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# Hidden benefits of Personal Property Securities Register



Did you know that not using the Personal Property Securities Register (PPSR) could expose your business to unnecessary risk?

**D**espite the fact that the online register celebrated its 10th anniversary in May this year, a surprising number of small business owners are not aware of the reduced financial risk that comes with registering security interests on the PPSR.

Registering your security interest on the PPSR may give you a better chance of recovering a debt if your debtor defaults.

Note: Suppliers of stock need to register before delivery and suppliers of equipment need to register within 10 working days of delivery.

What a lot of people don't realise is registering on the PPSR is a valid defence against insolvent transactions (voidable preference) claims. To date, you or one of your clients has probably never had to pay money back to a liquidator on a debt you have already collected. If you do it's going to hurt as it feels like you are being penalised for doing your job properly! Insolvency Practitioners are increasingly using Insolvent Transactions as their only means of recovering funds for creditors.

#### What is an Insolvent Transaction?

Insolvent Transactions can only arise when the debtor goes into liquidation and are covered in Section 292-296 of the Companies Act 1993.

A transaction is voidable on the application of the liquidator if:

- At the time the payment was made the company was unable to pay its due debts; and
- The payment was made within the specified period (up to 2 years prior to commencement of the liquidation) and
- The creditor received more than they would have been likely to receive in liquidation.

We are suggesting that if the company was unable to pay its debts within terms of trade and if the payment was made in the specified period it may be pursued as an insolvent transaction but if you have registered a specific security to cover your supplies (a purchase money security interest "PMSI") then you will have a valid defence. The reason for this is that the payment was simply settlement of a PMSI with a "super priority" and that consequently the secured creditor received no more than they would have been likely to receive in liquidation. There were no creditors with a higher priority.

Please be aware that this has not been tested in Court. There are ways in which a liquidator may seek to challenge this.

As insolvency practitioners, McDonald Vague constantly see what happens when people do not register on the PPSR correctly or don't use the PPSR at all. We can assist to mitigate the risk of insolvent transactions for you or your client losing priority to another creditor by implementing a PPSR policy. We can also review Terms of Trade to ensure there is a right to register a PMSI or a General Security Agreement before goods are supplied.

Source: McDonald Vague



# 3 easy steps to grow your sales with referrals

You have probably heard the old saying “ask and you shall receive”. Nothing can be more true when it comes to asking for referrals from your clients. When it comes to cost effective marketing, research has shown that asking for a referral can be 10 times more effective than other marketing tools... and can often cost you nothing!

## 1 Build a referral system.

The first step is where most people go wrong! If you don't have a plan you will not make it happen. Referrals will not happen without a dedicated plan (that means you actually have to follow the system!)

Make sure ALL your team are involved in the development of the referral system and that standard letters, emails and other things are ready right from the start. They key to any system is to **Keep It Simple Stupid (KISS)**. The second key part is to actually follow the system and to ask!

**Here are some ideas to get into the referral asking habit:**

- **Set a weekly goal** – record how many referrals you ask for (and give). Make sure you enrol the help of someone else to hold you accountable.
- **When a customer compliments or thanks you** – respond with a thank you, followed by a referral request. For example, “I'm so pleased

you're happy with my work. Do you know anyone else who can benefit from my services?”

- **Networking events** – Step out of your comfort zone at networking events and set a goal to talk to at least three new people. Plan in advance what you might say. We're all drawn to interesting, enthusiastic people who have a story to tell.

- **Expectations** – When you start working with a new client make it an expectation that you will ask for a referral. Put it on your email, marketing material and website.

## 2 Go that extra mile.

There is no point asking for referrals if your service is not up to scratch. After all when people refer you they are in some way putting their reputation on the line. This is especially true when it comes to business to business referrals. People are naturally motivated to share things of value with their friends, family and work mates. But only if they have something that is worth sharing.

When your clients receive more perceived value than they feel they have paid for, they will more than likely refer you. Giving value can be as simple as saying thank you, and

simply doing exactly what you said you were going to do. Sounds simple but this is how bad general customer service has become in New Zealand. Your goal (and that of your team) should be to exceed client expectations at every opportunity given. Encourage your team to be creative and have fun building and adding value whenever and however they can.

## 3 Say Thank you!

Whether by email, phone, letter or a handwritten note, always make sure to thank your clients immediately following a referral. This needs to form part of your referral system. This step is crucial because you want to be sure to show the person referring you that you appreciate their endorsement regardless of whether a sale is made. By showing your appreciation it will increase their motivation to refer you again. You can add a referral gift or a discount for their next purchase as an additional way of saying thanks.

## Directors' fees

If a person receives directors' fees, which are payable to the business he/she works for, the fee forms part of the taxable activity of that business and GST must be charged by the business. This includes a person who accepts a board position, offered to him/her as part of carrying out a taxable activity. The rule was effective from 30 June 2014. If the employer is exempt from the withholding regulation, e.g. it is a company, there is no need to deduct 33% withholding tax from the fee.

## Beware 15 January

The date for payment of the second instalment of provisional tax for 31 March taxpayers should have been 28 December. However, as most people are on holiday at that time, it was changed to 15 January.

Annual leave was subsequently increased to four weeks but the date above was never reset to 22 January as it should have been, following the original reasoning for choosing 15 January. As a consequence the IRD is collecting more penalties and interest.

If you're taking a summer holiday break and have tax to pay while you're away, don't forget to set up the payment before you go.

We notice several clients were late last year. We also notice the IRD does not send out statements but allows penalties to accumulate. So, beware 15 January. Don't pay your tax late.

