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*"Fame is what others give you; Success is what you give yourself."*

*"I have not failed. I have successfully discovered 1200 ideas that did not work."*

*Thomas Edison*

## GST – what you need to know

# 15%

We have already discussed in our June 2010 newsletter some of the issues relating to the GST rate increase to 15%. It is time to decide whether all your transactions will be immediately affected by the GST increase, whether it is your business that will bear the cost of the increase or whether these costs will be passed onto your customers.

Although the GST Act allows, in most cases, the supplier to retrieve the increased GST from customers, it is a commercial decision for every business to make whether to pass this cost on. Remember (and remind your customers where appropriate) that you are not benefiting from the GST rate increase as you are merely acting as an agent for the IRD collecting GST on their behalf.

The GST Advisory Panel has been set up to help businesses and the Government implement the GST rate increase. The Minister of Revenue has announced the Government's intention to address unmanageable compliance costs and provide much needed certainty. The Minister proposes certain amendments to the legislation such as grandparenting at the 12.5% rate some insurance contracts and finance leases that straddle the 1 October date, and some other contracts and lay-by sales.

In most cases however the general "time of supply" rules will govern the GST rate applicable to various transactions after 1 October. The general rule is that a supply is deemed to take place at the earlier of the time any payment is received by the supplier or an invoice is issued. Where goods and services have been supplied prior to 1 October 2010 but an invoice has not been issued, the IRD will allow you to issue invoices until 11 October 2010 and treat the supply as being subject to GST at 12.5% provided

the invoice is dated pre 30 September 2010. D-Day is 11 October 2010. To determine the relevant period for accounting for GST depends on what accounting basis a business or person uses:

**If you are on an invoice basis** you claim GST in the period when you receive an invoice and you account for GST in the period when you issue an invoice or receive any payment in respect of that supply whichever comes first.

All invoices issued prior to 1 October should have GST at 12.5% (except for zero-rated and exempt supplies), and invoices issued on 1 October or later should have GST at 15% subject to the relief provision discussed above re 11 October D-Day. Also remember that if you are issuing a credit note after 1 October for an invoice issued at 12.5% GST the credit note should also have 12.5% GST.

**If you are on a payments basis** you should account for or claim GST in the period when a payment is received or made.

If you are on a payments basis you must perform a one-off adjustment to ensure that you are not advantaged or disadvantaged as a consequence of a rate change. The adjustment must be made in the return covering the month of September 2010 and should be calculated using the following formula. Debtor and creditor lists at 30 September 2010 must be retained to support this adjustment.

**Adjustment = (Creditors as at 30 September less Debtors as at 30 September) divided by 51.75**

If the result is a positive amount, it is extra GST to pay and must be entered as a debit in box 9 of the GST return. If the result is a negative amount it is a GST credit and the adjustment should be entered as a credit in box 13 of the GST return. The credit is either used in the current GST period, or can be refunded or offset against other taxes payable. The adjustment also removes the need to keep track of which period expenses and income paid/received after 1 October relate to.

# GSM

G S McLAUCHLAN & CO  
BUSINESS ADVISORS & ACCOUNTANTS



## More sales from existing customers

- Keep in touch. We've said this before. Don't let customers slip away because they think you are not interested in them. Use emails, but get your customers to agree to receive your emails. Many marketing firms send out ezines (email magazines). Customers are most likely to be happy to get your emails - and to read them - if there's a benefit for them, such as good tips. Be regular with your emails or you'll soon stop sending them.
- Sell more to your existing customers by being better at getting those add-on (also called companion) sales. Get the value of the average sale up. Be careful how you do this. A waitress who asks, "I can't tempt anyone to a dessert?" is inviting a "no" answer because it is negative. Restaurants are perhaps the worst businesses for throwing away potential sales. Never ask a question, when you are selling, which could invite a "no" answer. The first sale pays for the business overheads. The second and following sales have all the profit in them. You must get as many of them as you can. Train your staff. Find out what each team member is achieving and tell them, regularly, how they are going. As they improve, praise them. One retailer client raised his sales by a massive 20 per cent within one year by doing this.
- Sell more frequently to your existing customers. Get them into your shop more often. When you have a sale, let your good customers have the privilege of getting first look before allowing everyone in.
- Get referrals from your existing customers. It's OK to ask for referrals and using emails makes it easy - see first bullet point.
- Measure all these and manage them. Let your staff know "how we're doing" regularly.

