

In this Issue:

- Riding out Tough Times
- Cryptoassets
- Tax Calendar
- Minimum Wage
- In Communications, keep it brief
- Residential Rentals
- Debt Remission
- Cyber Security
- Seeking emergency funding needs care
- New Staff: Tanya Twiname

Riding out the Tough Times

Interest rates are soaring, prices for groceries and fuel are rising, and businesses have unreliable supply and cost pressure.

Add staff shortages because of the lingering effects of Covid-19, and some small businesses are under severe stress. The natural reaction of many businesses is usually two-fold: Earn more, and/or spend less.

Spending less is the easier option, but many businesses are already cut to the bone. If you do look at cutting costs, be careful not to apply measures that affect your ability to earn more.

One example is marketing. During a downturn, more than ever, it's important businesses do whatever they can to stay top-of-mind for customers. Research has shown the businesses who continue to put resources into advertising, a website and social media are stronger when times improve.

They are better able to take advantage of the opportunities better times bring.

Whatever your marketing message and delivery, through email newsletters, follow-up emails, phone calls, or advertisements, highlight your company's brand. You're letting customers and prospects

know (or not forget) who you are and what you stand for. Look at your core business, hopefully the things you do best and make you the most money. Concentrate on that and build it if you can. Don't put effort into weaker products or services.

Focus on existing customers and look after them like the gold they are to your business. Remember, it costs more to get new customers than to keep existing ones. They're all likely to be clamping down on their spending, too, so never give anyone a reason to go elsewhere.

If you've built a strong relationship with your customers, you will together navigate the tough times and you will have customers for life.

And be the leader of your business. Delegate the "work" if you can so you have time to make the tough decisions and plan for the future.

Of course, cash flow is also important.



Cryptoassets

Cryptoassets are virtual assets that are a digital representation of value. Commonly referred to as cryptocurrency, these virtual assets function as a medium of exchange and operate independently of banks or other financial institutions. Bitcoin is an example of a cryptoasset.

The rising popularity of cryptoassets may see taxpayers involved in a number of ways, including:

- receiving cryptoassets as payment for the supply of goods and services
- using cryptoassets to pay for goods and services
- buying and selling cryptoassets (trading)
- acquiring cryptoassets (for example from mining or from a

cryptocurrency exchange) and holding on to it as a long term investment.

For New Zealand tax purposes, cryptoassets are treated as property. Inland Revenue has indicated that the bulk of cryptocurrency-related transactions will be within the tax net. For example, a business that accepts cryptoassets as payment for goods and services is required to pay tax on the New Zealand dollar value equivalent of the cryptoassets. Similarly, miners of cryptoassets are likely to be carrying on a business (rather than a hobby) and will be subject to tax on mining rewards.



Tax Calendar

29 August 2022

1st instalment 2023 Provisional Tax
(March balance date)

Minimum Wage

The minimum wage hourly rate increase came into effect on 01 April 2022.

The minimum wage applies to all paid employees aged 16 and older.

- Starting-out & training wage has increased from \$16.00 to \$16.96.
- All other employees has increased from \$20.00 to \$21.20.

However, there are different rates if your employee is 16 or 17 and is new to the workforce or if they are completing training. If you are unsure the rules are outlined at business.govt.nz.

Source: www.eclipserecruitment.co.nz



In communications, keep it brief

When writing and public speaking, consider how long your sentences are. If you want to be understood, keep them short.

Use simple words. Make sure your sentences actually make sense. Cut out unnecessary words such as “actually” (notice it in the previous sentence!). Some words are overused and are unnecessary.

A good example is the word “that”. Avoid clichés. They become irritating. I don’t know about you, but I get sick of hearing people “reaching out”.

Read through your writing and tidy it up. You might need to do this two or three times. If it’s an email, don’t be in a hurry to press “send”.

Above all, spell people’s names correctly.

Residential rentals

You will be aware of the limits placed on claiming a deduction for interest on money borrowed to buy residential rental property.

