

## FRIENDLY RELATIONS

*Some people are hopeless at remembering birthdays. David Pigou isn't one of them.*

It was the first entry in his 2008 diary. 'January 1. Ainger Tomlin, 20 today.'

For the past 20 years the National Bank has been Ainger Tomlin's bank. David has been the relationship manager for the past five. Such long-term loyalty from a bank customer demonstrates that the bank must be doing something right?

"I can't claim all the credit," David chuckles. "Yes, we've had a close and trusting relationship right from the time Andrew and Warwick formed Ainger Tomlin, and it has built over time."

"My role as bank relationship manager is to be the personal point of contact for a range of services and enquiries, to get to know and understand my customers' business, the people, and to more readily provide the service benefits that they may need."

What does an accounting firm require of a bank manager? "Every customer has differing needs," David explains. "AT's requirement is a modest one thanks largely to the smooth operation they manage and the people involved."

"We look after AT's business banking accounts, and we have regular meetings for the Trust Management scheme through which Ainger Tomlin manages investments on their clients' behalf. And we are the



David (second from left) confers with Mark, Andrew and Adele

personal bankers for quite a few of the AT team.

"But the relationship goes deeper than that. Because we know and trust each other we feel comfortable in recommending clients to each other. I know AT will do a good job, and they know we will. The roles of the bank manager and accountant are quite separate, but there are some 'grey' areas where there's an overlap. In a significant number of cases we have mutual clients, and we can work together to help them."

"When clients are applying for loans, preparation of a good case is important. Banks focus on cash flow. If a client is seeking funding to acquire an asset, a truck for example, or manufacturing plant,

the approach may be better through an asset financing company. That's where Ainger Tomlin clients have an advantage – Andrew, Brent, Adele and Mark know what is needed."

"There are similarities between AT and the National Bank. We both place a lot of value in long term relationships with our clients and see this as a winning formula for all parties. I was especially delighted to present Warwick Ainger with a painting of a local Canterbury scene on his retirement from the firm."

Noted in David's 2009 diary is a birthday morning tea 'shout' for the Ainger Tomlin team, "Because it's important to acknowledge, and celebrate achievements with your friends."

## Key Performance Indicators

These are uncertain times for New Zealand - and the world - as new regimes influence policies and decisions in Washington and Wellington.

We will all be looking to John Key's performance in leading us through the economic downturn, the implementation of promised tax cuts and government spending reductions indicated in the lead up to the election.

But it may be several months before new legislation is enacted. Meantime life goes on. This isn't the time to sit and wait.

This edition of Ainger Tomlin News has several articles that are intended to help those facing difficult times.

Our 'key' advice is – don't panic. Be positive. And remember that we are here to help.

## Internet Statistics

*This goes to show - businesses must not underestimate the power and reach of the Internet.* New Zealand has the highest Internet penetration in the world! The stats below are from the recent release of results of a survey conducted late 2007, so actual numbers are doubtless even higher by now.

- 74.9% of New Zealanders are Internet users, a 285.5% increase since 2000
- Of those, 95% of NZ adults research goods and services online
- 65% make purchases online
- Average amount spent online per annum (Dec '07) was \$774
- 94% of total product online spend was on NZ sites
- 34% was for services (flight tickets, car hire, accommodation, insurances, mortgages etc)
- 93% of those who purchased online were satisfied or very satisfied with their experience
- NZ online advertising grew 23% to \$41 million in the third quarter of 2007.

The change of government is likely to bring the promised tax cuts – BUT – it will be some time before they have been passed into legislation. In the meantime the personal tax rate changes that came into effect on 1 October still apply.

## PLEASE NOTE

The introduction of the new personal tax rates, effective from 1 October 2008, has changed the amount of 2009 Provisional Tax many tax payers owe for their second and third instalments.

If we wrote to you pre 1 October 2008 advising you of your 2009 Provisional Tax instalment amounts, these may have changed. Good news though – generally it will mean you'll have *less tax to pay*. In fact some of you will now fall below the threshold and won't have to pay 2009 Provisional Tax at all.

So for all future provisional tax instalments, it is the tax letters you receive just prior to the payment date that shows the correct amount to pay.

## SOCIETIES AND TRUSTS - ONLINE

The Companies Office administers corporate body registers, which include incorporated societies and charitable trusts. Last month they launched a revamped Societies and Trusts website to provide clear and up-to-date information.

