

Business Matters

STRATEGIES FOR MANAGING YOUR BUSINESS



M R CURD LTD

CHARTERED
ACCOUNTANTS

New Year's resolutions 2009

This time every year, people draw up lists of New Year's resolutions: lose weight, start exercising or quit smoking. The New Year offers a sort of renewal, time to take a pause, and hopefully perform better going forward – both personally and in business. Commit to New Year's resolutions – here are some to help get you started in 2009.

Make more money. Business is more enjoyable if you are making money. You can expand, hire more employees, and get relief from financial stress.

Take time to evaluate which activities are most profitable. Focus your energy on these. It almost certainly means you will need to increase the percentage of time devoted to making sales. It might also mean finding an additional sales channel, or strengthening your advertising campaigns.

Reduce debt. This can be difficult, especially for a growing business. Negotiate better terms with your suppliers. Switch from high interest-rate credit cards to a line of credit at a bank. Follow-up slow paying customers. Watch your cash flow.

Tidy up contracts, agreements, and prepare a will. Many small business owners operate their companies on handshakes and verbal understandings. Often written agreements are put off until a later date. But what if something happens? What if you have a major falling out

with a partner, a disagreement with a customer or supplier? What if you want to sell your business? How will your business continue to run if something happens to you physically? Written agreements are like insurance, best implemented before you need them.

Be a better boss. Being a good boss brings you many benefits. Employees are more productive, the workplace is a more enjoyable place to go to, and you get the satisfaction of knowing that you have created good jobs for your community. Be sure to thank your employees and acknowledge good work. Give employees the authority to use their minds and judgment, and the opportunity to keep learning.

Increase your presence on the web. If you do not have a website, get one. If you already have a website, learn how to increase the number of visitors to your site through the effective use of search engines.

Many consumers expect to be able to find and buy what they need online. Treat your website as an integral part of your business strategy.

Attend or exhibit at a trade show. Trade shows present an efficient way to reach large numbers of motivated and qualified prospects in one location at a time. Investigate which trade shows might be useful to you for increasing sales, learning about your competition, and making industry contacts.

Do something for the environment. Carpool, take public transport, or cycle to work. You will save money as well as benefit the environment.

M R CURD LIMITED

P O BOX 4646
UNIT 11, NORTHCOTE
OFFICE PARK
80 GREY STREET
PALMERSTON NORTH

•
TEL (06) 952 4646
FAX (06) 952 4645

•
EMAIL
admin@mrcurd.co.nz

•
WEBSITE
www.mrcurd.co.nz

•
DIRECTOR
Mike Curd BBS CA

•
MANAGER
Stuart Earle BBS CA

Accounting and
Business Services
Business Growth
Business Establishment
Primary Sector
Secretarial

KEEPING YOU ON THE RIGHT TRACK

We can help your business and your personal finances stay on the right track.
Call us now and we'll arrange a meeting to discuss:

- Strategies to help your business improve its efficiency and profitability
- Reducing the burden of taxes on your business
- The tax issues that affect you and your family
- Maximising your wealth
- Retirement planning strategies for you and other family members

1ST QUARTER 2009

- New Year's resolutions 2009
- Research and development tax credit
- Caution required with workplace privacy
- Building a brand
- Redundancy tax relief

Research and development tax credit

The New Zealand government has recently introduced a number of tax cuts to stimulate the economy. One of the ways that the government intends to fund these tax cuts is to repeal the Research and Development (R&D) tax credit for the year 2009/10.

The government is also partly motivated by the fact that while some of the credit is genuinely for R&D purposes, much of it is paid out on standard operating expenditure that is simply recharacterised as R&D expenditure.

The R&D tax credit regime currently enables eligible businesses to claim a tax credit of 15% for eligible expenditure. This means that in the 2008/09 income year, the credit remains available for qualifying expenditure on R&D activities. However, if the expenditure does not become eligible for a credit until the following year, it will no longer attract a tax credit.

Taking advantage of the R&D tax credit

Some businesses see the loss of the R&D tax credit as a negative move. The good news, however, is that the removal of the credit is not retrospective, and businesses



will have a one year opportunity to identify eligible expenditure and take advantage of the 15% tax credit.

Those intending to make a claim should make sure they identify eligible R&D projects and collect the necessary documentation to prove their claim. Businesses eligible for the credit are those who perform R&D for themselves or have other parties perform it for them. At least \$20,000 must be spent on eligible R&D, unless it is outsourced to a listed service provider.

