

BEHIND THE BEANS—2016

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NO ROOM FOR THE PASSIVE DIRECTOR

The days of the passive Company Director are now well gone! From **4 April 2016** new Health and Safety rules will take effect.



These rules will expose all Directors to a potential personal liability for a Health and Safety breach even if they are not aware of issues.

The new rules include increased penalties and make Directors liable for failure to take responsibility for Health and Safety and any Director not actively involved in the business of a company is simply increasing their exposure and risk.

Thought now needs to go into whether if you are a husband and wife in a company business, does your wife/partner need to be a Director if they are not heavily involved/active in the company's business?

IT'S THE FIFTH SEASON—"YEAR END"

Spring, Summer, Autumn, Winter and "Year End". It's now time to make a start on getting your year end financial records to us. All the relevant Questionnaires for 2016 are now on our **website**.



We hope that the financial year has ended well for you. The more tax you have to pay, the more profit you will have made and that's got to be a good thing! Our team will endeavour to legitimately minimise what you have to pay in tax, in return we ask that you complete our Questionnaires as best you can.

WHAT IS BEHIND THE NUMBER 62?

Given this is our 62nd issue we thought we'd find out ...

- Wallace & Gromit live at 62 West Walaby Street.
- July and August have a total of 62 days, the highest number of days in consecutive months.



CHANGE IS BEHIND THE BEANS

This is the 62nd issue of our newsletter and it's time to give it a new name and so "Behind The Beans" it is.

"Beans" have always been a big part of Accounting. And many of you will have been the recipient of our "jelly bean bags" in our final year end packages.

THE ORIGIN OF THE BEAN

Given how often the expression is used as a bit of a glib put down on our profession, the origin of the term "bean counting" may come as a surprise to many of you.

The expression comes from the birth place of democracy, ancient Greece some 2,500 years ago. Beans in these days were used for counting the votes of the Greeks to determine who was eligible to serve the office. Fast forward to today and ...Perriams Bean Counters are ready to serve.



MAKING TAX TIME LESS TAXING

Yes, it's that time of the year and whilst you might not find it much fun, **we do!** As born number crunchers we have again assembled a great team to ensure that all your tax and compliance obligations are met.

Our focus this year will be to exceed your expectations and to deliver.

If we feel we haven't delivered sufficient value, we won't charge for our time ... it's that simple.

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HEALTH AND SAFETY AT WORK

There's been much written and reported recently on the Health and Safety at Work Act which comes into force on 4 April 2016. We recently read an article with the following 5 questions that are likely of value to ask within your team:

- How often are you (or your direct reports) in the field? And, what recurring themes do you see?
- What are the top 3 safety risks in your business, and what is being done to mitigate these? If direct reports are handling these issues for you, are you receiving adequate reporting at a board level?
- What are the key health risks for your people, including mental health? What are you doing to reduce/eliminate these? Again (if applicable), how is this reported to you at a board level.
- What lead indicators are proactively being developed to demonstrate the organisation's health and safety culture is thriving?
- When was the last time you asked one of the team, what frustrates them and hinders them doing their job? And, what was the answer?

If you would like to give your Health and Safety policies a check, please contact us as we are able to refer you to those with the expertise in this area.



PERSONALISATION 2016

Personalisation is the top digital marketing trend predicted by kiwi marketers this year that will influence their brands.

It aims to increase the relevance of messaging to your audience. You will have observed an increase in this via TV ads.

Whilst your business will not likely be big enough to front a TV add, perhaps there exists an opportunity to personalise your business through other mediums?



FACEBOOK

Did you know Perriams has a Facebook page?

Please 'like' our page.

It's a great way to keep up to date with articles of interest, important dates and what our staff are up to.



THE INVENTION OF STRESS

Have you ever wondered where this word came from?

That six letter word, **STRESS** is blamed for many of our problems today. So, when was this word invented?

As I researched, it was only 70 years ago that a Dr Hans Selye who was then a young medical student, was studying the science of diagnosis i.e. measles, scarlet fever, the flu, shingles, allergic reactions etc that he noticed their symptoms all appeared remarkably similar.

The patients all complained, more or less, of aches and pains in the joints, intestinal disturbances and loss of appetite. Most had fever (sometimes with mental confusion) moreover he concluded the patients "felt and looked ill". Selye started to discover that Doctors at the time were not interested in these symptoms that made all illnesses look the same. Selye referred to this as the "syndrome of being sick".