The new-look site contains a host of new improvements including:

- improved information
- improved site navigation
- better website searching
- a wider range of customer support services
- helpful links to other sites containing relevant and specialised information.

It's the best place for Incorporated Societies and Trusts to search, upload financial statements and maintain details. The online services that have been on this website previously are still available. [www.societies.govt.nz](http://www.societies.govt.nz)

### Family Tax Credit Increase

From 1 April 2009 the annual amount of the minimum family tax credit, which guarantees a family's after tax income, will rise from \$18,460 to \$20,540.

### FBT Interest Rate for Low-interest Loans

The prescribed rate to calculate FBT on low-interest employment related loans rose from 10.57% to 10.90% from 1 October 2008.

# Changes to 2009 Provisional Tax Due Dates

## What will you be doing on 15 January 2009?

Chances are you'll still be on holiday. Or back at work and revving up your business to get 2009 off to a good start.

*It won't be a good start if you haven't remembered the changes to Provisional Tax dates!*

Provisional Tax due dates have changed to align with GST dates. This applies if you are GST registered, and if you're not.

### Look out for our Tax Letters

As we have always done, we'll send you tax letters advising you of your Provisional Tax obligations and dates well in advance of the due dates.



You'll receive the tax letter about your requirements for the 15 January payment by mid December.

Look out for it and ACTION IT! Otherwise Christmas, New Year and holidays may get in the way of getting it done in time. You don't want to start the year off with a penalty.

There are several convenient ways to action it before you take a break:

- Pay it when you get the letter from us
- Pay it on line, setting the payment date for 15 January
- Send us the cheque, and we'll send it in for you in January (while you're still snoozing in the sun).

This table spells out the changes:

Balance Date	Old Due Date	Now
31 March	7 July, 7 November, 7 March	28 August, 15 January, 7 May
Other than 31 March	7th of the fourth, eighth & twelfth month after balance date	28th of the fifth, & ninth, thirteenth month after balance date

If you are one of our few clients whose GST filing frequency is six monthly, the dates are different (28 October, 7 May). If you have any questions, contact us.

## Enterprise Development Grants

New Zealand Trade & Enterprise offers businesses and entrepreneurs funding support to help them improve their business and carry out new international development initiatives.

Two types of grant are available:

### 1. Capability Building

If you are an entrepreneur, start-up or a small established business you may qualify for up to 50% of the funding through the Capability Building grant to help grow your business. This would assist you to:

- Employ a business mentor or advisory board
- Undertake advanced management or technology-based training
- Undertake some strategic market development and planning activities including market research, feasibility study, viability planning and/or e-commerce strategies

- Undertake certification or engage professional services for systems development and improvements.

### 2. Market Developments

If you are a registered New Zealand business and plan significant activity to develop your international markets, you may qualify for multi-year funding help to cover up to half the costs for:

- Market visits
- In-market representation
- Advertising and promotion
- Marketing materials
- Trade fairs and events
- Market research.

More at [www.nzte.govt.nz/section/12577.aspx](http://www.nzte.govt.nz/section/12577.aspx)

## Charities - the Saga Continues

The deadline to register charities with the Charities Commission, 1 July 2008, is well past. Dire warnings were given that existing organisations with tax exempt charitable status that were not registered by that date would be taxed on income received after 1 July until the date their status was finally approved.

Inevitably, not all got their applications in on time. The Commission had discretion to back-date registrations to 1 July to allow processing of applications received by the July 1 deadline.

To help further, the Income Tax Act 2007 was amended to enable Inland Revenue to allow continuing tax exempt status to organizations

that could demonstrate that they had taken 'reasonable steps' to achieve the deadline.

Examples of 'reasonable steps' would be:

- A documented plan of action showing steps towards registration by 1 July
- Evidence of seeking assistance from professional advisors to advise on the process
- Trustee or Board minutes showing formal decisions had been made to be registered by 1 July.

If these can be shown, Inland Revenue should be able to exercise its discretion in favour.

# Bracing Against the Storm

"Global economic crisis, credit crunch, financial meltdown," the headlines shout.

It's inevitable that what is happening around the world will affect New Zealand businesses. Our economy is too small to influence the outcome of the current crisis.

The question is: do nothing and hope for the best? Or take measures to strengthen our businesses against the buffeting and be positioned to emerge from the other side in a relatively healthy state?

It's a no-brainer. The pundits don't see a fast recovery, and businesses need to make every attempt to safeguard against the worsening downturn they predict.

