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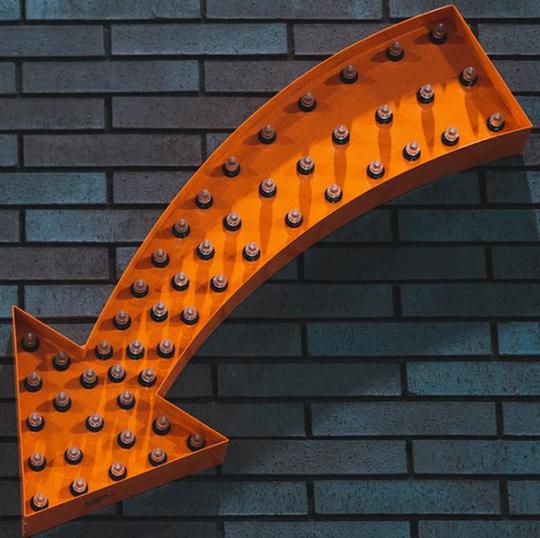
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BOTTOM LINE

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OUR NEWSLETTER FOR GROWING BUSINESSES

How the rest of 2020 will play out for Kiwi businesses is anyone's guess. But with more than 85% of SMEs expecting a lower profit in the next nine months (according to New Zealand's [Prosper Small Business Resilience Survey](#)), the more prepared you can be for the unexpected, the better. In this issue we look at what's keeping business owners up at night, cost control, GST obligations, and the latest law changes that could affect your business in the next six months.



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4 burning questions SMEs are asking

This time last year, you might have been pondering Christmas bonuses or booking your summer holiday, but with a completely different business landscape in front of us, your head is no doubt filled with different questions. Here we explore four common topics keeping Kiwi business owners up at night.

“How can I put my prices up without losing customers?”

If you need to change your pricing to make ends meet, be honest and up-front with your customers at all communication points.

- Make it clear on your website and social media that prices have changed and why.
- Send an email to let all your clients and suppliers know about the changes.
- Meeting people face-to-face? Make sure they're aware of the price hikes before they're invoiced - otherwise you could be in breach of the Fair Trading Act.
- Provide the best customer experience you can by updating staff on any changes and advising them on how to communicate them to customers.
- Worried you'll lose fans? Consider staggering price increases of individual products over time.

“I've decided to restructure. What's the best way to do this?”

Restructuring is never easy but if it's necessary to keep your business afloat, there's a process you can follow to keep stress to a minimum.

- Write a proposal outlining why roles need to change for the business to succeed.
- Email employees to let them know you're proposing a restructure and invite them to a meeting (at least 2-3 days later) to learn more.
- At the meeting talk through your proposal on how the restructure should be implemented. It's really important for staff to feel part of the process, so invite them to give feedback via email or book to see you after the meeting. Particularly if redundancies are a possibility, it is vital that you show an open mind as to what should be done to promote your business's objectives.
- Proposed changes to an employee's terms and conditions must be committed to writing and provided to the employee with notification that they are entitled to seek independent advice. They must be given a reasonable opportunity to seek that advice.



“I want to sell my business. How do I get it ready for sale?”

Selling your business involves a lot of homework. You need to get it looking as “shiny” as possible before getting it valued by your accountant or advisor. Here's how:

- Sell assets you're not using, stop investing in long-term projects and put together a realistic financial forecast.
- Prepare a business plan that includes how well the business is running and plans for growth.
- Sort out any legal issues or staffing problems.
- Bring health and safety, cloud solutions, and bookkeeping software up to date.
- How are your website and social media looking? Could a buyer hit the ground running with them?
- Talk to your advisors about ways to boost your sales revenue and pre-sale profit margin. Remember it's the last two or three years' profit, and future maintainable profit, that determine the value.

“Am I eligible for more Government funding?”

- Businesses who employ fewer than 50 staff could be eligible for loans of \$10,000 plus \$1,800 per full-time staff member, thanks to the Government's Small Business Cashflow Loan Scheme running until 31 December. To apply, there is a list of things you'll need, including your NZBN and proof that due to Covid-19 your business suffered a 30% drop in actual or predicted revenue between January and June this year. Find out more [here](#).
- The Business Finance Guarantee Scheme is another option - it supports operating cash flow disrupted due to Covid-19. Participating banks can provide new loans, increased limits to existing loans or a revolving credit facility to eligible businesses. The scheme supports banks to take on lending by the government taking on the default risk of up to 80% of the loan. Find out more at www.business.govt.nz
- Are you doing business outside of Auckland, Wellington and Christchurch? You could get a piece of a \$3 billion pie, as part of the Provincial Growth Fund which aims to help grow economic development in the regions over the next three years. Click [here](#) to find out if you're eligible.