## GST - what you need to know continued from page 1

If you are on a hybrid basis you account for GST on the invoice basis and claim GST on the payment basis.

**Some transactions are governed by special time of supply sections of the GST Act.**

**Hire purchase agreements** - the time of supply is the date the agreement is entered into. For example, if you have purchased goods worth \$8,000 plus GST on hire purchase on 29 September 2010 and the contract is for a period of 36 months, the GST of 12.5% applies to the total amount, and you claim \$1,000 GST in the 30 September GST period.

**Supplies by local authorities** (such as rates) - the supply is deemed to take place at the earlier of the dates an instalment notice is issued, the date on which payment is required, and the date on which payment is received. Therefore, if you receive an instalment notice dated prior to 1 October 2010, or choose to pay the full amount of your rates prior to 1 October 2010, the applicable GST rate will be 12.5%.

**Periodic supplies** - each payment is a separate supply and the time of supply is the earlier of the date the payment is due

or made. Agreements for hire, leases, and other similar commercial arrangements fall into this category. If you have any of these agreements all payments due after 30 September will be subject to 15% GST. You may choose to make extra payments prior to 1 October to take advantage of GST at 12.5%. (As already discussed, it is expected that some contracts straddling 30 September will be grandfathered at 12.5% GST).

**Progress Contracts** - the time of supply for each progress payment is the earlier of the date the payment is due, the payment is made, or an invoice relating to this particular payment is issued. If you have a building contract spanning 30 September 2010, payments due, made or invoiced prior to 1 October will be at 12.5% GST, and payments after 1 October will be at 15% GST. You cannot invoice the remaining work in advance unless the contract is a non-progress type contract. In some cases an invoice can be issued in advance. You should consult with your tax advisor before proceeding.

**Goods imported through NZ Customs** - the time of supply occurs when goods are entered or delivered for home consumption, or licensed goods are entered for a delivery

to a manufacturing area. For example, if the goods your business ordered in Australia arrive in New Zealand on 30 September and you have not collected the goods until 10 October, or a deferred payment of duty statement is issued on or after 1 October, the GST will still apply at 12.5%.

If your GST period spans 1 October 2010, you will need to file a special one-off GST return to cover the rate change. If your standard GST period is 1 July to 31 December, you will have to file a GST return for the period 1 July to 30 September (at 12.5% GST) and 1 October to 31 December (at 15% GST).

Use of money interest or penalties will be remitted if a mistake in a GST return arises prior to 31 December 2010 and it has occurred due to the change to the 15% rate. We recommend you contact your tax adviser to ensure that your GST returns are correct, or if a mistake was made due to the rate change it has been rectified before 31 December 2010. A GST Rate Adjustment Form (GST 105) will be available on the IRD website.

Source : RSM Prince

*"Easy times are the enemy, they put us to sleep. Adversity is our friend, it wakes us up."*  
(The Dalai Lama).

## Making staff redundant

Making staff redundant is not something any business leader looks forward to. However, the ability to quickly scale your business to match market conditions can be vital to your survival.

Guy Kawasaki's new book "Reality Check" offers his opinions on this subject. Here is a summary of his key points:

- Take responsibility for the decision to downsize. Don't blame it on the board of directors, the economy, or the competition. If you don't have the courage to do this, don't be a leader.
- Cut deep and cut once. It is a mistake to hope things will get better soon, and make frequent small layoffs in anticipation of a miracle. Better to cut too deeply and risk the problem of having to rehire. "Death by a thousand cuts" is terrible for the morale of the employees who are left.
- Don't let your people choose whether or not to get laid off - you might lose your best people. Make sure you pick the team you want to keep.
- A layoff is a good opportunity to terminate poor performers. Those who remain will see that you know who the top performers are.
- Beware when hiring friends or relatives. When downsizing happens, employees will be looking to see what happens to them - particularly if they are marginal performers. Is it cronyism or competence that counts at your company?
- Share the pain. Cut your pay. Take a smaller office. Downsize the company car. Fly economy class. Do something, however symbolic.
- Don't ask for pity. The person who suffers is the one being laid off, not



the manager. Don't be like the boy who murders his parents and then asks the court for leniency because he's an orphan.

