

Business Matters

Strategies for managing your business



Develop an ethics policy

Most companies, especially large corporations, have developed clear ethical guidelines and policies. Because employees continually face many situations that have ethical implications, it is extremely useful to have a set of clear and consistent policies.

Some of these issues include protecting customer confidentiality or receiving gifts, gratuities or special favours. A clear policy can ensure that ethical issues are firmly, fairly and consistently applied throughout the company.

In virtually all situations, it is illegal to discriminate against employees because of religion, sex or ethnicity. Businesses may not discriminate in hiring, promotion, pay or treatment. It is also the responsibility of the employer to create an environment that is not hostile to any individual or group based on these factors. It may also be necessary to take reasonable steps to accommodate the employees' religious observance needs.

New technological developments present a range of other ethical challenges. It is now much easier to accumulate, buy and share customer information.

Technology also makes it simple, cheap and even inviting to duplicate copyrighted works, including software, music, data or written work – presenting a new form of risk for businesses. Ensure that

all team members are clear about intellectual property issues. In some cases it may even be worthwhile seeking legal advice to eliminate any element of doubt.

When developing an ethics policy, there are a number of issues to consider, particularly now in light of global and technological changes. Some of these include:

Legal dealings. How does a business ensure that it obeys the laws not only of its home country, but also of other countries in which business is conducted?

Employees. How do businesses ensure that managers treat employees fairly, honestly and with respect? What processes exist to guarantee that subcontractors act ethically? What guidelines will be established for the personal use of company property, such as company cars, phones and email?

Customers. What steps will be taken to deal honestly with customers? How do you ensure truth in advertising and on websites? How should employees deal with gifts and other benefits from customers or suppliers?

Community. How does a company measure the impact of its actions on the community?

Environment. How will the company take into account the impact of its actions on the environment, including its choice of suppliers, manufacturers, distributors and waste disposal??

HWI LTD

PO Box 99858,
Newmarket Auckland 1149

•
TEL 09 307 8500

•
FAX 09 307 8505

•
E-MAIL
hwi@hwi.co.nz

•
WEBSITE
www.hwi.co.nz

•
DIRECTORS
Cal Rogers
Chris Henderson
Kevin Wilson

•
Accounting
Auditing
Taxation Advice
Business Planning

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Time for some contingency planning

In light of recent global events, businesses may need to prepare for emergency or crisis. Businesses should determine what kind of crisis they are likely to face and what would be critical if those events occurred.

Start by listing the types of emergencies that could reasonably affect your business, paying attention to the potential effect.

Risks to consider include:

- Fire/flood/storm
- Identity theft
- Theft/embezzlement

- Absence of key staff
- Loss of electricity
- Computer failure and data loss
- Other equipment failure
- Loss of major supplier or customer

For a two-week period, begin monitoring how business is conducted on a day to day basis, to better understand what the business absolutely depends on to stay in business. Consider the equipment that you rely on, the computer files you absolutely must have and what would happen if you didn't have access to your equipment, certain employees or your facilities. If your business depends on the telephone, consider how would you get

your messages and respond to them? What about online access? Are staff aware of how to redirect or pick up email if an emergency knocks out your computers? Remember, a disaster elsewhere may also be a crisis for you, especially if your business depends on distant suppliers. Develop a list of alternatives in case your regular channels become unavailable.

After you have considered the vital systems, people and access you need during that two-week period, make your contingency plan. For each of the following issues, document who or what you depend on for it and your plans for backup alternatives:

- Access to your premises
- Access to customer details
- Access to other important information
- Processing orders
- Handling phone calls
- Producing your product or service
- Shipping/receiving
- Access to electricity
- Access to phones
- Access to the internet
- Other important issues for your business

Finally, do not forget to organise insurance or review insurance policies. As damaging as a disaster can be, it can be a lot less devastating if insurance covers the financial losses and helps get the business going again. Start with the basics: fire, theft, liability and possible natural disaster insurance. Finally, think about getting other kinds of business insurance just in case the worst should ever happen.

Protect your intellectual property

Today it has become essential for businesses to take steps to protect assets. An often overlooked area relates to intellectual property and, in particular, trademarks.

Trademarks protect the rights of owners of a company, keeping others from using their names on similar or competing products or services. A trademark protects 'intellectual property' - valuable company assets that are not tangible, but are the result of invention and creativity.