How to claim

Businesses need to identify those projects that are eligible and collect the supporting documents and cost details from existing information. They can do all this at the same time, in order to ensure the greatest claim. The claim is then made by submitting an R&D form online directly at IRD. It is important to keep in mind that the year 2008/09 is the last in which the tax credit may be claimed.

Should you have any problems or related questions, feel free to contact our office.

Caution required with workplace privacy

A recent survey ranked New Zealand workplaces among the worst in the world when it comes to a lack of staff privacy.

A consistently high level of enquiries has seen the Privacy Commission introduce guidelines, intended to clarify difficult and potentially contentious workplace privacy issues. The Commission has found that employers were generally unsure about looking at employees' emails, internet usage, reference checking and workplace drug testing.

Most recently, concerns were being raised over employers introducing new technology, such as finger scanning and video surveillance, without warning employees beforehand.

Under New Zealand's privacy law, an employer should inform their employees about the methods by which they intend to collect personal information, which information and the format in which that information is being retained. In the ordinary course, therefore, employees should normally be advised that cameras

or other recording devices may be placed in the workplace, and that they may be recorded while carrying out their duties and doing other things in the workplace.

The law, however, is broad and accepts that there may be just cause for covert surveillance. This includes circumstances where informing an employee about the prospect of surveillance may prevent the employer from being able to identify the suspected misconduct. Examples of

justifiable circumstances may include cases where the handling of cash is involved, or where an employee is suspected of engaging in inappropriate behaviour with other staff members or customers.

There are some areas of a workplace which, due to their nature, may justify an expectation of privacy. For instance, an employer would unlikely be justified in installing covert surveillance cameras in an employee's shower or change room.

continue to page 3



There is also the argument that covert surveillance may actually be ineffective. The aim of covert surveillance is based on catching an employee in the act, as opposed to behaviour modification.

In a recent US court case, it was argued that it would be more effective for an employer to inform their employees about their suspicions and, instead of installing covert surveillance devices, install visible and easy to identify security cameras.

The rationale is that the use of obvious surveillance equipment may discourage employees from participating in inappropriate conduct in the first place.

Employers should take into consideration the composition of their workforce and

what response they can anticipate from employees, who may regard these actions as ones purely intended to manipulate employee behaviour.

Issues that may arise include staff turnover, low morale and increased suspicion behind the motivation of employers. Employers may find that they can achieve some of the benefits of surveillance through the use of effective business controls. Issues relating to human resources management, such as inappropriate employee behaviour, could more effectively be resolved with clear policies, employee training and grievance policy that provides for staff confidentiality.

Employers should individually evaluate the merits of staff surveillance. When

used appropriately, surveillance can help monitor employee behaviour and make the workforce a safer place. It is important to note, however, that staff members are entitled to privacy in certain circumstances, and employers should ensure that if they choose to use surveillance that is covert, that they do so for legitimate reasons.

Employers differ in their attitude towards this issue and it is difficult to make a generalisation. The decision for the use of covert surveillance should be made after fully taking into consideration all the factors involved, including the inherent risks for employers when dealing with the sensitive issue of employee privacy.

Building a brand

A brand identity represents a mental or emotional association in the mind of a customer. It is initiated by the images used in your advertising, and by the words used to describe your products. After sufficient impressions, the customer remembers these associations and a brand is born.

Large corporations spend hundreds of millions of dollars building their brands for good reason. Brands:

- help customers remember your products or services
- build customer loyalty and lead to repeated purchases
- make it easier for current clients or customers to refer you to others
- send a message as to what your customers can expect
- convey an emotion
- add value

Most importantly, the thing to remember is that a brand is a promise. Essentially, branding is then a process in which a business creates and delivers on customer expectations. When someone buys your product or service, they count on those expectations to be fulfilled.

The components of your brand promise are based on:

1. Consistent look-and-feel

At the most basic level, to build a brand you must develop a strong brand image. Consistent look-and-feel extends to your logo, colours, typefaces, décor, employee uniforms, and more. Professional service providers, such as solicitors, should make sure their brochures, business cards, website, stationery, etc. all have a consistent look-and-feel.



2. Consistency of experience

This is the building block of a brand. How can you do this in a small company? Take building a brand for your hair salon. Every client's visit should feel the same as the last. This includes the same type of music, the same greeting, and the same type of treatment every time.

3. Consistent quality

It is not sufficient to deliver a consistent experience to your customer only. The experience must also be of a certain level of quality. McDonald's French fries do not have to be the best French fries in the world, but they have to be good French fries. And they have to be good every time.

