


Tips regarding business cashflow in

TOUGH TIMES

Managing cash flow during tough times is crucial for business survival. Here are some tips to help you stay on track:



Reassess Your Budget: Review and adjust your expenses to prioritise essential costs. **Negotiate with Suppliers:** Seek extended payment terms or discounts for bulk purchases. **Focus on Collections:** Follow up promptly on outstanding invoices to improve cash inflow. **Offer Incentives:** Provide discounts for early payments to encourage customers to pay sooner. **Cut Unnecessary Costs:** Identify non-essential expenses and reduce or eliminate them. **Diversify Revenue Streams:** Explore new income sources to reduce dependence on a single stream. **Optimise Inventory:** Avoid overstocking by aligning inventory levels with current demand. **Look at lease options rather than buying:** For equipment and large assets, consider leasing to conserve cash. **Utilise Technology:** Invest in tools that improve efficiency and lower operational costs. **Maintain Strong Relationships:** Communicate openly with customers, suppliers, and lenders. **Access Emergency Funds:** Consider a line of credit or small business loan as a backup. **Monitor Cash Flow Regularly:** Use financial software to track cash flow and make informed decisions. **Reevaluate Expenses:** Review and cut non-essential costs to prioritize vital operations. **Review Pricing Strategy:** Ensure pricing aligns with market demand and covers your costs. **Create a Cash Flow Forecast:** Predict future inflows and outflows for better planning. **Streamline Operations:** Identify inefficiencies

and optimise processes to save money. **Offer Payment Plans:** Allow customers to pay in instalments to encourage payments. **Prioritise Payments:** Pay essential bills first and negotiate extensions for others. **Renegotiate Leases:** Work with landlords to reduce or defer rent payments. **Expand Customer Base:** Focus on reaching new markets or demographics. **Delay Major Investments:** Postpone purchases that aren't immediately essential. **Involve Employees:** Share your financial plan and encourage cost-saving ideas. **Build Relationships with Lenders:** Establish lines of credit for emergencies. **Monitor Key Metrics:** Track profitability, liquidity, and efficiency ratios regularly. **Adopt Cloud-Based Software:** Reduce operational costs with modern tools. **Adjust Marketing Spend:** Focus on high-ROI campaigns rather than broad initiatives. **Sell Unused Assets:** Generate cash by liquidating excess equipment or inventory. **Incentivise Referrals:** Offer rewards to customers who refer others. **Diversify Payment Channels:** Accept multiple payment methods to reduce barriers. **Stay Positive and Adaptable:** Keep morale up and embrace flexible strategies. **Review and Enhance Productivity:** Encourage increased productivity. Set achievable targets and monitor.

Tough times require creativity and vigilance, but these tips can help stabilize cash flow and keep your business moving forward,

Source: Co pilot and RSM

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8 ways to have more fun at work

1 Distribute page-a-day calendars

A company in California distributes page-a-day calendars on different subjects to employees at the beginning of each year. The subjects range from cartoons to gardening tips. Since everyone's calendar is different employees share the tips, jokes, or riddles that they get each day with everyone else. Follow their lead and do something similar.

2 Decorate the workplace

Allowing employees to decorate their workspace is a great morale booster. You might like to personalise your workspace with things such as:

- Family and pet photos
- Fresh flowers
- Bright colours that you enjoy

3 Build a wall of fame

Designate a wall in the office as "The Wall of Fame". Decorate it with awards, thank-you notes from clients, news clippings of your company's successes, and so on.

4 Create a humour bulletin board

Make it a point to look for cartoons and jokes which poke fun at the circumstances that cause negativity or conflict in the office.

Start with a blank board each Monday morning. However, keep all of the old cartoons and jokes and put them together in a scrapbook. Award the scrapbook to the employee who does the most to foster good humour in the workplace.

5 Create a bucket list bulletin board

Hang up a whiteboard in a central area and write "Bucket List" in big black letters on it. Ask employees to write down an item that's on their bucket list on the board. Another type of "collaboration board" you could set up is writing a question at the top of the board and encouraging employees to write down their answer.

6 Have a "success bell"

Some companies have a "success bell" set up in an accessible space of the workplace. When someone in the office helps a client or makes a new sale, they ring a bell and everyone cheers.