Trademarks include names, logos and other identifiers of products or services.

One of the benefits for small business is that trademarks are relatively easy to register and not too costly to obtain.

On the other hand, the cost of not having a trademark properly protected can be very damaging for a small business. One of the big risks is that a small business who has not got a trademark may be forced into expensive legal action in order to enforce intellectual property rights.

The cost of adequately protecting business assets through a trademark is insignificant by comparison.

Twice-monthly PAYE threshold increases

The threshold for a business to pay PAYE twice a month has been increased. This is part of the recent business tax relief legislation. The change effective from 1 April 2009 means that a company with gross annual PAYE and ESCT (employer superannuation contribution tax) payments less than \$500,000 (previously \$100,000), will only be required to pay PAYE amounts to Inland Revenue on a monthly basis.

Inland Revenue has already sent letters to taxpayers that it believes may be affected by the recent changes.

In addition, Inland Revenue may also have automatically updated some companies' PAYE filing and payment status to monthly, based on records it holds for that individual taxpayer. This may not be correct for all taxpayers.



Grouping provisions may apply

Taxpayers need to exercise some caution with the change. In particular, taxpayers should be aware of the calculation for the value of the threshold. For the purposes of determining the value of the threshold, the legislation requires, under the PAYE rules, that two or more companies that are part of the same group of companies are to be notionally grouped as one employer. That means if there

are two or more companies in a group and the total PAYE and ESCT amount paid exceeds the \$500,000 threshold, each company will individually be required to file and pay PAYE amounts to Inland Revenue twice a month.

Businesses that are part of a group and have had their status changed to monthly payment and filing basis by Inland Revenue should review this issue to ensure that monthly PAYE payment and filing is still appropriate.

Caution with employer contributions

The IRD has indicated that some employers may not be aware that by making employer contributions to KiwiSaver schemes at more than 2 percent, they will have become subject to employer superannuation contribution tax effective from 1 April 2009.

Prior to changes made in December, the compulsory employer contribution, which commenced at 1 percent from 1 April 2008, was to have increased to 4 percent over a 4 year phase period. Some employers however,

elect to make employer contributions at the rate of 4 percent immediately. Prior to 1 April 2009, the higher contribution rate did not attract ESCT. However, as a result of the recent limiting of the compulsory employer contribution to 2 percent, the exemption for ESCT has also been limited to 2 percent. This means that any employer contribution greater than this will be subject to ESCT at the rate 33 percent of the employer contribution.

From an employee's perspective, this change means that there will be an effective reduction in the amount going into their retirement schemes.



IR Update

Businesses with fewer than twenty employees will now be able to dismiss an employee within the first 90 days of employment without the risk of a personal grievance from them.

The legislation was introduced and effective from 1 March 2009, to encourage employers to provide employment opportunities, by removing the financial risk to the employer if the employee was unsuitable.

In order for the 90 day period to be effective, the legislation requires that trial or probationary period be specifically included in the employee's agreement. Employers should also clearly define when the trial period commences and ensure that employees sign and return any copies of employment agreements prior to commencing work to avoid any potential argument in relation to the 'effective' commencement of employment.

Turning business failure into success

In business, the stress is always on success. Seminars promote 'Small Business Success' and magazines run stories on 'How to Run a Successful Business'.

Failure is the 'F word' of business – it is taboo to mention it. After all, failure is what happens to other people, right? But what happens when we ourselves fail? We either try to quickly forget the experience or we wallow in self-doubt and recrimination.

Anyone in business is, sooner or later, going to have failures. But sometimes these 'failures' may turn out to be fortunate if they guide business owners to re-examine goals, decisions and methods. In this case, steps can be taken to direct the business into a different or improved path.

Many successful people will say that some of the most important and beneficial events in their lives were things they viewed as 'failures' at the time. But they used these failures to learn new attitudes and skills, to move on to new opportunities and to get perspectives on their lives.

Of course, some failures can have a major economic impact on your life, such as bankruptcies or divorces. But even these significant and very painful events can,

over time, be seen as a chance to start on a new direction.

Here is how some of the most successful entrepreneurs deal with failure:

Redefine it. Some companies treat failures as learning experiences. Silicon Valley in the United States is considered a leading technological centre. One reason this area breeds innovation is that when someone has started a company that later fails, they are not considered a failure – rather, experienced entrepreneurs.