4. Distinct competitive position

A brand must stand for something and distinguish you from the competition. The easiest way for a small company to develop this distinct brand position is to focus on a niche or specialised market.

5. Repeated exposure

To remember your brand, customers must hear it or see it over and over again.

Building brand awareness takes money, and that can be a challenge for small businesses. The objective should be to clearly and narrowly define your target market. The next step is to make sure you expose those potential customers by repeated advertising messages in the same publications, exhibiting at the same trade shows and attending the same networking events.

A brand is a complex entity and a somewhat abstract concept in the mind of a customer. Brand identity is the description of a brand and how it is positioned in the marketplace. Brand image, on the other hand, is the internal emotional reaction by the customer to the brand identity itself.

The brand image is made up of your products' appeal, functionality, popularity, and perceived value. These attributes should be used when designing and executing your brand marketing strategy. If this is done effectively, the new customers you obtain and the existing customers who buy from you again will feel that you have delivered on your promise, which is the basis for a positive brand image.

Redundancy tax credit relief

Income earners may be overtaxed as a result of being forced into a higher tax bracket after receiving a redundancy payment.

In 2006, the government passed legislation to make taxing redundancy payments fairer to people who are pushed into a higher tax bracket when they receive the lump sum payment.

Employees who receive a lump sum redundancy payment can claim a tax credit of six cents per dollar of the redundancy payment, up to a maximum rebate of \$3,600 (which is equivalent to a redundancy payment of \$60,000).

The rule has been backdated to apply to redundancy payments made on or after 1 December 2006. Those who have been made redundant have 4 years from the

date of the redundancy payment to make this claim from the Inland Revenue.

Tax credits only apply to legitimate redundancy payments. Retirement, loss of seasonal employment due to the normal seasonal work cycle and fixed term employment contracts are not eligible for the rebate.

Employers are not required to make employees aware that tax credits may be available. However, in light of the slowing economy, some businesses may find it necessary to make some employees redundant and making employees aware of these credits may go some way to reducing any negative affects associated with redundancies. Redundant employees should complete a redundancy rebate form attaching relevant documents such as a letter from their employer.



A Great Read

The New Rules of Marketing and PR

Author: David Scott

In *The New Rules of Marketing and PR*, Scott presents the argument that understanding the growing irrelevance of marketing's 'old rules' is vital to thriving in the future. Already apparent in the downturn of advertising in newspapers, magazines, radio and direct mail, the imminent fall of traditional mass media marketing means that new opportunities are presented for legions of smaller companies and independent professionals who need to reach niche markets cheaply and effectively.

Scott provides the technical novice a thoughtful and accessible guide to cutting-edge media arenas and formats such as RSS, podcasts and viral marketing, without neglecting the fact that technological wizardry can't substitute for a well-thought out marketing plan. Scott also drills home the ethos and etiquette of the web, encouraging content that is both useful and unobtrusive. This excellent look at the basics of new-millennial marketing should be useful in the hands of any serious PR professional making the transition.

Business and personal planning need not be left until the end of the tax year - talk to us now about tax and financial strategies for you and your business.

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.

WEB WATCH

ESSENTIAL SITES FOR BUSINESS OWNERS

www.springwise.com

A website documenting interesting business innovations occurring at different places around the world. Perfect for business entrepreneurs seeking new ideas for various business adventures.

www.consumeraffairs.govt.nz/scamwatch

Managed by the Ministry of Consumer Affairs, SCAMwatch provides alerts and advice to help individuals recognise and protect themselves against scammers. Victims can report scams through this website.

REMINDERS FOR YOUR DIARY

FEBRUARY

- 9 2008 End-of-Year income tax due for people and organisations with a March balance date and who do not have an agent.
- 20 Employer deductions (IR 345) or (IR 346) form and payment due and Employer monthly schedule (IR 348) due.

MARCH

- 2 GST return and payment due for periods ending 31 January.
- 20 Employer deductions (IR 345) or (IR 346) form and payment due and Employer monthly schedule (IR 348) due.
- 30 GST return and payment due for periods ending 28 February.

APRIL

- 7 2008 end-of-year income tax due for clients of agents with a March balance date.
- 20 Employer deductions (IR 345) or (IR 346) form and payment due and Employer monthly schedule (IR 348) due.

MAY

- 7 GST return and payment due for periods ending 31 March.
- 20 Employer deductions (IR 345) or (IR 346) form and payment due and Employer monthly schedule (IR 348) due.
- 28 GST return and payment due for periods ending 30 April.

Source: IRD