

Business Matters

STRATEGIES FOR MANAGING YOUR BUSINESS



M R CURD LTD

CHARTERED
ACCOUNTANTS

Greater tax credits for R & D

While businesses have always been entitled to claim valid R&D expenses, from 1 April 2008, they will now be able to obtain 15% tax credits on “eligible” Research and Development (R&D) expenditure.

The Research and Development (R&D) tax credit is based on the principle of self-assessment. This means that claimants are responsible for applying the eligibility criteria to determine if they are entitled to claim the credit.

Eligibility criteria requires that businesses who claim the credit must be operating in New Zealand through a fixed establishment in New Zealand. In addition, R&D activities must be controlled by the business and the results of the R&D activities owned by the business.

Eligible Activities

In order to be eligible for the R&D tax credit, activities must be directed at acquiring new knowledge or creating new or improved materials, products, devices, processes or services, include systematic, investigative and experimental activities, and either:

- seek to advance science or technology by resolving scientific or technological uncertainty, or
- involve an appreciable element of novelty.

Examples of eligible costs that may be claimed for an R&D project include R&D salaries, training, recruitment, relocation, travel, consumables, and depreciation on tangible property.

Not all expenditure is eligible for the tax credits. These include interest or other financing costs, acquisition of core technology, costs covered by Government grants and professional fees incurred in determining whether the R&D expenditure is eligible.

Support activities may also qualify if they are wholly or primarily used for the purpose and are an integral part of carrying out the investigation.

Those activities that may be R&D but are excluded from core R&D for tax credit purposes include prospecting or exploring for resources; quality control, commercial, legal, and administrative activities associated with patenting and licensing; and research undertaken in social sciences, arts, and humanities.

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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

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

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Getting the R&D tax credit

To receive the tax credit eligible businesses must file both an income tax return for the year the credit relates to and a detailed R&D statement. The statement describes the R&D activities undertaken and the expenditure and/or depreciation loss incurred.

KiwiSaver Contributions

From July some KiwiSaver members will have been contributing to KiwiSaver for a year, and eligible for contributions holidays. This is a break in contributions of between three months and five years.

If an employee is not having contributions deducted from their salary or wages while they are on a contributions holiday, compulsory employer contributions are not required and the employer tax credit cannot be claimed.

Successful staff consultations

Your employees are the foundation of your business, helping keep it afloat among a tide of uncertainty and competition. As such, it is crucial that you meet with them regularly to steer the course of your company in the right direction.

Getting to Know You...

Your staff will be more receptive to advice, and more willing to approach you with any queries or problems in your business if you foster a friendly team

environment. Make it your duty to meet with your employees regularly for staff consultations, helping you address the issues that arise in a practical, efficient and budget-friendly way. Getting to know your employees will also help them to feel a part of the team, and understand their place in achieving goals for your business.

Get Together

Though many would shudder at the idea, staff meetings need not be a bore! Set aside one day per month to meet with staff, following a clear agenda that includes every member of the business, to ensure

that everyone is clear of your company's objectives, problems and goals. Spice things up a bit by enticing staff to attend - offer a small lucky door prize, or include a social aspect to the occasion by planning a group excursion to a local venue. This relaxed environment should take some of the pressure off your staff, and help drive discussion.

Get Feedback

Consultations with staff should not be a one way process. Ensure that you not only receive staff feedback (in the form of monthly progress reports for example) but that you also get back to your staff on how you acted on their ideas or problems. Staff consultations should be a mutually beneficial process, and by highlighting any frustrations or problems early, future problems can be avoided through communication.

Get Creative

Don't limit your staff's potential to bring their ideas to the plate! Encourage the use of an 'ideas' or 'suggestion' box in your business, allowing them to remain anonymous. Also, why not run a brainstorming gathering to collectively consider how best to approach certain tasks, or solve problems together.



The department of youth

Though often undermined as a fickle lot, business owners have a lot to learn from Generation Y. The positive characteristics of young workers are often overlooked and underestimated, but they can bring a breath of fresh air to your workplace.

They're in trouble all the time. You read about them in the papers. They're not afraid of high power and they're bulletproof. Much has changed since 1975 when Alice Cooper croaked his way through "Department of Youth", but his lyrics still have resonance with Generation Y today. Though separated by technology, both Cooper's youth and Generation Y hold dear a sense of reckless bravado, a keen eye to social issues, and a desire to make a difference. So why aren't more employers utilising these tech-savvy, socially aware, young enthusiasts?

Talkin' bout my generation...

Unfortunately for Gen Y, the more employable aspects of their nature are often obscured within the mainstream media. A less favourable image of Gen Y as the mobile-phone toting, narcissistic party-goer is more likely to grace the covers of most newspapers. Some common presumptions of Gen Y include hedonistic tendencies, constant job-hopping, a lack of direction, being irresponsible, and a disrespect for authority figures.

It must be remembered that these generational generalisations are merely exceptions to the rule that have burdened the career-prospects of many youths who break this mould in many ways. So how can employers best incorporate young people in their workplace to avoid the stereotypes?