Selye used rats in his research, observing the psychological reaction of lab rats to as many physical agents as he could think of, objecting rats to extremes of cold and heat, starvation, pain forced exercise "psychological" trauma etc.

Selye over subsequent years of research sought to come up with a name for all the diverse agents and non-specific effects that these lab rats produced. By 1946 he had landed on the single word he needed to get his idea across. He called his syndrome, both cause and effect "stress" and he never looked back!

Jump forward to today ... a UK study in 2014/2015 sighted stress accounted for 43% of all working days lost because of illness. The main factors listed by respondents as causing work related stress were:

- Work load pressures
- Tight deadlines
- Too much responsibility
- Lack of management support



Or is this word 'stress' sometimes being used as a catch—all short hand for other issues as has been the case since Selye created the term? There is a theory that the stress we face in the workplace is no longer physical but rather other people.

Selye's theory proposed that the pace and complications of modern life caused the continuous activation of the hormonal responses to danger that caveman once used for flight or fight and these, in today's world, lead to psychological trauma.

Stress has now become a multi billion dollar business and not surprising given our obsession with stress and the business it now generates, is the latest development ... a 'wearable tech' like the Fitbit, which is designed to control our stress levels.

So how do we change it? If I had the answer I wouldn't be sitting here "balancing your books."

TAX MANAGEMENT—TAMING YOUR TAX

There are now organisations set up that act as an intermediary between yourself and the Inland Revenue if you are struggling to meet your tax payments by their due date.

There are significant savings that you can make if you work through one of these organisations. It has the effect of saving you from paying late payment penalties (which is a dead tax) and their interest rates are a lot less than the Inland Revenue's which is currently sitting at 9.2%.

For our clients who have already used this approach, it has saved many hundreds of dollars.

If you would like to know more about this, please contact Ben Jackson or Kelly Snell of our office.

These organisations are Inland Revenue approved. Keep or maintain your position with Inland Revenue clean by working with a "tax pooling agent"



Taxxxxx!

EVER WONDERED WHY A WIDGET?

There is no one thing called a widget. The term is used generically like gadget or gizmo. Its often used in an academic context, especially in business schools or economic classes.

For example, an Economic Professor might talk to her students about "the supply and demand for widgets," or a Marketing Teacher might ask his students to develop "a plan for selling widgets". By using a generic term they keep their students from being distracted by the item itself.

Widget Out!



WHERE SHOULD YOU FOCUS YOUR MARKETING IN 2016?

Firstly don't try to be everywhere all the time! Whatever your budget, you'll lose any impact you thought you might get.



What I'm saying is get your clients attention!

Your clients attention is precious, provide them with ideas that will make them want to spend time with you and ideas that will not only engage them but will lead to sales.

BONUS BONDS

A couple asked whether they should put all their \$50,000 retirement savings into Bonus Bonds. I said "no" because they don't pay any interest, and the average return from Bonus Bonds prizes has tended to be less than on bank term deposits (even after taking into account that the prizes are tax free). Given that Bonus Bonds returns are much less certain, we would expect the returns to be higher to compensate for the higher risk but they're not. Should I then put some of my savings into Bonus Bonds?



You could view a Bonus Bonds investment as part of your "on call" cash allocation where you could earn, on average, something close to interest on a transaction cash account at the bank, but with a very small chance of a big return. Since you have spare cash you could invest sufficient into Bonus Bonds such that, on average you win at least one prize a month usually \$20. This used to require a \$12,000 investment, but now requires about \$20,000, because of the lower interest available to everyone, including the Bonus Bond fund.

"It certainly should not form part of your investment portfolio, as a growth and income earning investment". It must be looked at as available cash in an emergency with only a chance of a large win and you may only receive low returns. Still, I stand by my opinion that Bonus Bonds are not the best place for their savings.

BENEFITS OF TRUSTS

In New Zealand, a Trust has the benefit of not being treated as part of the settlor's (your) personal asset base and thereby provides an opportunity for you to place your assets away from creditor's reach. This also gives some protection against Relationship Property claims, if set up in time and administered properly. (Note, the 'time' rider you need to set up a Trust before a de facto relationship is deemed to have commenced, or while you are solvent, for the Trust to be defensible from spouses and creditors.) Moreover, Trusts set up to defeat creditor's interest can be overturned so care should be paid to timing and motivation in setting up Trusts.