7 Have Pizza and Ice Cream Socials

Be one of those offices in which reaching important goals and milestones is celebrated. One idea is to have a pizza and ice cream social each time an important goal is reached.

8 Start an Employee Picture Wall

Designate a wall of the office and fill it with employee photos. Take candid photos of employees at work and hang them up on the wall. You can also have themes. For example, one month have employees bring in photos of themselves as kids; another month, have everyone bring in a photo of themselves on vacation.



Beware the May 7 tax trap

Inland Revenue charges 10.88 percent interest on short paid tax where the year end tax figure exceeds \$60,000.

Clients often get caught when they get a surge in income.

For example, a medical practitioner might have had tax for the year ended 31 March 2024 of \$80,000. They pay provisional tax based on this figure, increased by 5 percent – \$84,000. But they became a

partner during the year and they now get partnership income as well as their normal income.

Let's suppose the total tax for the year ending 31 March 2025 comes out at \$124,000. There's a \$40,000 shortfall (\$124,000-\$84,000) and this is subject to Use Of Money Interest charged at 10.88 percent.

Assuming the shortfall of tax is paid six months after 7 May 2025 the interest charge works out as follows: 10.88 percent on \$40,000 for six months = \$2176.

By the way, this extra \$2176 is tax-deductible (because it's interest) so don't forget to claim this when you put in your tax return.

If your accounts cannot be done by 7 May 2025, you could guess your income for the year and top up the third instalment of provisional tax. In the example above,

You would usually pay \$28,000 at 7 May 2025 but you could avoid the interest charge if you increased this to \$68,000.

Obviously, most people won't know how much to guess, but a best guess is probably going to be cheaper than doing nothing at all.

We love AI, but...

Artificial Intelligence (AI) tools like ChatGPT, Copilot, and others have changed the way we work, providing efficiency and convenience in a variety of tasks.

When it comes to sensitive matters such as drafting disciplinary letters, relying on AI systems can be a risky move.

We've recently encountered instances where AI-generated disciplinary letters included serious inaccuracies. From referencing non-existent policies, and including irrelevant circumstances, to completely misrepresenting facts.

WHY AI ISN'T IDEAL FOR DISCIPLINARY MATTERS

● Lack of Contextual Understanding:

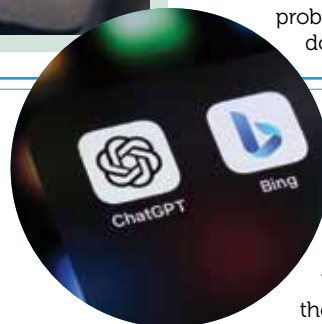
AI systems lack the nuanced understanding required to address the complexities of workplace incidents. They process data but cannot fully grasp the specific dynamics of your business, policies, or the context surrounding a disciplinary issue.

● Risk of Factual Inaccuracy:

AI tools often rely on generic or outdated information and can fabricate references, policies, or scenarios that don't exist. Including these in a formal document undermines its credibility.

● Legal and Ethical Implications:

Disciplinary processes are prescriptive



and require a sound understanding of the required process and employment law. The last thing any employer needs is a personal grievance because the process has not been well managed, or the substance is questionable.

Getting it right is important for the success of your business, when you need to handle disciplinary letters or processes, it's critical to rely on expertise and human judgment.

AI has its place, but when it comes to something as important as disciplinary matters, don't take risks – they will cost you. Call the team to ensure your risk is mitigated and you are in safe hands.

www.knowhow.co.nz

Minimum wage increase effective 1 April 2025

As of 1 April 2025, the minimum wage will increase to \$23.50 gross per hour, an increase of \$0.35 from the current rate of \$23.15.

The starting-out and training minimum wage will also increase up to \$18.80 per hour, an increase of \$0.28 from the current rate of \$18.52.

If you have any queries as to how the minimum wage increase will affect your business contact us.

Proposed changes to the employment relations act

New Income Threshold for Unjustified Dismissal Claims: The introduction of a new income threshold for unjustified dismissal claims. Employees earning more than \$180,000 NZD gross per annum will not be able to pursue unjustified dismissal claims. This threshold will be adjusted annually to reflect changes in average weekly earnings. It is important to note that this threshold would only apply to unjustified dismissal claims and not to other types of personal grievances.



