

Newsletter

Autumn 2020

Dr Deming got it right

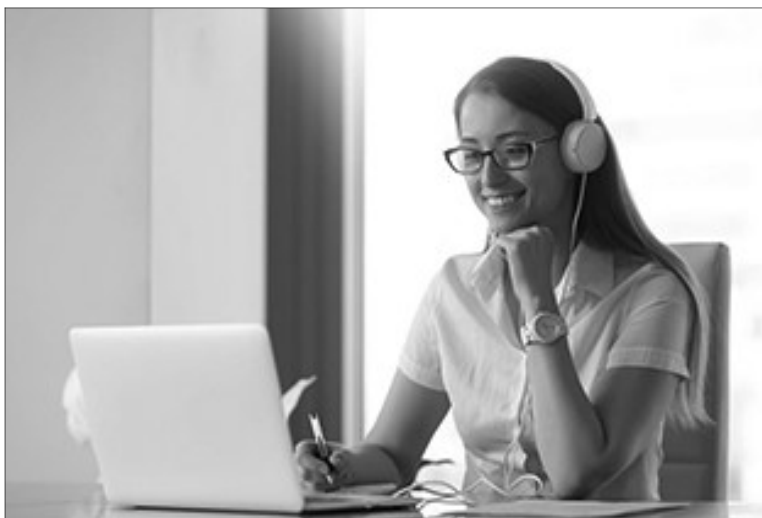
Dr William Edwards Deming is famous for helping Japan's industry get on its feet after the Second World War.

His ideas on continuing quality improvement, "Kaizen", were a major factor in his success. You should constantly be looking for ways you can make your business a more efficient money-earning machine.

Are you making the most of technology, without in any way diminishing the quality of your service? If your website is difficult to navigate, improve it.

Look at how you can improve efficiency. Some examples are use of voice-to-text dictation systems such as Dragon, receiving emails as text messages (and sending an email as a text message), and use of VOIP (voice over internet protocol) instead of landline phones. There are technology solutions for just about every efficiency challenge, so just type it in on the internet and see what pops up.

Deming listed 14 points for



Are you making the most of technology without diminishing the quality of your service?

Image: 123rf

continuous improvement. It's also worth looking them up.

He did not like numerical quotas for the workforce and numerical goals for management. He was hot on educating everyone in the firm. Are you constantly trying to improve the quality of the work of your staff?

Deming was keen to promote pride of workmanship. His philosophy might have had a lot to do with the transformation of Japanese goods to the high quality they are today.

In our next newsletter, we will discuss some of his famous quotes.

Impress customers with follow-ups

Sandra made a purchase over the internet and the vendor, Richard, emailed a month after her purchase.

"I thought I'd send you an email just to make sure you're happy with your purchase."

She was invited to let them know if there was anything wrong. Just to make it easy the company put its telephone number in the message.

This was followed by a reminder that if anybody wants to know where you bought the goods you

can tell them who it was and pass on contact details.

Sure, this won't necessarily bring you another sale every time. What it will do is increase your chances and the cost of sending this message is almost nothing.

This idea could easily be applied to any business whether internet-based or not.

Follow-ups like this also improves the firm's image as it shows you care about the customer.

It's that time of year again

The most common balance date – 31 March – is rapidly approaching. Are you ready for it?

The following reminders are some of the things you should be thinking about:

- Please answer all the questions in our questionnaires. If you're not sure, mark those questions and then ask us.
- Write off bad debts by balance date or you'll have to include the debts as income for the 2020 year.
- If you're claiming for motor vehicle expenses on the basis of kilometre rate, don't forget to read the odometer of your vehicle at the end of the day on your balance date.
- Organise stock-taking. It could be a good idea to get rid of old stock before balance date.
- If you want to pay out any holiday pay or bonuses, you're

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allowed 63 days after balance date in which to do this and still claim a tax deduction for 2020.

- If you have PIE investments, make sure you're using the correct tax rate, called Prescribed Investor Rate (PIR). If you overpay, Inland Revenue is not going to give you a refund. You look at the 2019 and 2020 tax returns and take the one with the lower income. If the income is less than \$48,000 you should not be paying the top rate of tax on your PIE income.

- If we want to know how much money is owing to your business at balance date, please remember it includes invoices you have raised after balance date for work done prior to balance date as well as money still owing for jobs done prior to balance date..

- If your annual tax bill on income not subject to PAYE is greater than \$60,000, Inland Revenue thinks you ought to be able to complete your tax return by 7 May, if you have a 31 March balance date.

That would enable you to get the exact amount of tax you would need to pay. We all know this is not very practical. However, you should do your best to estimate your income and adjust your 7 May tax payment to minimise your risk of incurring Use of Money Interest, which will start accumulating from 8 May.

Calculations for using your home for business



If you want to use a square metre rate to calculate how much you can claim for using part of your home for business, at the moment it is \$41.70 per square metre, plus a share of mortgage interest and rates or rent.

Use of home should be calculated on the area separately identifiable as being set aside for business. Any area of the room that cannot be used for a business purpose has to be excluded.

You are entitled to use the actual costs instead of the Inland Revenue square metre rate.

Running a vehicle from home to work

If you're a plumber running your business from home then it's pretty obvious your vehicle running costs are tax deductible.

Inland Revenue refers to your type of business as an "itinerant occupation".

Suppose you use your car to travel from home to a workplace where you're contracting. There may be more than one workplace like this. Unlike the plumber, you go to the same places continuously.

For you to be able to claim vehicle running expenses, you would need to be able to show there was "a need" for some work to be done at home and it was not merely convenient for you to do so.

If you were travelling between customers, you would be able to claim that particular cost, but not from home to work and work back to home.