For businesses to be best positioned to survive the mantra must be 'Cash is King.' Cash is the lifeblood of businesses.

Here are some reinforcements of good business practice to maintain a strong and healthy business, particularly in uncertain times.

## Cash Management

Focus on what your cash requirements are. Plan to manage cash through the business cycle. If cash resources are inadequate, talk to the bank to make appropriate arrangements. You may need to review your overdraft facility, restructure loan repayments, etc.

Many New Zealand small to medium enterprises (SMEs) fund their stakeholders' lifestyles. Be prudent about how much funds are being extracted from the business. Perhaps 2009 isn't the year for the Grand Tour of Europe.

## Stock

What level of stock do you need to operate at optimum and efficient level? Too little, and you may get caught short, but overstocking ties up cash unnecessarily. Review turnover levels, which will indicate how often stock should be re-ordered. You may need to review more frequently if there is a downturn in sales.

Clear out obsolete or slow-moving stock (perhaps as sale or discounted items?) and review your sales and distribution strategies.

## Debtors

Don't lose sight of the fact that debtors are using money that belongs to your business. This is the time for you to ensure that your credit control policies are robust. Consider encouraging prompt payment by offering a discount if paid by a given date. Follow up slow or outstanding debtors.

## Cost Management

Review cost structures and see where savings or efficiencies could be made. Concentrate on core functions and costs.

Identify what is operating efficiently, and what isn't. What is the reason for the inefficiency? What could be improved? If you identify 'dead wood' consider pruning that branch of the business.

There are other areas and strategies that may be reviewed and strengthened to provide a robust future in difficult economic times. Move now and your business is more likely to come through the storm unscathed and ready for the upturn.

## Timely Quote from 1802

'I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around the banks will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered.'

Thomas Jefferson 1802



# Managing your Team in Tough Times

After several years of growth and near full employment, many businesses are suddenly facing the opposite: reduced sales, downsizing, and the possibility of breaking up a team that is working well.

If your sales have declined, don't kid yourself that the staff don't know. They know if they're not getting sales, or not busy with orders. They'll be waiting and watching to see what you, their employer, is doing about it. The longer you delay in dealing with it, the more nervous they will become.

Remember that whatever you decide must be based on what's best for the survival of your business. There are several options if you need to reduce labour costs.

Reduce hours worked. Reduce or stop overtime and cease to employ temporary or casual workers.

Where waged staff are working more than the minimum hours in their employment agreement, reduce their hours to the minimum.

Where staff have accumulated annual leave, encourage them to take it.

Look at reducing the hours of contracted work. You will need to have the agreement of the staff affected to do this, otherwise it is unilateral change to the employment agreement. Reflect what is fair to individuals. A four-hour reduction is a 10% pay cut for a full time worker, but 20% for the person who works a 20 hour week.

Then, if the desired saving is still not achieved, you may have to look at laying off staff. Phone us. Our Human Resources Manager Brenda Smith is an expert in employment matters, and can advise and help you.

## Avoiding the Stress Abyss

Such times are highly stressful for the employer, who has often formed an attachment and loyalty to employees. It isn't easy to lay off people who are dependent on you for their livelihoods.

It's even more difficult for workers who are anticipating that their jobs may be made redundant. Resulting stress can cause anxiety, panic attacks, depression and anger.

Research shows, unsurprisingly, that the workers most affected are those who have worked in the same company for many years (envisioning change is harder), those already in debt (mortgage payments and house values feature significantly here), and those with high family commitments.

Can employers prevent this? No, but good communication can reduce some of the negative effects. When employees are left in the dark, they speculate, become frustrated, fearful and mistrustful. Productivity and loyalty take a dive.

So *communicate*. Explain. Share as much as you can, your options, even your doubts. Help them to understand that reducing hours and overtime may be a fairer alternative than laying people off. Involve team members, invite their ideas. In most cases, the better they understand a difficult situation, the more they will accept it and rally to help. No promises, mind you. Different characters will react in different ways. Identify those who are considering retirement? A career move? Going overseas? Might they want to bring it forward?

## Know your legal obligations.

If you do need to lay off staff, it's important to follow correct procedures. The Department of Labour's website carries a report on restructuring and redundancy (the pdf is 50 pages!). However it's worth checking the pages which define redundancy, justification and 'genuine reasons'.

