



## TAXATION & FINANCIAL SPECIALISTS

*Where the client comes first...*

# Newsletter

SPRING 2019

# KiwiSaver injustice

**As you will have noticed, Inland Revenue has discovered a large number of people contributing to KiwiSaver have been using a tax rate which is too low.**

The Government is entitled to claim back the underpaid tax, but in practice is only going to do this for the year ended 31 March 2019. In the meantime, anyone who has overpaid their tax by selecting a tax rate which is too high won't get any money back, in spite of it being obvious to the department who has overpaid. This is because the law has been written to favour the Government.

The latest tax Bill to be presented to Parliament will

allow Inland Revenue to put this right. Once the law has been passed, anyone accidentally using the 28 percent rate (or who has been given the 28 percent rate by default) when they should have used a lower one, will be able to get a refund.

Will the law be backdated to the year ended 31 March 2019?

KiwiSaver is a PIE. This means the income you get doesn't normally come into your tax return unless you have selected too low a tax rate. It's taxed

within the PIE entity.

You can have PIEs which are not KiwiSaver accounts. If you have a combined investment in a PIE, you can still be the loser. If one person is on a higher tax rate than the other, your PIE income has to be taxed at the higher person's rate.

The solution is obvious – don't have combined investments in PIEs. Take the same money and split it down the middle and invest it separately.

## The cost of boarders

**Up to 31 March 2019, if you took in boarders you could use a standard cost to save having to keep records of your actual costs.**

This has changed. From 1 April 2019, which is the year ending 31 March 2020 for most people, the tax department is providing:

1. A standard weekly cost which will be \$186 to start and then adjusted annually.
2. An annual housing standard cost which is calculated as 4 percent of the original cost of the property or if renting, the actual rent paid. If the property is owned by a family trust, costs are related to your actual expenditure to the trust. We won't go into details here.
3. Finally, you might find yourself using your car for business, in which case if you choose the standard cost method of calculating expenditure, you apply a kilometre rate.

In certain circumstances you cannot use the standard cost. One of these is when you have more than four boarders.

You can choose to ignore all this and use 'actual costs', which while that is more work, might give a more cost-effective result. Four percent of the original cost of a property for someone who has owned it for many years is likely to be a pittance.

## A case of a nice surprise for customers

A customer recently took a suitcase to a shoe repairer to fix a small tear in the corner and on the outside of a much-loved suitcase.

When the owner picked up the bag he was surprised to find a matching, very neat patch on the opposite corner of the suitcase, so it would look as though there had never been a repair.

Needless to say, the customer was happy.

The lesson: Always look for a chance to surprise and impress your customers.

# Convert a complainer into a friend

**Don't you hate it when someone complains. The natural reaction is to defend yourself.**

"Is our lunch ready yet, it's been half an hour since we ordered it," complained a customer at a café.

"We're very busy," snapped the waitress.

The customer noted half the tables were empty but said no more. He didn't go back there for three years.

The snappy waitress has moved on and the new staff are very welcoming. The complainer has become a regular customer again.

While it's not absolutely true the customer is always right (sometimes they are genuinely unreasonable), it's usually the case. The waitress should have taken the complaint back to the boss who should have tried to find out what was causing the long delays in serving the customers.

The important thing to remember is: **a person who complains is almost always your friend.**

They give you the chance to do something about a problem and stop offending other customers. Yes, it's upsetting to be told you're doing a bad job, but get used to it because there's an odds-on chance it's true.

Work out what's wrong and change your systems to fix it.

What else should the waitress have done? She should have made sure the customer left happy. She



should have been empowered to give the customer a voucher for a free ... next time and offered an apology.

The customer looked up his expenditure for a year at the café, which can be easily done online by looking at your bank account, and calculated this waitress cost her employer about \$2000 in lost sales.

## Track those emails

Sometimes, when you visit a website, you're asked to fill in a form, part of which includes the message you want to send.

But as soon as you press the send button, you lose the record of what you said.

It's useful to keep track not only of what you wrote, but also the date and time you sent the message, and to whom.

Easy solution – take a copy of the message and send it to yourself, before you press the button to let your enquiry go (see also Screenshots, page 4).

## Credit card payments that keep on taking

**A number of organisations selling online get you to put in your credit card details for payments and then bill you when your subscription expires.**

In a recent case, there was an option for billing only once (for one calendar year) or you could choose automatic billing every year. The customer took the first option, but when the receipt came through it stated the billing would recur every year.

The customer had to go back to the supplier to get this changed.

Keep an eye on this type of trading or you might find yourself getting unwanted repeat bills.

Unfortunately, when you set up repeat billing, the charges to your credit card are going to continue until you do something about it. You might want to minimise automatic billing to your credit card.

# Stand out by doing things differently

**We keep stressing in our newsletters the importance of being different from your competitors.**

A barber runs an appointment system. Customers can go on to her website and book their times to suit themselves. Many people work from home these days and time is precious. She allows 20 minutes to do an excellent job and charges a little above the market rate.

The big advantage is, of course, there is no waiting.

More than 90 percent of her customers book online and the ones who ring up are the ones who most often fail to turn up.

Before she started the system, people would wait two hours to get their hair cut on a Saturday. Now you have to book. She knows she will get away sharply at 2pm.