Don't trip! GST mistakes to avoid

GST can be a thorn in your side but if you understand when it's due, what to pay, and make the most of your accounting software, you'll escape unscathed. Here are four of the most common mistakes we see business owners make with their GST.

- 1. Not putting aside money to pay GST.** For better cashflow, keep 15% of your taxable supplies in a separate account. If you're registered for GST on a quarterly basis, you'll be expected to pay the GST collected minus the GST you paid for that quarter.
- 2. Registering for GST too early or too late.** If you are starting your business and you register too late, you may miss out on claiming GST on initial start-up costs, and you also might face financial penalties from Inland Revenue if you later find out you met the requirements to register. Talk to us and we'll work it out together.
- 3. Confusion around leasing and hire purchase.** If you're buying assets or equipment (or there's an option to take ownership) you can claim GST when the asset is acquired. But if you're only leasing or hiring an asset, the GST is claimable on each payment. There are many different types of leasing deals out there, so be careful with the fine print as GST may only apply to part of the regular payment.
- 4. Not claiming business purchases paid from personal accounts.** When buying assets for business use, you can claim a GST deduction, when the asset is to be used 100% for business purposes. When you buy something using your personal account for the business, it might be missed from the business records, and GST forgotten and not claimed. Remember that where there is private use, such as with vehicles, you can't claim all of the GST – you need to adjust for the expected private use component.

Smart ways to get your costs under control

Cashflow has been a big issue for thousands of businesses this year, and when the money's not rolling in, it can help to rethink your costs. To do it effectively involves more than just keeping an eye on outgoings. It's about looking at all the moving parts of your business to see if your systems (or lack of) are costing you unnecessarily. Here's how:

Muck in: Do a cost control audit to work out where your big cost centres are and look at your systems for managing them.

Be aware: Don't just slash your expenses. Track costs and look out for opportunities to trim fat or take a different approach.

Unite your team: Bring everyone together to monitor and analyse inputs and expenses. Reviewing and developing your systems? Get your team's feedback.

Look to your peers: How do your costs compare to others? If a business of a similar size and production system to you is performing well, but spending less, explore what they're doing differently.

Seek advice: Got a good idea of where the issues are, or feeling totally confused? Talk to your advisors about your next steps.



Residential Tenancies Amendment Act in force

Big changes to tenancy legislation are underway, with the 12-monthly limit on rent increases already in effect to help tenants struggling financially following Covid-19. Early next year we'll say goodbye to 90-day no-cause terminations and rental bidding, and tenants will be able to make small changes to properties - such as baby proofing or hanging pictures. A last minute change brought in means landlords will be able to terminate tenancies with 14 days' notice if a tenant assaults them, and allows victims of family violence to end a tenancy with two days' notice.



Business health check

- As an employer, you can play a leading role in helping close the pay gap. Download the 'Closing Gender Pay Gap - Actions for Employers' at www.women.govt.nz to find out how.
- Need some money to tide you over? See if you're eligible for various funding programmes outlined in this issue.
- Want to know more about restructuring? Read through the complete process at www.employment.govt.nz.

Big gain for gender equality in the workplace

The Equal Pay Amendment Bill is coming into effect in early November. It means your staff can raise a pay equity claim with you if they believe their occupation has been undervalued, and therefore underpaid, on the basis of sex. Head to the [Employment NZ website](http://www.employment.govt.nz) for tools and resources to help you understand the new process.

KEY TAX DATES – OCTOBER 2020

Date	Category	Description
5 October	PAYE	Large employers' payment due. File employment information within two working days after payday
20 October	PAYE	Small and large employers' payment due. File employment information within two working days after payday.
20 October	RWT	RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during September.
20 October	N-RWT / Approved Issuer Levy	Payment and return due for September.
20 October	FBT	Payment due for quarter ending 30 September (if filed on a quarterly basis)
28 October	GST	Payment and return due for September.

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