Analyse it. Most people view running a business like a game. They are either focused on winning or losing, rather than what is being learned from the experience. Many venture capitalists will only invest in entrepreneurs that have had at least one failed company. Why? They want reassurance that the people they support have learned from success and failure before any investment is made. After each and every set-back, big or small, take a clear, cold look at what happened.

Depersonalise it. With any failure it is easy to become self-absorbed and embark on a path of self blame. Donald Trump, one of the most successful property owners in the world, has been close to bankruptcy and back on top several times. While it is important to analyse mistakes, nothing will be learnt from self-pity.



It is also not a productive or positive way to spend energy or time.

Change it. Once the reason for failure has been determined use it as a basis for modifying behaviour. Ensure that mistakes made are a constant reminder of what has been learned. Be patient and forgiving because change takes time.

KiwiSaver update

With the recent slowing of the national economy, some employees may be looking to increase their after tax earnings. One of the ways which may be available for them is to make changes to their current KiwiSaver contributions.

Employee contributions

Employees that are currently contributing to KiwiSaver at either 4 percent or 8 percent, may elect to reduce their contribution to 2 percent of their gross. Any changes to KiwiSaver contributions requested by employees may be made simply through the payroll system. It is advisable that employers request that employees provide written

confirmation or complete a new KiwiSaver deduction form (KS2). It is unnecessary to contact the Internal Revenue.

Employee contribution holiday

A contribution holiday may also be available to employees provided they have been contributing to a KiwiSaver fund for a minimum of twelve months. A contribution holiday is a temporary break from making contributions through an employee's earnings. A break may be available for a period of between three months and five years. Employers are not required to continue making compulsory employer contributions on behalf of employees that are on a contribution holiday. Employers that do continue to make contributions will be liable to pay employer superannuation contribution tax on those contributions.

Employees that are experiencing financial hardship and have been making contributions for less than the required 12 months period may be granted an exemption. In order for this to happen they must apply to Inland Revenue directly. If an application for a contribution holiday is accepted the employer will receive a notice requesting that they cease making deductions.

WEB WATCH

ESSENTIAL SITES FOR BUSINESS OWNERS

www.iponz.govt.nz

The Intellectual Property Office of New Zealand is the government agency responsible for administering patents, trade marks, designs and plant breeder's rights.

www.getsafeonline.org

A useful site on internet safety for you and your business.

www.nzcbesd.org.nz

The New Zealand Centre for Business Ethics & Sustainable Development promotes positive business practices through research and education on business ethics. The website provides resources and case studies on ethical dilemmas involved in day-to-day business.



REMINDERS FOR YOUR DIARY

JUNE

- 22 Employer deductions (IR 345) form and payment due and Employer monthly schedule (IR 348) due.
- 29 GST return and payment due for periods ending 31 May.

JULY

- 20 Employer deductions (IR 345) form and payment due and Employer monthly schedule (IR 348) due.
- 28 GST return and payment due for periods ending 30 June.

AUGUST

- 20 Employer deductions (IR 345) form and payment due and Employer monthly schedule (IR 348) due.
- 28 GST return and payment due for periods ending 31 July.
- 28 Provisional tax instalments due for people and organisations with a March balance date.

SEPTEMBER

- 21 Employer deductions (IR 345) form and payment due and Employer monthly schedule (IR 348) due.
- 28 GST return and payment due for periods ending 31 August.

A Great Read

Twitter Means Business:
How microblogging can help or hurt your company.

Author: Julio Ojeda-Zapata

Millions of internet users have fallen in love with the Twitter 'microblogging' service, which lets them swap brief text 'tweets'. Now companies are embracing the service to engage customers, promote products and monitor what is being said about their brands.

Given the passion and high profiles of 'Twitterverse' denizens, the service has evolved into a vital early-warning system for businesses seeking to stave off criticism and as a way to build better relationships with customers. That is why companies need to know Twitter. Embracing it can help a business thrive. Ignoring the service could well hurt it.

For companies unfamiliar with Twitter, this book serves as a field guide. They will get a Twitterverse tour and learn about the dozens of firms - big and small - that have harnessed Twitter as a powerful, flexible business tool. Many use Twitter as a customer-support tool, a public-relations tool and a product-development tool. Customers tweet about what they like and don't like about the company's product or services. The bottom line is, Twitter means business.

If you have little experience with Twitter, then this book will help you understand the impact that social media is having on business.

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.