<http://dol.govt.nz/publications/research/restructuring-and-redundancy/restructuring-and-redundancy-03.asp>

We recommend that you check with us or your lawyer before proceeding with redundancy notices. An 'unjustified dismissal' claim could result in even more stress.



## CHRISTMAS BREAK

Our offices will close at 4pm on Tues 23rd December 2008, and then operate with a reduced team until Wednesday 14th January 2009.

If something urgent arises over the holidays please try the office on 343 0046 or Adele Ainger on 021 303 113

## Worth a Read

### FOR BUSINESS...

**FISH!** Stephen C. Lundin, Harry Paul, John Christensen. Hodder & Stoughton. \$19.99  
A small, quick-to-read New York Times best seller that will boost morale and help you improve results.

**Sales Success Handbook**, Richardson McGraw-Hill Paperback \$14.95  
Designed to meet the needs of busy people.

### AND FOR PLEASURE...

– *because holidays should be holidays!*  
**Deadly Intent**, Linda LaPlante RRP \$29.95

## Ainger Tomlin's New Website is now up and running

You'll find full descriptions of our services, a wealth of information on all aspects of financial and business management, tax facts, MYOB info, newsletters, forms – and heaps more.



Definitely worth a visit and explore.  
[www.aingertomlin.co.nz](http://www.aingertomlin.co.nz)

## To Ponder Over the Holidays

*Happiness belongs to those who are sufficient unto themselves. For all external sources of happiness are, by their very nature, highly uncertain, precarious, ephemeral, and subject to change.*  
– Arthur Schopenhauer

### And from business guru Stephen Covey...

*Effective people are not problem-minded; they're opportunity-minded. They feed opportunities and starve problems.*

*Ineffective people live day after day with unused potential. They experience synergy only in small, peripheral ways in their lives. But creative experiences can be produced regularly, consistently, almost daily in people's lives. It requires enormous personal security and openness and a spirit of adventure.*

## Meet Sarah

Sarah Mathers, our new office junior, joined the team in September. She is an experienced receptionist, having worked in this role for The Caxton Press, and efficient at all those essential jobs around the office that have to be done right to keep everything running smoothly – filing, photocopying, mail, banking, as well as helping Selina at reception.

"I'm loving it here," she says. "Everyone is friendly and helpful. I just like the way they do things at Ainger Tomlin. It's a great atmosphere to work in."

Hobbies? Sarah is looking forward to summer. "I love being outside and enjoy swimming and socialising with my friends. But winter's good too, because then I play hockey."



## 'Fess Up – or pay out big-time

Inland Revenue is investigating Loss Attributing Qualifying Companies (LAQCs) that have their private home (where they are living) in a LAQC, rent the property back to themselves and claim deductions for expenses that would otherwise be considered to be private expenses.

This is seen by Inland Revenue to be tax avoidance, even if a commercial rent is paid. Severe penalties can result – up to 100% of the tax shortfall.

Some people have even named a spouse or partner as a tenant, which is considered to be tax evasion - a criminal offence.

We understand that all LAQCs have received a letter from Inland Revenue that explains this, offers the opportunity for such people to make a voluntary disclosure, and recommends first seeing a tax advisor (your accountant) before doing so.

## More Statistics

The percentage of working-age women with a job increased from 59% in December 2002 to 62% in December 2007. Women working part-time account for 34%, compared to the OECD average of 26.4%.

Employers are becoming noticeably more flexible in employing part-time and accommodating flexible working hours.

Offering flexible working hours used to be optional – but since July 1 employees have the *legal right* to request flexible working hours - providing they have a dependent to care for. Refer to our Spring 2008 *Ainger Tomlin News* (which is also on line at [www.aingertomlin.co.nz](http://www.aingertomlin.co.nz)).

For even more – [www.dol.govt.nz](http://www.dol.govt.nz)

## English - such a confusing language

If you employ or work with people for whom English is a second language, always be aware of how difficult it is.

We have noses that run, and feet that smell. People play at a recital, and recite at a play.

And consider such sentences as:

The bandage was wound around the wound.

We use the garden to produce produce.

The soldier in the desert deserted and got his just deserts, but enjoyed a delicious dessert.

I do not object to this object being objectified.

The oarsmen kicked up a row when they rowed about how to row.

'Because you are close, please close the door.'

We enjoy being part of your business team  
and look forward to working with you in 2009.

Merry Christmas and a  
Successful and Prosperous New Year  
from all the Ainger Tomlin team