Dey has been kind enough to return to us after his trip to Europe to visit family for Christmas. Who would want the Italian winter when you can have Dunedin? Now that we're all back on board, 2009 looks to be a fantastic year, challenging and rewarding!



Mont Blanc, Italy