

## Hugh's Views

Winter is here and it came up on us quite quickly. I was able to avoid some of the earlier grim days but was soon bought down to earth on my return from overseas. One consolation is that we are past the shortest day, hopefully heading to the clear sharp days of August and September.

Business activity in the town has slowed as usual for winter. Having said that there are many who are still very busy. The Christchurch rebuild does not appear to have kicked in as yet; I hope we don't all grow old waiting. It is a time of digging in and making sure you are being as efficient as practical and ensuring you are ready for the spring and summer.

We are finding that our clients work is flowing through quite smoothly. There are of course always the exceptions but we are finding that the work coming in, is in a much better state which means it does not get held up for long periods. Long may this continue. We hope by early September we will have broken the back of the "Compliance Hump" and will be able to enjoy the longer days. I have to say that we seem to be keeping everyone happy, no angry phone calls looking for work that should have been completed. Then again you do have to be here to be able to take the calls!!

We are continuing to try and improve the way we meet your requirements and to look at other services apart from compliance that we provide. We are progressing through the registration of all the trusts in our office onto our administration system. The work is slower than we thought as there are issues turning up that need resolved as we go. We will be in touch with clients who have trusts in the near future with an update.

## Winter Newsletter 2012

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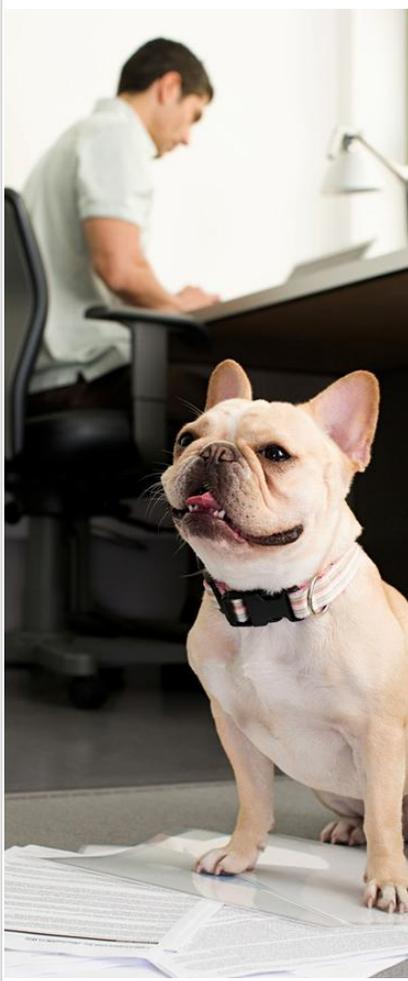
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## The benefits and pitfalls of trial periods

The trial period regime was labeled a success for its apparent increase in employment and was designed to make our job market more flexible. But you need a robust process. A number of cases have shown where poor process can come back to bite the employer.

**Case study:** Mr Blackmore emailed acceptance in response to a letter offering him employment with Honick Properties Ltd (HPL). The offer referred to a Federated Farmers employment contract but this was not enclosed with the offer and Mr Blackmore did not know that these contracts contained trial period provisions. Mr Blackmore resigned from his previous role, worked out his notice period and started work with HPL.

Within hours of beginning his first day he was presented with an employment agreement to sign on the spot, which he did. This agreement included provision of a 90 day trial period. This was the first he'd heard of it.

Mr Blackmore was later dismissed within that 90 day trial period. He was now jobless, unhappy and shocked at the turn of events.

Mr Blackmore disputed his dismissal, taking his case to the Employment Relations Authority which referred it to the Employment Court. The court ruled Mr Blackmore was entitled to challenge the justification for his dismissal stating that he was an existing employee when he signed the employment agreement. His employment was considered to have commenced at the earliest when he accepted the offer and at the latest when he started work - and thus a 90 day trial period could not apply to him.

Also, the court deemed the 90 day trial period defective due to unfair bargaining. HPL had expected Mr Blackmore to sign the agreement before he could consider it, seek guidance or negotiate prior to commencing work.