Source: RSM Prince



# 4 WAYS to make your business great

Most business owners want their company to be successful. But success comes in many different shapes and sizes, and it doesn't always mean you'll have a great business. If you're looking for something more than average, a business that's out of the ordinary – what's going to make the difference? What is going to move your business from being average ... to being extraordinary?

**T**here are a number of things that will help you on your way to having a great business. Here are just four that "great" family businesses appear to have in common. They may set you on the path to having your own extraordinary business. But beware, some humdrum commitment to these won't do the job – you'll want them to be driving priorities – even passions – if you're to have a truly "great" business.

## 1 Pursue the dream

Make sure you have a dream, or a vision, for your business. Commit to your vision ardently and enduringly. Become passionate about doing something important exceptionally well. Invest deeply in the long run in whatever you need to attain your dream. Make sure you're always looking at the big picture so that you don't get caught in the trap of using short-term tactics.

## 2 Unite the team

If you want your business to thrive, you'll want to be interested in building a cohesive clan-like team. Make sure your business has strong values and ensure your

team unites around what is important. Ensure these values prevail and don't forget to treat your employees. Pampering your employees will often help elicit loyalty, initiative and collaboration (but don't pamper them in order to achieve this... pamper them because they are worth it!) In this kind of culture bureaucratic rules and financial incentives often take second-place.

## 3 Build Lasting relationships

Many great family businesses appreciate and enjoy lasting, open-ended relationships with business partners, customers and the larger community. Make sure you are building relationships that will continue long after the original "contract" or "transaction" is done with.

## 4 Act and adapt with freedom

One great benefit of being a family owned business is that you are not hampered by the constraints of shareholders. This gives you the ability to act independently and responsibly. You can take action quickly, in creative and original ways, to regenerate or adapt your business.

*Source: Full Focus*

## Residency rules changed – GST

**F**rom 30 June 2014 a person becomes a resident or ceases to be a resident or ceases to be a resident for GST purposes only, the day after the required time period has elapsed. For Income Tax purposes the time of change of status continues to be retrospective.

For example: a service provider comes to NZ and makes supplies, and while not planning to be in NZ for more than 183 days remains for over 183 days. They will not need to be retrospectively registered for GST, with all the consequences. It works the other way too. When leaving NZ and the 325 day threshold is exceeded, there's no retrospective cancellation of GST registration.



## Who is your important customer?

**A** couple in their 30's visited a car franchise dealer and were greeted by a salesman who asked: "How much were you thinking of spending?" About \$80,000, they replied. A few moments later the salesman's cellphone rang. "Excuse me," he said. "May I just take this call?"

After a short time the couple became fed up with waiting and left. The salesman was surprised.

Who is your most important customer? Answer "The person right in front of you. Do you ask your most important customer to wait while you take a call? You bet you don't, particularly if you're trying to sell an \$80,000 car.

In any business, if you have interested buyers, don't accept avoidable interruptions. It's discourteous. Look after the customers who count.

## The 80/20 principle applies widely

**I**n 1906 Pareto, an Italian, noticed 80% of the wealth in his country was in the hands of 20% of the people. Others later noted the 80:20 rule applied widely.

Thus 20% of something is always responsible for 80% of the results. Twenty percent of your stock will take up 80% of your shelf space or storage; 20% of your suppliers will provide 80% of your stock; 20% of your staff will cause 80% of your headaches.

Knowing this principle can help your business. If you know the 80% part, look for the vital 20% creating this 80%. Work on the 20%.

As a manager, put 80% of your time into the important 20% of your work.





# 7 tips for email senders

Here are seven tips which will help email readability.

## 1 Keep emails concise

Think about the message you want to convey, and do it in as few words as possible. Long emails don't get read.

## 2 Draw attention with the subject line

Like a headline in a newspaper it should entice the reader to look for more details.

## 3 Avoid attachments

They should only be what someone requests. Never try to convey a message with an attachment. Opening an attachment is an extra step readers are unlikely to take. Say what you want to say in the body of the email.

## 4 Check the text

Proof read before you hit the send button. Spelling mistakes and 'text-speak' are unprofessional.

## 5 Double-check forwarded messages

Beware forwarding a message with a thread deep down in the email that might have been sent to you in confidence.

## 6 Never assume privacy

Assume that your email will be read by others; after all you have no control over what happens to your email once you send it. So be courteous and respectful.

## 7 Take a breath

Never send an email in anger. If you receive an annoying email, never respond immediately. Put the email aside and reply when you are calmer. Consider always leaving those difficult emails until next day. You'll be more rational.

Source: RSM Prince



# GSM

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# Read this NOW

**P**rocrastination can be a problem in work life and home life. It reduces your productivity and compounds problems. Here are a few simple tips to help motivate you into action.

- **Write down a daily list of tasks.**
- **Write down an overall goal for the day.**
- **Finish what you start.** Don't walk away from the job until it's finished.
- **Work in your super zone.** Your super zone is that time of the day when you are freshest and most alive and engaged. It could be early morning or late at night.
- **Use the Pomodoro Technique or something similar.** Break up your time into segments of 25 minutes then have a short break or stretch before you get back to it again.
- **Reduce distractions.** Limit email and phone if you can.
- **Be accountable and take responsibility.** (Watch out for the blame game).



## Changes in Particulars

Please remember to let us know of any changes in:

- Physical address • E-mail address • Phone and/or fax numbers
- Shareholdings • Directorships • Trustees

Or anything else that may be relevant.

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