Government small business cashflow (SBC) loans (Covid era)

The loans were introduced in May 2020 and more than 129,000 were issued with loans totaling \$2.4 billion.

Inland Revenue said most loans were taken out in the first few months of the scheme and people had five years to repay the loan.

"Many will reach their cut-off point from June this year."

From June, Inland Revenue will default a loan if it is not paid off, and default interest of 10.88% plus a standard interest rate of 3% would be charged.

Inland Revenue's website said for people who default: "You need to repay your entire loan immediately if you default and we demand full payment."

It said customers behind on payments would be notified and reminded of repayment obligations.

Please talk to us about restructuring / Re-Financing options.

Bitcoin profits taxable

Just a reminder – if you make a profit out of investing in a crypto currency, that profit is taxable income. Inland Revenue's rationale is that the only reason you could possibly have for investing in a crypto currency

is to make a profit. There's generally no other form of income. Unlike a rental property, you don't get a combination of income and capital gain.

However, some crypto currencies are paying a return on crypto held in the form of more crypto. In those cases there is an argument that it is purchased for that purpose not sale.



KEEP A CLOSE EYE ON WHO OWES YOU

In tough times, stay on top of your debts.

Kee a close watch on your debtors ledger. Prevention is better than cure Don't offer credit unless it's absolutely necessary. If you do, make sure you check out new customers thoroughly:

- ask for references and get their permission to follow up
- request the business's financial statements
- check public records for any legal judgements against them
- look up their website and read customer reviews online.

If issues arise

Keep detailed records of every follow-up – date, time, and what the customer promised.

When speaking with a customer, get a firm

commitment, even if it's to

pay in instalments, and get specific dates and amounts.

Remind them of their promises each time: "On [date], you said ... On [another date], you said. . ."

If they still don't pay, send a formal demand letter outlining the amount owed, a deadline for payment, and the consequences of not paying. Depending on the amount owed, consider hiring a lawyer or a debt collection agency.

Tip

If a business is going broke, those who have the best chance of being paid are the ones who are the quickest and most persistent.

Beware – increase in text message scams (smishing)

We've noticed a recent increase in text message scams (also known as smishing) targeting people across New Zealand. These messages often pretend to be from trusted organisations, such as banks, courier services, or government agencies, and try to trick you into clicking a link or providing personal information.

What to Look Out For:

- Unexpected texts claiming you owe money, have won a prize, job offers, or confirmation of address for parcel delivery.
- Messages with urgent language like "Your account will be locked" or "Click here now to avoid penalties."
- Links that don't look right, often containing random letters, numbers, or slight misspellings of real websites.
- Unknown senders or messages that seem out of place, even if they look like they're from a familiar company.

What You Should Do:

- Do not click on any links in suspicious messages.
- Do not reply to the sender – this can



confirm your number is active and lead to more scams.

- Block the sender to prevent further messages.
- Report it! You can forward the scam text to 7726 (SPAM) free of charge, which helps the Department of Internal Affairs (DIA) track and take action against these scams.

Share This Advice

These scams can affect anyone, so please share this with friends and whānau to help keep them safe. The more people who report these messages, the harder it is for scammers to succeed. If you have any concerns or accidentally clicked on a suspicious link, please contact the IT team immediately.

Source: www.svbgroup.co.nz



Essential Questions to Ask Yourself Before a MAJOR PURCHASE

Major purchases can be thrilling but also daunting.

In our consumer-driven world, it's incredibly easy to succumb to the allure of instant gratification. You might have your eyes on the latest smartphone, a luxurious vacation, or a shiny new car, the temptation to splurge is ever-present. However, before you succumb to the siren song of instant gratification, it's crucial to take a step back and critically evaluate the potential purchase.

Impulsive spending can quickly derail even the most well-intentioned financial plans. It can lead to a cycle of debt, stress, and ultimately, feelings of regret. By taking the time to carefully consider your options and ask yourself the right questions, you can make informed decisions that align with your financial goals and enhance your overall well-being.

Thoughtful preparation ensures you make decisions that support your financial health and personal happiness.

Let's dive into the questions that should guide every significant spending decision.

Does This Purchase Align with My Aspirations?

Every major purchase should serve a purpose in your broader financial picture.

- Could you be prioritising short-term

enjoyment over long-term financial freedom?

