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## HOW TO NOT LOSE YOUR STAFF TO THE COMPETITION

### Why do employees leave?

Don't like the boss / toxic environment  
Get a (much) better offer  
Feel unappreciated  
No link between performance and pay  
Talents wasted  
No prospects of advancement

### Why do employees stay?

Culture/team ethos  
Incentives & bonuses  
Flexibility  
Training  
Career path

### Keys to Keeping the Right People

Keeping the right people involves little acts that will enhance performance, motivate, and maintain job satisfaction among your employees. There are four keys to employee retention that you might want to follow to achieve the aforementioned goal:

**The First Key:** Be a company people want to work for. Your company must establish a culture that models, encourages, and rewards commitment of employees; and at the same time, attracts prospective employees by having the reputation of a "company that people want to work for."

**The Second Key:** Select the right people in the first place. Recruiting, hiring, investing, and rewarding employees with the needed talent and skill will promote mutual benefit, both on the side of the employer and the side of employee as well.

**The Third Key:** Get them off to a great start. Welcoming, valuing, preparing, and challenging new employees at the very beginning will give them the necessary motivation and appreciation of the work that they will embark on for the years to come.

**The Fourth Key:** Coach and reward to sustain commitment. Maintaining employee commitment is an essential role that management must perform. Management must recognize the employee's results and efforts, and facilitate career growth.  
*Source: [www.Tradescoach.co.nz](http://www.Tradescoach.co.nz)*

## New rules for mileage

If you are in the habit of claiming your vehicle running expenses based on your mileage, you will need to know the new rules.

The 5000 kilometre limit has been abolished. Instead, you look at your first 14,000km of total running. This is called tier 1 and the mileage rate is higher than it is for tier 2.

You calculate the business proportion of that first 14,000km. Shall we say that is 20%, which amounts to 2800km. Next, you work out the rest of the total mileage. This is called tier 2. Shall

we say you did 29,378km in the year.

This means the rest of the mileage is 15,378km and your 20% would be 3076km.

The rates have not yet been announced and they will vary according to the

type of vehicle you have, be it petrol, hybrid, electrical or diesel. You should make a point of telling us which source of energy you are using.

As you can see, you really need to know the total number of kilometres you travel every year. Make a diary note to have a look at your odometer at the end of the day on the last day of your financial year. If you sell your vehicle, note the final speedo reading on the old car and the starting figure on the new car. Similarly, note the reading on the new car.





# New parental leave rules

**When:** For employees taking parental leave for a child born (or coming into the employee's care) from 1 July 2018

**What:** The rules around parental leave are changing.

The number of weeks that a parent can get government funded parental leave payments increases from 18 weeks to 22 weeks.

The number of hours that an employee can do paid work while they are on parental leave increases from 40 hours to 52 hours during the parental leave period.

**What you need to do:** Find out what this

means for your business. Remember that these changes will apply from 1 July 2018, so entitlements will be different for different staff, depending on when their leave starts.



## Payday reporting

**When:** Voluntary from 1 April 2018, compulsory from 1 April 2019

**What:** Businesses will need to file payroll information every payday, rather than once a month. This will replace the employer monthly schedule (EMS).

**Why:** To make a business's tax requirements part of its payroll process, rather than being a separate step.

**What you need to do:** Start thinking about how and when you'll opt in.

You may find payday filing easier if you use payroll software, because this allows your payroll information, including salary, wages, PAYE and other deductions, to be automatically sent to Inland Revenue at the same time as you pay your employees.

If you already use payroll software, ask your provider how they can support payday filing.

If you don't use payroll software, start planning now. You'll have time after your payday to file the returns. Payment due dates for PAYE and other deductions won't change.

## Student loan repayment threshold has been increased

The annual student loan repayment threshold increases from \$19,136 to \$19,448 from 1 April 2018. That means the pay-period repayment threshold for salary or wages increases from \$368 to \$374 per week.

Repayment thresholds determine when a borrower must start making repayments towards their student loan.

## Regional fuel tax Amendment Act - main points

The regional fuel tax will be collected at the distribution level, so will not directly affect our clients from the point of view of administration.

Initially the tax will apply in the Auckland region but will be extended to other regions from 1 January 2021. Only petrol and diesel will be taxed.

Maximum rate of tax is \$0.10 per litre. Maximum duration of this tax is 10 years but this can be extended. GST will apply to the tax.

meaning of the word "substantially".