## Trial period best practice

1. Show good intention!
2. Discuss the inclusion of the trial period before the offer is made, and include a copy of the intended agreement when negotiating and offering the role.
3. Give the prospective employee time to consider the employment agreement and seek independent guidance or clarification.
4. Give him or her an opportunity to negotiate the agreement with you after the opportunity to seek advice has been given.
5. Ensure the trial period clause states you can dismiss the employee during the period and he or she can't then bring a personal grievance.
6. Ensure the employment agreement is signed before work starts.
7. When the agreement is signed, implement an effective induction process to ensure the quality of an employee's work.
8. Address performance issues during the trial period as you would with any other employee.

Employers shouldn't be complacent in their understanding of the 90 day trial. Recruitment and induction take time and cost money... and that's without factoring in the disruption and cost of a dismissal dispute.

## It's business time – cracking down on cash

It's no secret that the IRD are cracking down on the hidden cash economy. Cash trade jobs, under-the-table wages and online trading cost the Government an estimated \$7 billion a year in lost tax and last year the government set aside \$120 million in government funds to help the IRD combat tax avoidance.

IRD has now rolled out industry benchmarks to spotlight suspicious players - focusing on industries more likely to deal with lots of cash and therefore with scope to understate their income.

Statistics NZ have calculated these standard performance ranges using the financial statements and tax returns of all businesses (in each industry) with turnover below \$10m. Another 34 industry benchmarks are due for release this year and IRD intend to update benchmarks annually.

The 16 released benchmarks are financial ratios expected from a typical business in higher risk industries, including those relating to cafe, bar and restaurant owners, painters, electricians and car rental firms.

The data is carved up into small, medium and large business brackets according to annual turnover.

This is a great opportunity for you to analyse how your business is performing in a number of areas. If for some reason your business falls outside the norm profit range, you can establish weaknesses to make positive changes and boost your profits.



## Tax Talk

### Reminder of payroll changes

By now all employers should be aware of the changes to the Student Loan Scheme, KiwiSaver and ACC levy rates that have affected payroll from 1 April 2012.

#### In brief:

- SL is the new tax code suffix for all student loan borrowers, regardless of earnings, unless they provide their employer with a repayment deduction exemption certificate. Extra student loan repayments made by employees (whether voluntary or due to arrears) will have a specific additional suffix
- Employer cash contributions are now subject to ESCT, **OR with the employee's agreement can be treated as salary or wages subject to PAYE**

If you don't use an external payroll system or you're unaware of the changes and how these affect payroll please visit [www.ird.govt.nz/changes](http://www.ird.govt.nz/changes) ... for more information.





## Update on Trusts

A common type of Sham Trust is one whereby the Trust starts out as a genuine trust but over time becomes a sham due to the trust not being managed well. If your trust is declared a 'sham' you may be penalised and also lose all the advantages you were hoping to gain from your trust. According to Integrity Chief Executive Mark Maxwell, the majority of family trusts in New Zealand may be at risk of being successfully challenged. People will challenge trusts when relationships end or a business fails, in order to access the assets held by the trust, says Maxwell.

In order to prove your trust is not a sham you should follow the following rules:

- Involve all trustees in decision making
- Hold formal trustee meetings
- Record trustee decisions in writing
- Complete gifting on time
- Don't mix company, trust and personal finances
- Adhere to the purpose and terms of the trust
- Obtain professional advice where needed.

We are in the process of working with our trust clients to set up comprehensive trust registers and trust administration. Please [contact us](#) if you require any trust advice.

## Some legitimate reasons for falling below a benchmark are:

- Insufficient product mark-up
- Difficult trading circumstances
- High wastage
- You may be starting up or preparing to close down
- You may be running in a niche area of your industry
- Your competitors may be sourcing product at lower cost

Does your business measure up compared with others in the industry? Are you doing enough to remain competitive? Visit: [www.ird.govt.nz/industry-benchmarks/](http://www.ird.govt.nz/industry-benchmarks/) to see if benchmarks are available for your industry. The IRD website explains how to benchmark yourself providing a clear example, and offers helpful tips to boost your profits. If you'd like to discuss this further please contact us.