- What are your short-, mid-, and long-term life aspirations? Are you saving for a down payment on a house, buying a business, planning for retirement, funding your children's education, or hoping to travel the world? If a significant purchase detracts from these goals, it may be worth postponing or rethinking. For example, splurging on the latest smartphone every year could set back your plans to invest in a property or pay off debt.

Your financial future depends on balancing present desires with tomorrow's aspirations. Think of this decision as a piece in your overall wealth-building puzzle.

Honest self-assessment and reflection at this stage can prevent you from making impulsive decisions that may have long-term negative consequences.

To help answer this question you might try support with:

- A discussion with a trusted friend, mentor, or family member.
- A financial adviser

Because in the end, it's not about owning more — it's about owning the right things, at the right time, for the right reasons. Now that's a purchase worth making.

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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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Tax calendar

7 April 2025

Terminal tax for 2024 (March, April, May balance dates). For all clients except those who have lost their extension of time privilege.

7 May 2025

Third instalment of 2025 Provisional Tax (March balance date).

28 May 2025

First instalment 2026 Provisional Tax (December balance date).

31 May 2025

Deadline for Fringe Benefits Tax returns.

Deal with important stuff now **BEFORE BALANCE DATE**

You need to think about the following before your balance date, which is 31 March for most businesses.

Bad debts

Don't forget to write off bad debts. It is illegal to backdate writing off bad debts, so go through your debtors ledger soon and determine which businesses are not likely to pay you. You must show you have taken all reasonable steps to collect the debt and also evidence it has been written off. If your business is very small, perhaps the best evidence you can show is to write on a copy of the invoice that you have written it off, sign it and put in the date.

Stock

Cull your stock. If some of it is only fit for the tip then get rid of it. If it is still on your premises, it has to be included. Remember, stock has to be valued at its cost, including the cost of getting it into your shop, warehouse etc. You may use market value, if it is lower than cost, instead of cost for an item, but you will need to keep evidence to show where you could have bought the item at the lower price.

Motor vehicle

If you are going to make a claim for use of your vehicle for business on a kilometre rate basis, remember to read your odometer at the end of the day on balance date.

Insurance premiums

If you get to the end of the financial year and you're paying off an insurance policy, make sure you have an agreed arrangement for payment with the insurance company. If you haven't and the insurance company would have a right to cancel your policy for unpaid premiums (even though it would be unlikely to do so), you might not be entitled to bring the whole of the unpaid portion into account as a sundry creditor (also known as Accounts Payable).

Vehicle logbook

If you need to keep a vehicle

logbook, this needs to be for a continuous typical three months of vehicle running. A new recording needs to be made once every three years (or more often if there is a major change – more than 20%) in the proportion of business and private running.

There are a number of issues that need to be considered when preparing year-end financial statements.

The timing and treatment of certain expense items can have tax implications, and in some cases the accounting treatments applied can result in tax efficiencies.

Typically, accountants in conjunction with the business owners, need to consider the treatment of certain expenditure in particular whether it can be bought forward into the current period. The general rule is that business expenditure is deductible in the tax year that is incurred.

PREPAID EXPENSES

Repairs and Maintenance

If carried out before year end, then the amount will be deductible in the current year. The total cost of a service contract is deductible if it has less than three months to run at balance date and costs less than \$23,000 for a full year. If purchasing a fixed asset and there is a warranty or service contract, ensure the warranty or service contract is separately identified, as these are deductible.

Stationery

If re-stocking is about to occur in April or

May, consider moving this forward to March. The total costs of stationery are deductible in the year these are paid.

Travel and Accommodation

Advance bookings for business related travel and hotel or motel accommodation are deductible provided it is not more than six months in advance and does not exceed \$14,000.

Subscriptions

Newspapers, journals and periodicals are deductible without adding back unexpired amounts. Associated memberships are tax deductible provided they extend no more than 12 months after balance date and the subscription does not exceed \$6,000

Insurance

Insurance premiums are deductible provided they are not prepaid for more than 12 months, and the total amount of such expenditure incurred in the income year in respect of the contract does not exceed \$12,000, you don't have to adjust it for the prepaid period.

Advertising

If advertising is paid prior to year-end and if the period of the advertising relates to no more than 6 months after balance date and the advanced portion is less than \$14,000, then it is fully deductible in the current year.