Take note of trade cycles

Bank of New Zealand economist Tony Alexander writes:

“The state of the macro economy is important. But a lot of other factors outside any concept of the traditional economic cycle are coming into play and these coming three years are likely to see a wholesale weeding out of businesses across virtually all sectors in New Zealand. It’s time to trim your debtors’ ledgers.”

Don’t overlook trade cycles. They are a fact of life and come around regularly. The world’s last financial disaster was 2008 – nearly 12 years ago.

Think about how you would manage if business got difficult. Prepare now for that eventuality.

What can you do to make yourself well known and have the greatest possible chance of ongoing business when it’s tight? Some ideas:

- Get known by networking –

join organisations and make yourself prominent in them.

- Always keep in touch with your past customers. Newsletters are great for this. Cards at Christmas help, but try to be different. Maybe a New Year card or a southern hemisphere Christmas card on 25 June. Get clients’ email addresses. Tempt them to buy with your offers.
 - If you do all new work, you might find this dries up. Should you be considering including some maintenance work in your sales mix? It’s not much fun having to cut your price to the bone in bad times.
 - Distribute your business cards liberally.
- There is a saying that goes: “While the sun is shining mend the roof.”

Sort your bank account

A handy way to check whether you have paid a bill or to find out how much you paid last time, is to go to your account online and select a range of transactions over a period of time. Once these are on the screen, you can sort each of the columns. For example, if you want the column showing expenses, click on the top of it and you will be able to run the transactions in order of size. Similarly, you can run the details column alphabetically.

Praise for good service

We notice, all too readily, if someone has performed badly. If we get extra good service, we tend to take this for granted. If you want people to repeat good service, tell them you appreciate it. This obviously applies to staff, but don’t overlook your suppliers. You will get even better service if they think you are delighted with what they have done for you. Make them feel good.

Use correct tax rate for KiwiSaver

If you pay into a KiwiSaver account, make sure you’re using the correct tax rate.

Check with the company which administers your KiwiSaver account to make sure you’re not on the default rate of 28%. If you are, and this is too high, you still will not get your overpayment back.

At the present time, the Government is still planning to defer changing the law for a further year. It’s very unfair and it probably isn’t necessary to defer the change, but that’s the way it goes.

When they do change the law, they are proposing to credit your tax account with the overpayment rather than send out the money to you.

In the long run, you will get it back, but not this year.

Dare to be unique

A bed-and-breakfast owner left a pretty card for her departing guests.

Dear Carole (spelt correctly of course) and Jack. Many thanks for choosing KC. I hope you both enjoyed your stay. Wishing you both a safe and happy journey home.

Shona

What a contrast from the usual A4 sheet inviting your comments!

Shona’s rooms were also different. Have a look at the picture of the toilet bowl and bathroom floor! Her whole set-up was special.

Do you want your business to be talked about? Be special like this.



Get online images for quality communications

A picture is worth a thousand words, the saying goes.

If they're so important, why aren't they used more often in business communications?

A media company we know of often receives press releases, newsletters and requests to publish information on social media. These usually have no accompanying images.

Images add interest so readers are more likely to read the words that go with them. Media will more likely publish something if there's a good photo, cartoon or even a graph to go with it.

If you don't have a photo, get someone you know who takes good photos to do it, or consider hiring a good photographer.

The other, cheaper, option is to use online stock photos.

These are generic images usually taken by professional photographers. They are generally photos but also include graphics or cartoons, which can be downloaded for a small fee.

Millions of these are online.

Big agencies such as 123rf and Dreamstime have them categorised so you can find plenty of what you want.

For example, if you want to tell the world about your new shared workspace, the obvious image would be a photo of the workspace. So get that photo, and remember to have people in the photo. People add interest to an image. Readers put themselves in the position of the people they see, in this case happily working in the new workspace.

However, you'll find plenty of shared workspace images online that you can use royalty free, as long as you acknowledge the source (note we have a couple of 123rf images in this newsletter).

Don't just grab images you've found in an internet search. While they might say "free", they're usually only for personal use, such as a slideshow or report, and rarely for publication.



TAX CALENDAR

April 7 2020

Terminal tax for 2019
(March April, May and June balance dates)

For all clients except those who have lost their extension of time privilege

7 May 2020

3rd instalment of 2020
Provisional Tax
(March balance date)
GST for March 2020

28 May 2020

1st Instalment 2021
Provisional Tax
(December balance date)

31 May 2020

Deadline for Fringe
Benefits Tax returns

In praise of Big Brother

"Oh Brother, you are terrific," exclaimed Charles when he came off the phone.

He had bought a new scanner and not being particularly tech savvy was having a terrible time getting it going. His wife, an avid watcher of television, said: "Did you know you can ring Brother and they will get it going for you?"

Sure enough, all that was needed was a telephone call. All the lines were busy but that wasn't an issue because Charles could leave his telephone number and someone from Brother would call back without him losing his place in the queue.

Here's a large firm actually offering a real service to its small customers! We realise we're advocating for Brother but they might save you a lot of time and frustration if you too have difficulties setting up electronic machines.

You gotta pay for it

Be very careful to make sure if you have a company or a trust and you want to claim an expense, this expense has actually been paid by the company or trust – not by you.

For example, sometimes people organise a bank loan for their company, but the bank makes the loan out to you. The interest on the loan is not a tax-deductible expense of the company.

If you have just done this, don't have a heart attack.

There are two solutions:

1. You could draw up an agreement between yourself and the company, which would state that you have borrowed the money as agent for the company. Make sure you have the correct wording. Hand the job to an expert.
2. A nice easy way is to charge the company for your loan. Again, some sort of document confirming this arrangement and signed by the directors of the company is advisable. Make sure you are making a small profit on the transaction. That profit has to be included in your personal tax return.

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