One device used by Inland Revenue, where a body corporate is involved, is to say the asset is the whole building. From the point of view of the client, the asset is their unit. We think their approach is wrong. If one of your clients is selected for audit, you might consider getting the support of a tax specialist.

# Leaky homes

**W**e have heard Inland Revenue is targeting claims for repairing leaky homes. The general principle for determining whether a new asset has been created is whether the "repairs" substantially rebuilds the whole of the asset. We do not have space here to discuss the



# KEEP FACEBOOK AT BAY

**T**he recent scandal revealing Facebook information has been shared without the knowledge of users, has highlighted the need to review data privacy.

It's been revealed that third parties have had access to information about almost everything we do in our everyday lives. Most of us have allowed it to happen because we haven't changed the default settings in Facebook.

So here's some advice that will keep most of your information private to you only.\*

Go to Facebook's Settings. It's a good idea to review all the tabs and make appropriate changes.

The Privacy tab is the biggie here. It's where you can limit who sees your Facebook information, such as your posts, photos, email

address and phone number. If it's only friends who you want to see your information, change the list in "Your activity" and "How people can find and contact you" to "Only friends".

Make sure you click "Limit" for the audience for past posts, and select "No" for the setting "Do you want search engines outside of Facebook to link to your profile?".

Don't use Facebook to log in to another service or application. It makes login simple, but by doing so you're giving both Facebook and the third-party service access to your data. Use a separate password unique to that service. In Facebook's Settings is a link "Apps and websites". This shows the apps and websites you've logged into using Facebook. Delete any or all.

And finally, turn off your location setting on your mobile device (usually Settings > Privacy > Location Services). This will stop Facebook and other apps knowing where you are – and where you've been. You might have to put up with some of your apps asking you to turn it on again to use them (though why using the Lotto app to check a ticket requires Location Services seems odd).

After all this, you have to remember that Facebook will still keep track of all your Facebook activity, including what ads you click on, what you "Like" and what you read.

If you're managing a business page on Facebook, consider carefully any changes you make. You will probably want as many people as you can to see your information.

## Beware direct debits

Direct debits can be useful for ensuring you pay your bills on time. However, sometimes they work against you.

Jack set up a direct debit to pay his GST. On the 28th of the month he checked and could not see a payment to IRD. He was concerned because he knew the money had to be in the IRD bank account and it was not enough for it to be in transit. So, he made an internet transfer.

Next day IRD put through a direct debit to his bank account, which was backdated to the 28th of month. Unfortunately, they put through the debit twice. This meant he had paid his tax three times and he had to contact the Department to get a couple of the payments back. They were returned quickly but not quickly enough to prevent the bank charging a dishonour fee.

Direct debit is very useful but you lose control of your payments when you use it.

## Employee Christmas gifts

Non-monetary gifts to employees are likely to be "unclassified fringe benefits", or UFB, under tax law.

Each employee is entitled to receive up to \$300, including GST, worth of gifts per quarter, provided the total UFBs for your business does not exceed \$22,500 including GST, in any 12-month period. Monetary gifts are not UFBs. They are additional wages and should be treated as such.

You may be entitled to switch from quarterly fringe benefit tax returns to annual ones. This could be useful if you want to make Christmas gifts worth more than \$300. Those accounting for fringe benefits annually have a limit of \$1200 per year per individual instead of \$300 per quarter. This means you could make a gift worth \$500, for example, and not incur fringe benefit tax, provided the employee didn't get \$1200 in one financial year.

Incidentally, if you exceed a threshold, such as the \$300, the whole benefit is subject to FBT and not just the amount in excess.

## Real estate sweet spot

There is an area in the commercial market which can give better than normal yields. It is in the range of property worth \$5 million to \$20 million. The reason for this is it is too expensive for the mum and dad investors and too small for the serious commercial investors.



## ACC CoverPlus Extra

There are some very real advantages of using CoverPlus Extra instead of the ordinary ACC cover. One of the main ones is that you can insure for a specified amount so if you have a claim, it will not depend on the actual performance of your business. The premiums for CoverPlus Extra are higher than for ordinary cover. If you are using CoverPlus Extra, be careful. If you fail to pay your premium on time your policy will automatically cancel and revert to the ordinary cover. Also, your cover won't start until ACC has received your signed policy acceptance form. The Department recommends you send this by email at cpx@acc.co.nz

## Anti-money laundering and countering financing of terrorism

**When:** When you must comply varies depending on your business activity:

- 1 July 2018 for lawyers and conveyancers
- 1 October 2018 for accountants and bookkeepers
- 1 January 2019 for real estate agents.