- Provide support. Usually the people getting laid off aren't at fault. More likely, it was the fault of the leadership for inadequate strategic planning or poor hiring practices. Where possible, provide counselling, resume writing assistance, and job search help.
- Immediately after a layoff, don't hide in your shell. Now is the time to put on a brave face and get out there and encourage the troops. Demonstrate what Tom Peters calls MBWA (Management BY Walking Around). Put in plenty of face time so employees see that you really care. Remember, the number 1 job of a business leader is to rally your people to a better future - and then provide a clear description of how you plan to get there. With that in mind, have you updated your strategic plan for the coming year and clearly described the key Action Priorities for your team to implement?

Source : Results

## Maximise business execution and your personal productivity

How do you achieve business success whilst making quality time for your personal life? The higher you climb; it seems the greater the sacrifices you need to make. Many high achievers burn themselves out thinking they have to get everything done.

People are busier these days, but not necessarily more productive. They put in long hours at work, then more hours at home on their laptops and smart phones catching up on what they didn't accomplish at work - negatively impacting on their family time.

When you perform physical work, you know when you're tired - but long periods of mental work produce a different kind of fatigue. It creeps up on you and can be more insidious in terms of the effect on your physical and emotional health.

If you want to build a meaningful business or climb to the top of the corporate ladder - and still have a rewarding personal life- you need to make wise choices about how you invest your time.

Let's face it - you will never get everything done, and the pace of business is only going to get faster. You can't slow it down, but you can make better choices.

Peter Drucker said , "Do first things first, and second things not at all".

Force yourself to identify your #1 priority each week, and your #1 priority each day. Target the few, vital strategic action priorities that will have the greatest impact in moving your area of the business forward - and get them done first.

If you manage people, leverage your time by focusing on the things that will positively impact the greatest number of people.

People say "Yes" to too many projects, and they also say "Yes" too soon. Next time someone asks, "Can you do this?", reply by saying, "Let me think about how that fits with my current priorities, and I'll get back to you." This simple delaying strategy will help you make better decisions about how you invest your valuable time.

If all you did was identify your #1 priority, stay focused, and get it done - you would be vastly more productive than the majority who blindly lurch from one "urgent" interruption to the next (a new email / a ringing phone / someone walking into your office to start a conversation) - and those who spend hours performing low impact "busywork" - deluding themselves that they are moving the company forward - when all they are doing is "business as usual" activities.

Do you have a clear strategy for your business? Do you know what your key strategic priorities are for the quarter? Do you know what your #1 priority today?

If you can't answer these questions - we need to talk.

Source : Results

## Reminders

### Legal Expenses

When your total legal expenses for the year are less than \$10,000 the legal expenses of a capital nature will be deductible. However, they are only deductible if they meet the tests laid down in the Act.

# How safety can save your business money

ACC Workplace Safety Discounts are available in the agriculture, forestry, construction, motor trades, road transport, fishing, and waste management sectors. They are available to self-employed people and businesses that have an annual payroll of less than \$495,000, or 10 or fewer full-time staff. The programme offers 10% off the standard work levy if you can show sound health and safety practices.

The total amount of the discount will depend on the levies you pay. The discount applies for the tax year in which the application is accepted, and two further tax years, as long as you continue to meet the eligibility criteria.

To apply for ACC Workplace Safety Discounts you need to show you have relevant capability in managing health and safety. In most cases this means attending a free industry-specific training course or providing evidence of prior experience. To show this you would need to have



at least 12 months' experience in implementing health and safety procedures relevant to your current workplace and industry. Visit the ACC website [www.acc.co.nz/wsd](http://www.acc.co.nz/wsd).

## Getting colleagues thinking business development

Keen business developers often ask our advice about how to fire up their colleagues. Here are some conversation-starters and stimuli to help you get your colleagues to "think business development".

- What has attracted your best clients to you and the firm?
- What works for you in attracting new business?
- What are your secrets to keeping good clients?
- For what kind of client do you do your very best work?
- If you could acquire or improve one business development skill, what would that be?
- If you have a favourite client, who

is it? What do you think makes that relationship so successful?

- Is there an alternative fee, or pricing strategy, you have used with a client that was very successful from both client and firm perspectives?
- If you could work for any client, which one would you choose? Why?
- What has been your most successful relationship-expansion experience?
- What can you tell me about a client with whom you work who has an obvious need for much more help or services from the firm?

Source:  
Julian Midwinter & Associates Pty Ltd

# GSM

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\* Physical address \* E-mail address \* Phone and/or fax numbers \* Shareholdings \* Directorships \* Trustees  
Or anything else that may be relevant.

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