If you have owned property before 27 March 2021, your claim for interest reduces over time through to 31 March 2025. For the current year, interest incurred is claimable in full up to 30 September 2021 and for the remainder of the year your tax claim is

reduced to 75 percent of the interest you pay.

Just a small point: It is the interest you have “incurred” as opposed to the interest you have paid. Therefore, if you paid interest on 15 October 2021 for the period 16 September 2021 to 15 October 2021, you will see some of the interest relates to the time before 1 October and can be claimed in full.



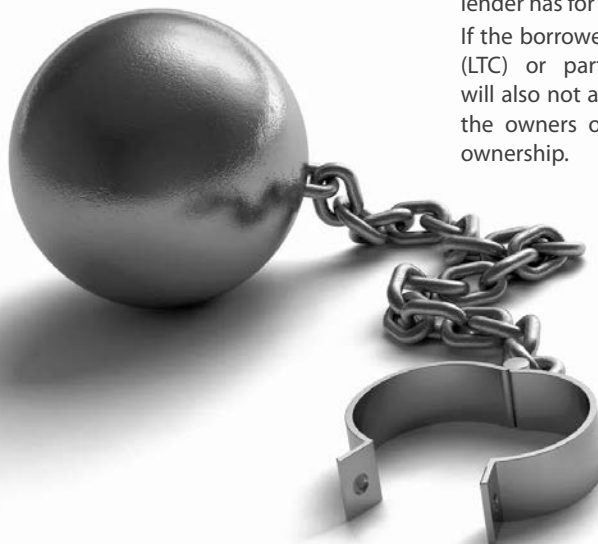
Debt Remission

Debt remission commonly occurs when a lender forgives or remits a loan owing by the borrower. It also occurs if debt is extinguished because of the operation of law. When the borrower no longer has a liability to pay back the funds borrowed the amount forgiven can give rise to remission income for the borrower. The tax outcome will be different depending on who the parties to the loan are. If the lender is a company a deemed dividend can arise if the borrower is a shareholder or

associated to a shareholder of the company. There are some exceptions to this rule, for example, where the debt is remitted between wholly-owned companies and the borrower is New Zealand tax resident.

If a deemed dividend does not arise, then income can arise to the borrower under the financial arrangement rules if the debt is a financial arrangement. Once again, there are exceptions, for example, if debt is forgiven in proportion to ownership (pari passu) or if the debt is forgiven because of the natural love and affection that the lender has for the borrower.

If the borrower is a look-through company (LTC) or partnership, remission income will also not arise if the loan is remitted by the owners or partners in proportion to ownership.





“Whether you think you can or whether you think you can’t, your right!”
- Henry Ford

Don’t put all your eggs in one basket.

Cyber Security

Been compromised yet?

It is not if...it’s when. Thanks to the increasing prevalence of IT use and utility in so many aspects of our lives and our increasing reliance on it, sadly we continue to see increasing levels of cyber threat. Increased use and reliance present increased opportunity.

Cyber security is both a personal and a business issue. However, it is the business aspect we are concerned about in this article. We look at what is happening, who in an organisation is responsible for cyber security, and some practical steps to protect your organisation.

What you need to know

The issue is big, continues to grow fast, and is potentially very disruptive and costly

Malware, phishing and credential harvesting, ransomware, scams and fraud, unauthorised access and data breaches, denials of service attacks are all regularly seen in New Zealand. Sadly, New Zealand’s honest and trusting business environment makes us a lucrative target for international hackers and bad agents.

Data from agencies such as CERT (our Computer Emergency Response Team and a great resource on threats and practical advice www.cert.govt.nz) reports an exponential level of growth in attacks. COVID and people working remotely has provided more opportunity for attack and has just exacerbated this growth.

Regarding disruption, ponder how well your organisation could work with no access to computers or phones?

• *Cyber risk affects your organisation*

If you use IT at all then your organisation is at risk.

The media continues to report high profile cases, usually of large high-profile organisations. Recent examples include the

compromise of Waikato DHB’s systems or some of our major banks being offline for a couple of days due to attacks. However cyber security experts will tell you this issue is significantly under-reported in the media and impacts all sizes of organisation.