## What's been happening

In short quite a bit. Many of you will remember Holly who moved to Christchurch. She and partner Teara have recently had a little boy, Ryder! Sarah Anderson (who replaced Holly), and her partner Andrew Kerr, have welcomed their son Finley this week. We wish them good luck for all those sleepless nights that lie ahead!



There must be something in the water here!

Nicole Davies has taken over the duties in the front office and has settled very quickly into the role. It was second time lucky for Nicole as she applied once before for a position with us. Just goes to show what perseverance can do.

The winter has seen quite a few in the office heading away to avoid the cold weather. Hugh was the first to leave in June for his eight day cycling trip in France, and then he stayed on for the rest of the month and travelled a little in Southern France and Spain. We were all kept up to date with what was happening on a regular basis and enjoyed hearing about some of the exploits of travellers. The change in temperature from Madrid 38 to Alexandra 0 appeared to be handled okay until he went down with a cold after being a home for a week.

Mark headed for the Gold Coast Marathon in the last week of June, while George was more sensible and chose the beach in Rarotonga as soon as the school holidays commenced. Paul Checketts married his youngest son off in early July. A few days off were had by those that were left, but as they were because of the weather or sickness they didn't really count!

We have our annual training day coming up on Friday the 27<sup>th</sup> of July, followed the next day by our "mid winter do".

## Lunch

Cycling in France was pretty onerous. Everyday we "had" to partake in a picnic lunch prepared by our guides. The picture to the right is pretty representative of each days fare.



# Business Perspective

## How optimistic are you?

There's no doubt recent times have seen the tightening of belts and an abundance of no.8 wire mentality. We're working smarter; however the world isn't out of the economic danger zone yet. It's likely to be a marathon, but kiwis are fit for the task - equipped with a positive attitude and sensible running shoes.

According to the April MYOB Business Monitor (The Voice of New Zealand Business Owners - economic report 2012) survey of 1,000 businesses, New Zealand businesses are confident and positive despite delayed global recovery. In fact we're even chirpier than our big brothers: just 12% of the New Zealand business owners surveyed expect to make a loss in the next 12 months, compared with 24% of Australian business owners.

The number of business owners reporting revenue gains in the past year has increased from 28% to 34%. For the next quarter 33% of business owners have more work than usual on their plate including 43% of Christchurch business owners, signalling early benefits of the Canterbury rebuild.

11% of businesses are looking to hire full time employees while 14% plan on hiring part timers as well.

This year kiwi businesses are set to focus on the customer with 38% looking to invest in customer retention, and 28% in attracting new customers.

The true star of the show has been the humble start-up. The last 12 months saw start-ups report the most revenue gains (49%) and the least losses (18%).

The toddlers (2 - 5 years old businesses) also did well, 39% reporting revenue gains.

It is often said wars are won in winter, and this global financial crisis has provided the ammo for many entrepreneurs. If you're thinking of starting up a new business or dreaming of ways improve your current venture please give us a call to see what we can do to help you in your quest. Whether it be a business health check or initial business planning - we want you to experience the gains and rewards you deserve.

*'Capital isn't scarce; vision is.'*

**Sam Walton**



*'The optimist sees the donut, the pessimist sees the hole.'*

**Oscar Wilde**



## Giving Customers More Than Their Money's Worth

The custom of giving customers more than their money's worth to ensure satisfaction has its roots in the expression "baker's dozen." Because of the way rolls, buns and cakes were cooked in the 15th century—in three rows of four—they were sold in batches of a dozen.

The goods were fashioned by hand, of course, and bakers found that they could make them smaller without the customer being any the wiser. Who could tell the difference, after all, when 12 items were stuffed into a bag? Well, enough people apparently could tell, because London lawmakers passed laws that standardized the weight of these goods.

Stiff fines and jail sentences were imposed if the totals were off, so bakers often took the precaution of throwing in an extra roll or cake to make absolutely sure they made the required weight. Hence, 13 to a baker's dozen.

What extra thing can you do to ensure customer satisfaction? It may be something as simple as a follow up phone call after the job is done.

### Disclaimer:

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.

**MFT**

**McIntyre Flannery Tait**  
Chartered Accountants & Business Coaches

Alexandra | 03 448 8060 | [www.mftca.co.nz](http://www.mftca.co.nz)