**What:** The anti-money laundering and countering financing of terrorism (AML/CFT) Act is being expanded to cover a lot more New Zealand businesses.

Financial institutions have had to comply with the AML/CFT Act since 2013 – now other businesses will also need to comply, including real estate agents and many lawyers and

accountants.

**Why:** This will help to detect and deter criminals laundering money or financing terrorism through New Zealand businesses. It also makes sure New Zealand meets international standards and protects our reputation as a good place to do business.

**What you need to do:** Check if the law applies to you.

If it does, you will need to:

- meet new reporting requirements
- meet new requirements for verifying the identity of your customers
- keep good records.



# 7 causes of poor business cashflow

## 1 Accounts Receivable Process

A poor accounts receivable process will result in debtor days (the time between billing and banking) being too high. This will stifle your cashflow. There are many strategies to minimize debtor days including tightening your Terms of Trade, offering prompt payment discounts and streamlining your billing process.

## 2 Accounts Payable process

A review of all suppliers' terms may identify ways to improve cashflow and potentially achieve better Terms of Trade. Implementing budgets, streamlining your payments process to maximize prompt payment discounts and avoid late payment penalties is just the start.

## 3 Inventory Process

Carrying stock for too long means full shelves but an empty bank account. This is no different if you're a service provider with work in progress that is yet to be billed. Reviewing your stock ordering systems and stock control processes (to name a few) will identify strategies to ensure cash hits the bank sooner.

## 4 Inappropriate Debt/Capital Structure

Often significant cashflow and

interest charge improvements can be achieved with a regular review of existing debt. Maybe your debt / capital structure could be improved, or perhaps your debt should be consolidated and paid off over a longer term. Maybe you need to review and adjust what you're drawing from the business, or perhaps the business needs a capital injection to fund its growth.

## 5 Overheads too High

Every business should do a thorough review of its overheads each year. Reviewing the effectiveness of your marketing spend, going paperless, putting expense budgets in place and changing your technology platform are some simple ways to reduce overheads.

## 6 Gross Profit Margins too Low

Our gross profit margin is what is left from sales value after variable costs are deducted. There are a large number of strategies that you can implement to increase your margin, such as focusing on rework and wastage, reducing stock shrinkage and improving team productivity, just to name a few.

## 7 Sales Levels too Low

If the current sales levels don't support overheads and other cash demands on the business, then the business is not currently viable. If in high growth mode, a financing plan will be necessary. If not, we need to consider how we will grow sales. To grow sales we need to focus on customer retention, generating leads, improving sales conversion, customer transaction frequency and pricing strategies.

*Source: McDonald Vague*

## Set for when you go

In our summer newsletter last year we suggested clients think about how loved ones could access your personal bank and social media accounts when you die.

While Facebook is under fire at present, it has to be congratulated for making it easy for a nominated person to operate your account or close it when needed. Under its Settings > Personal Information > Manage account is something called Legacy contact.

It's here you can nominate someone you trust, to manage or close your Facebook account. They'll be advised and be able to do what's required at the right time. They can use your account to tell all your Facebook friends about your demise, let them respond with (hopefully) kind words and then close your account.

## Minimum wage rates rise

**When:** 1 April 2018

**What:** The adult minimum wage rate has gone up 75c to \$16.50 an hour. The starting out and training rates have risen 40c to \$13.20.

**What you need to do:** If you pay your workers minimum wage rates, update your payroll and their employment agreements. Remember that these new rates must be paid from 1 April 2018, so you may need to back-date your wage rates to this date.

If you have workers on starting out or training wages, this is also a good time to check when they will be eligible to move onto the adult rate.

## Shareholder continuity

If shares held in a company are transferred to another company, look through the company to the ultimate non corporate beneficial shareholders to determine whether continuity of shareholding has been maintained.



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- Waipawa	(06) 857-8901
Bavage Chapman Ltd - Warkworth	(09) 425-9835
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## Changes in Particulars

Please remember to let us know of any changes in:

- Physical address • E-mail address • Phone and/or fax numbers
- Shareholdings • Directorships • Trustees

Or anything else that may be relevant.

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