Facing the Facts

A defining rift between the generations and their employment patterns appears when considering their priorities. Statistics have shown the imperatives of Gen Y in the workplace as:



- Avoiding boredom - 'never being bored' is crucial to their wellbeing and direction
- Prioritising training, engagement with management, work-life flexibility, staff interaction, opportunities for growth, responsibility and recognition ahead of salary
- Desiring chances to display and utilise their skills
- Taking risks - Gen Y are less static than other generations and believe risk-taking is essential for innovation
- Entrepreneurial tendencies - statistics place Gen Y as the most business-minded generation in history thanks to their utilisation of new technologies
- Partaking in part-time work - many Gen Yers have a diverse skills set as a result of handling multiple casual jobs at once.

Not only that, but broader attributes of Generation Y outside of the office see them largely valuing patriotism in the wake of international terrorism and globalisation, being more active in their concerns of global issues. Having sprung from an era devoid of major world wars, depressions and economic recessions, the Gen Y worldview is a largely optimistic one.

However, this characteristic is often misconstrued as complacent flippancy; so often painted in the picture of the ungrateful and spoiled youngster running wild with their credit card.

Material wealth has afforded young people today greater access and

understanding of the constantly evolving technological arena - a business asset largely untapped due to stereotypical ideas of youth inadequacies in employment.

Ch-ch-ch-changes

So while they may be criticised for trying to change their world, the kids of today are aware of the changing workplace environment, and what they want from it. Being the most success-oriented and well educated of all the generations, employers must make some changes to incorporate the youth of today into the workplaces of tomorrow...

- Greater job responsibility - Gen Y workers often complain of performing menial tasks below their perceived abilities. Utilise them in more tangible ways with measurable results and rewards for their efforts
- Exploit the technology factor - create working incentives for young workers such as a mobile phone or laptop allowance, for example
- Endorse a fun-loving working environment - try to make your workplace as people-oriented and casual as possible (but always draw the line! There is a time and place for all things)
- Accept the reality - Gen Y workers leave their jobs more frequently due to changes in the marketplace. Casualisation of the workforce and a widespread talent shortage has meant myriad job opportunities. Try to accept this fact, and increase the incentives for your Gen Y workers to stick with you.

KiwiSaver employer tax credit update

From 1 April 2008, businesses can claim a tax credit of up to \$20 per employee per week if they contribute to a KiwiSaver scheme or complying fund. All contributing employers are eligible to claim a tax credit, including charities and other non-profit organisations.

The employer tax credit is intended to help reimburse businesses for the cost of making contributions to their employees' KiwiSaver scheme or complying fund. Contributions to other superannuation schemes such as defined benefit schemes are not eligible for employer tax credits.

Catch up at year end

After KiwiSaver legislation was in place

it was found that the formula would disadvantage a small number of eligible employers which would not receive their full entitlement. The issue has arisen because the formula for working out the employer tax credit is based on the number of days in an Inland Revenue PAYE period. Employer pay periods, on the other hand, are not evenly distributed between PAYE periods.

The anomaly has affected a number of employers who pay their staff approximately \$93,000 per annum or more on a weekly or fortnightly basis. Some employers making voluntary contributions or extra salary payments may also be affected.

To ensure all employers receive up to their full \$20 a week entitlement, a

square-up process is being introduced. This will mean affected employers will be able to make an additional claim at the end of the tax year (from 1 April 2009).

A Great Read

Perfect Selling: Open the Door, Close the Deal

Author: Linda Richardson (McGraw-Hill)

It is a fundamental part of the selling process. It can win business and get new clients on board. Yet it also strikes fear in the hearts of many salespeople. The sales call is the most confrontational and least understood part of selling, and can often be the deciding factor between sales success and failure. Linda Richardson harnesses thirty years of sales training expertise in her tenth book, *Perfect Selling: Open the Door, Close the Deal*, delivering a succinctly written and action-oriented guide to help readers improve their sales call objectives.

Using a simple 5-step daily plan, Richardson tackles the most challenging aspects of the personal and telephone sales call to ensure that every minute of the meeting achieves maximum value. *Perfect Selling* has enjoyed success in its own right, having recently reached USA Today's Best Seller List. And it's bound to help others enjoy sales success and increase confidence in closing a sale. In a time when market competition is high and consumer spending dwindling, it's good to know there are people like Richardson around to make the already difficult sales task less daunting. This short and easy-to-read guide is a heaven-sent sales bible for the apprehensive salesperson.

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.

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Brush up on your investing knowledge with this educational site. Including links to resources on personal finance, retirement tips, investing properties and bonds, this site also contains a handy dictionary full of helpful financial hints.

REMINDERS FOR YOUR DIARY

AUGUST

- 20 Employer deductions (IR 345) or (IR 346) form and payment due and Employer monthly schedule (IR 348) due.
- 28 Provisional tax instalments due for people and organisations with a March balance date
- 28 GST return and payment due

SEPTEMBER

- 22 Employer deductions (IR 345) or (IR 346) form and payment due and Employer monthly schedule (IR 348) due.
- 29 GST return and payment due

OCTOBER

- 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

NOVEMBER

- 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

Source: IR