Rent

Prepaid rent is deductible provided it is not prepaid for more than six months and the amount prepaid is less than \$26,000.

Livestock

Prepaid expenses for the lease or bailment of livestock or bloodstock are deductible provided they are not prepaid for more than six months, and the amount does not exceed \$26,000.

Consumables

Consumables used in conjunction with but not

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forming part of the final product can be deducted in the year of purchase, provided total stocks at year end do not exceed \$58,000.

Telephone

Payments for the use or maintenance of telephone and other communication equipment are deductible if not prepaid for more than two months.

Services

Prepaid costs for services, other than those mentioned above, of up to \$14,000 and for no more than six months are deductible in the current year.

Motor vehicles

Motor vehicle registration and driver licence fees paid in advance are fully deductible in the current year.

Leave Provisions/Bonuses

Amounts owing at balance date for holiday pay and long service leave is only deductible if paid out within 63 days of year end. If you want to pay staff bonuses relating to the tax year, they must be paid within 63 days of the business's tax balance date to be claimable for that year.

Bad Debts

Bad debts are deductible only in the year that they are written off. Bad debts must be written off before balance date.

OTHER ITEMS TO CONSIDER AT BALANCE DATE

Accounts Receivable

Every year we have clients who do not understand they must pay tax on all their earnings, including money not yet received. March invoices paid in April are part of year end income as are April Invoices for March work.

Stock and Work in Progress

You must count and value your trading

stock at balance date, unless it is less than \$10,000 and your sales are less than \$1.3 million. Keep your stock sheets to show Inland Revenue if they ask for them. Dispose of obsolete stock now as it must be valued at its cost, unless you can prove it has a lower market price. A guess is not acceptable. You have to find evidence to support the price. This can be difficult. Work in progress must be valued unless your business is only providing services which cannot yet be billed.

Overseas Income

If you receive overseas income and are a tax resident in New Zealand, you will be taxed in New Zealand on your worldwide income. There is a temporary tax exemption available for those residents who are 'transitional tax residents' for a four year period (please contact us for more details).

As the tax treatment of overseas income is quite specific it is important that you advise us of all the types and amounts of overseas income you have.

There are many issues to consider at year end. We strongly recommend you talk to your accountant/tax advisor before the year end to minimise negative consequences and avoid disappointments.

Kilometre rate

If you claim for the running costs of your motor vehicle on a kilometre rate basis, make a note to get an odometer reading on balance date. The rate is calculated based on the total number of kilometres travelled in the year and the proportion of them used for business. There is a two-step process for the calculation.

Vehicle logbook

If you need to keep a logbook you must do so for a consecutive three-month period at least once every three years.

Maintenance of equipment

Any maintenance you carry out before the end of your financial year is tax-

deductible for that year. If you are planning maintenance in the short term, it might save you tax if you got on with it before the end of the financial year. Maintenance means bringing the asset back up to its original condition.

Service contracts

Payment in respect of equipment service contracts or warranties if the consideration for the contract or warranty forms an inseparable and indeterminate part of the consideration for the asset or assets to which it relates.

Periodic charges

Periodic charges, other than those dealt with elsewhere in this determination.

Stationary

Purchase of stationary

Newspaper/magazine subscriptions

Subscriptions for a newspaper, journal, or other periodical, including for the maintenance or annotation of a documentary information service.

Rates

Rates made and levied under Part 3 of the Local Government (Rating) Act 2002 to the extent of the amount invoiced on or before balance date.

Road user charges

Audit fees

Accounting fees

Mandatory accounting costs

Settlement costs

Direct claim settlement costs included in the outstanding claims reserve of a general insurer in relation to a contract of insurance, if the total gross claim cost (excluding GST) included in the outstanding claims reserve in relation to any 1 claim does not exceed \$65,000 (excluding GST).

Keys to sustainable business success

Have a dream or a vision

Find opportunities and be prepared to take risks

Do market research to ensure your project is viable

Have goals and plan to achieve them

Be determined to succeed

Surround yourself with positive people

Choose a team committed to providing awesome service

Seek help from those who have skills you don't have

Run regular management reports, you can only manage what you measure

Promote your product or service

Be decisive

Stay positive when things don't go well

Have honesty and integrity

Love doing what you do