Don’t succumb to this! Your best protection is the realistic awareness that this can happen to you and taking action to prevent, prepare and plan your response.

• *Cyber security is an organisation issue and not an IT issue*

Many people have a simplistic view that if the threat uses IT, then the solution must just be an IT one. This is wrong.

For any organisation to continue to be sustainable it needs an appropriate combination of people, processes, and technology. IT is a tool, but it only operates within a wider organisation eco-system and takes people to run it.

It therefore needs attention starting at the highest level of any organisation. It is firstly a strategic board issue. Secondly, it is a core management operational issue, but it also requires buy-in and vigilance from everyone in an organisation if you are to remain safe. Hence it also becomes a cultural issue.

• *Nothing is static*

Cyber security is not a once only fix or cost. There is wonderful innovation in technology every day. Sadly, this includes innovation by malicious individuals looking to use IT to defraud or disrupt organisations. Awareness and keeping up to date is important, as is revisiting and refreshing your systems, plans and processes when appropriate.

What you should do

It is useful to think of cyber security in 3 areas:

- Protection
- Detection
- Response and recovery

IT experts often suggest that as a rule of thumb that both your cyber security effort and ongoing budgeted spend should be evenly spread across these 3 areas. Traditionally this has been greatly skewed towards protection in most organisations. This needs to change.

Only some of these areas include actual IT solutions. Awareness and understanding of likely threats, what assets you should be trying to protect, regular training, and a practical plan that can be implemented when issues occur, are all essential ongoing factors in a good cyber security system.

Rather than being able to keep every threat out (an increasingly impossible aim), speed of detection of a breach has become increasingly important. This then allows a prompt response.

Have a plan. Then when the inevitable happens you have a clear process to work through to hopefully minimise disruption to your organisation.

- *Keep up to date and awareness raising*
Ensure you have good systems for remaining aware of what is happening and changes that may impact the sustainability of your operations. Signing up to updates from organisations like CERT is a simple advisable step. Ensuring you have access to experts in the area and keeping in touch with them and your technology suppliers for updates.

- *It’s a team game*
All your team will use IT and are part of your organisation’s processes and systems. Good cyber security should include all your team being aware of the risks, and your organisation’s policies and protections. Thorough induction, good policies and processes and regular training are key.

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Seeking emergency funding needs care

Disruption to the supply of goods is putting some businesses under stress.

Company directors have some responsibility to their suppliers. They should not buy goods on credit if there's a real risk they will never be able to pay for them.

Directors can be personally responsible for reckless trading. Think of Mainzeal and former Prime Minister Jenny Shipley.

If you are in a business, which could be severely interrupted by lack of supplies, start thinking about how you could get emergency funds.

Examples could be:

- make an arrangement with your bank early.
- if paying your suppliers could be a problem, talk to them now about some extended credit.
- don't overlook a useful short-term source of funds – your credit cards.

The interest rate is very high but if you know your cash shortfall is short-term – say a month – credit cards have the advantage of not incurring a fixed fee for the use of the credit, and they don't take your time to arrange them. Never use your credit cards for longer term finance.

- Borrowing from family, particularly elderly parents who can ill afford to lend, is risky. Be very sure you can repay.

Using Inland Revenue money is likely to be the most expensive loan you can get.

The department double dips because it not only charges you interest at a reasonably high rate, but it also then punishes you with penalties.

These both compound.

If you are getting to the stage you can't pay your taxes, maybe it's time to wind up your business.



New Staff: Tanya Twiname

I was born and raised in Southern Africa, and I met my husband, who hails from Ashburton, in the UK while we were on our OE's. We have a teenage son and run a local business together.

Over the years, I have worked for local government in various roles, with a customer service focus. In between that, I had a proofreading business, working from home while our son was young and then I worked part-time for a building company or three doing wages and accounts payable and receivable.

I enjoy hanging out with my family, reading a good book, walking and planning the next bit of renovation on our old villa.



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