In addition, Trusts can be effective Estate distribution mechanisms because while the deceased is gone, the Trust continues after their death, allowing for continuity of governance and staged implementation of an Estate. For example, many people prefer to hold money back from their children until they achieve a specified age, to allow them to mature in their financial views of life. A Trust is an excellent vehicle for such Estate planning.



Lastly, Trusts allow you to make distributions of taxable income to beneficiaries at their marginal tax rates, provided they are 16 or older (under New Zealand's minor beneficiary rules). Therefore rather than paying tax at 33% in the Trust, income can be paid out and 'spread' more tax efficiently across the family group.

TARGETING THE CASH ECONOMY—IRD CRACKDOWN

Inland Revenue's crackdown on 'cashies' continues with their focus on undeclared cash in the construction and hospitality sectors. Last year, the Auckland region saw the most activity. Inland Revenue are now widening their reach. They've been trying to change attitudes among tradies and subcontracting businesses and their efforts seem to be getting results.

Inland Revenue acknowledge people trying to cheat on tax are in the minority but stress that they're a very expensive minority. The so-called 'hidden economy' is a cost to all New Zealand taxpayers, who carry more than their fair share because of it. There's another hidden cost too, as business owners who are meeting their tax obligations find it hard to compete with operators who can undercut on quotes because they don't pay tax.

However, if you are in a situation of having reported or unreported income, now is a great time to straighten it all out. We want to help you make sure your returns are accurate and timely and, as far as possible, help you avoid penalties and use of money interest on any tax owing.

If you think you might have gotten yourself into a mess with your tax, declaring it early and taking action to correct it goes a long way toward setting you apart from deliberate tax evaders. You may have made a mistake or filed an incorrect tax return, left out some income from your return or incorrectly claimed expenses. We can help you make a voluntary disclosure which may reduce shortfall penalties by up to 100% and protect you from prosecution.



ADVANTAGES OF THE LTC

An advantage of using an LTC is the potential opportunity to refinance the debt on your family home over time, so it becomes more tax efficient.

Lets say your LTC owns properties that are negatively geared. You will have had to put cash into the LTC yourself to cover deficit cash flow over the years. For arguments sake, lets say over 10 years you have put in \$200,000, so the LTC owes you that amount. This could be from deposits on houses, funding repairs, deficit cash flow— whatever.

Lets also say you have \$200,000 worth of debt on your family home (which is not tax deductible).

If documented correctly, the LTC can borrow \$200,000 to pay you back, and you use that to pay off your home loan. Consequently, the debt now relates to the income earning properties in your LTC, so it becomes tax deductible.

At the time of writing, this is not tax avoidance; IRD have issued a policy statement on this matter. It surprises me that sometimes I hear other accountants shriek 'tax avoidance' on things like this. Firstly, they are uninformed. Secondly, who do they work for? You or IRD? Often they are trying to defend their client relationship with fear tactics, and in the process losing their open mind and costing their client money.

TAXATION AND COMMERCIAL PLANNING

If you are already in business, it is an established principle that you are allowed to improve your structures for valid commercial reasons. This means if you are changing structure to meet governance, asset protection, estate planning or relationship property needs, you probably won't raise Inland Revenue's attention. If a taxpayer rearranges their affairs for valid business reasons, yet still obtains a tax advantage from that rearrangement, this is less likely to be tax avoidance. This is because the tax advantages become incidental to the grand purpose (which is ultimately improving commercial aspects of the structure). In these circumstances the plethora of cases on tax avoidance tend to be more sympathetic where there are bona fide reasons other than tax for restructuring.

DON'T BE AFRAID TO FAIL INTELLIGENTLY

The term "fail fast and often" is something that has been bandied around as if failure is a good thing.



That is not always the case but it's the experience and learnings that are the catalyst for [bouncing back](#).

Sometimes we can't afford to fail. However, attempting nothing may well be worse.

Instead have a plan, a plan to pivot if things are not going as anticipated or even a plan to start again, but this time wiser from what did and didn't work.

Innovation without doubt will and should play a key to your survival combine this with a solid product and strong service.

PERRIAM'S XERO HERO ... HEIDI

Just as Racing Metro went after Dan Carter's services, we went after the services of Heidi. She doesn't kick goals but Heidi's goal is to be our very own Xero Hero.

Heidi will field all your Xero questions and queries and can deliver this to you in an easily understood manner. See our new page on our website which sets out a menu of how Heidi can improve your Xero reporting.



It's impressive, so Xero in!