She has also found if you are available from, say, 8am to 8pm, people will choose a time they find most convenient. Often this will be after their evening meal. However, if you close at 6pm, which she does, you will most likely get almost as many customers.

She also classifies her customers. Before booking, you have to state whether you're a senior citizen, you have a beard, it's a four-weekly haircut and so on. Presumably, she can show different times for appointments to match the services. If someone is getting a cheap haircut, they can be made to come at a quieter time. She can fill in the gaps.

In another example, a delicatessen has achieved a difference in spades.

As soon as you go into their shop, you're offered a cup of barista coffee. Would you accept it?

Well, it is excellent coffee so if you enjoy a good cup, it's the very place to go and it's free. There's a small queue for the coffee, which is probably not surprising.

What are you going to do while you're waiting for yours? Browse the stock of course.

Be different. If you look like everyone else, you're likely to get the same results as everyone else. Dare to be different and who knows what you might achieve.

## Banks are losing out

**It's almost certain one of the major banks is missing out on large amounts of investment money.**

John is the manager of a family trust. He mentioned to his daughter the difficulty of getting through to the investment section of X bank.

"Oh," she said. "As you know, I am a trustee of several trusts and we gave up on that bank long ago."

Longer queues to get assistance might cut down the wages, but it also cuts down on the number of your customers.

Our message: If you want people's business, make it easy for them to contact you.

## BRIEFLY

### **Interest paid on borrowings for tax**

Where money is borrowed by an individual just to pay tax, the interest will generally not be tax deductible. However, if the money has been raised to preserve an income-earning asset, the interest is tax deductible. For example, borrowing money to pay tax in order to avoid selling shares that would otherwise have to be sold.

### **Property transfers**

For the IRD to get a complete picture of property transfers, a supplementary order paper has been prepared requiring IRD numbers from all buyers and sellers of property, including when they are selling their own home. This will help IRD to trace those who make a habit of doing up houses and moving on, claiming the gains they make are free of tax.

### **Attn: Landlords/ladies**

From 12 December 2018 tenants can no longer be charged letting fees.

All new tenancy agreements from 1 July 2019 must include a separately signed statement confirming intention to comply with the healthy homes standards. If you own a tenanted property, we suggest you go online and make yourself familiar with all the law changes. If you want to be keep up to date with changes regularly, you could subscribe to Tenancy Services news at [www.tenancy.govt.nz](http://www.tenancy.govt.nz).

### **School donations**

The Budget has provided, from the beginning of the 2020 school year, an entitlement of \$150 per student per year if the school agrees to stop requesting donations from parents. This funding applies only to decile 1-7 State and State-integrated schools.

# Save for later with easy screenshots

**You've got something on your screen and you want to share it or save it for later. So grab a screenshot.**

Screenshots are images that show the contents of a computer display. They let you capture exactly what you're seeing on your screen. This can be very helpful when, for example, you're filling in an online form which will disappear as soon as you 'submit'. A screenshot will let you check later what you submitted and when.

They're also useful when you can't easily explain something in words. Like when you're trying to tell your IT person what's happening on your screen. Screenshot the error message and email or text it to them.

To get a screenshot on Windows 10, bring up whatever it is you want to capture on your screen and press the *Print Screen* (often shortened to "PrtScn") key. It's usually in the upper-right corner of your keyboard. It will take a



screenshot of everything on all of your displays.

There's also a Windows 10 Snipping Tool. The built-in screen capture tool allows you to better define and capture portions of your desktop display, without a keyboard.

With a Mac, simply click Command/Shift 4, which will change your cursor to a 'target' which you can simply drag across whatever you want to save.

Programs such as Snagit (for PC, Mac and smartphones) allow you to grab your entire desktop, a region, a window, or a scrolling window from any webpage or application – all with a single hotkey or click. It can create images and even video to get your point across.



## TAX CALENDAR

### August 28

First instalment of 2020 Provisional Tax for those with March balance dates who pay provisional tax three times a year

### September 30

Second instalment of 2020 Provisional Tax (December balance dates)

### October 29

First instalment of 2020 Provisional Tax for those with March balance dates, who pay GST twice a year.

### November 28

First instalment of 2020 Provisional Tax for those with June balance dates

## Monitoring the jobs

**XYZ Limited prepared a costing after every job was completed.**

In theory, the manager was able to observe the differences between the quoted prices and the amount the company was able to invoice. However, a stack of these costings sat in the manager's office a metre high.

What a waste of time. There was little gained in converting times taken into dollars. There was also no point in looking at jobs where the results were similar to those expected.

If you're quoting for work, compare the quantity of materials used with the amount you allowed in the quote. Compare the actual hours of work on the job with your quoted hours. Study the extremes. Look at the jobs where you did badly and work out how to avoid repeating the mistakes.

Correct your quoting or improve your work methods. Also, look at the jobs where you did well and see if you can work out how to repeat the success more often. Don't waste time looking at the contracts which worked out reasonably close to your quotes.

## Changing the direction of your business?

**Businesses need to be careful about changing direction.**

Some time ago a very popular Wellington café withdrew most of its savoury food from its menu. It's now closed.

If you want to change the direction of your business, do your homework.

Ask your customers what they think before you go ahead. Make comparisons of your proposed business model with other similar businesses. Is it likely to work well for you?

A change of direction without careful planning can be fatal.

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