The official newsletter of NZ CA Limited

nz ca
AN ASSOCIATION OF INDEPENDENT CHARTERED ACCOUNTANTS

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A risk for all businesses

CYBER-ATTACKS

The recent cyber-attacks on the Waikato District Health Board and other organisations has highlighted the danger for all businesses.

It's not just big businesses being targeted. Small ones are also being asked for money to restore access to files and computer systems.

Ransomware is malicious software (malware) that encrypts files and stops you from being able to access your data and systems. Once the attackers have control, they demand a ransom so you can get your system and files back. Attacks can cripple a business, which is why the scammers can be so successful.

Prevention is critical. If you're caught in a cyber-attack, you really have only two options: pay the ransom or rebuild your systems.

Paying a ransom is not a good idea because you have no guarantee everything will be restored, and you will now be seen as an easy target willing to pay again.

So aim for prevention. The following steps will help protect you and your business from ransomware and cyber attacks:

- Use multi-factor authentication (MFA). It's said to protect businesses from 99.9 percent of cyber-attacks. MFA means you can't log in (to online services, social media, emails etc) without a code sent to your cellphone or an authentication app.
- Watch out for phishing (fraudulent messages). Don't open strange emails, websites or links that could contain malicious software that infects your systems.
- Install updates for your software as soon as it's available. Updates usually include strengthened security. Back up everything on the cloud or external hard drives so you can restore it all if you're attacked.

And if the worst happens, go offline immediately to limit spread of the malware. A simple way to do that is to unplug your computer network cables and your router.

As a small business you're unlikely to have an IT expert on staff, so go to your internet service provider to help work out what happened and to avoid it again. It might also help to engage an IT professional.

A great source for more information is at **cert.govt.nz**

IN THIS ISSUE

How to become financially stable

6 ways to boost your financial stability

How you view financial stability may vary compared to the next person. However, there are some common grounds to defining financial stability and how you can get there.

What is financial stability?
When you have reached a state of financial stability, you are confident and completely stress-free when it comes to money. You are not worried about having the funds to pay your bills, if you're of a pre-retirement age you'll probably be saving money each month, and you are also free of any bad debts.

The biggest part of achieving financial stability is that you are not stressed about money, and even if something major changed in any area of your life, such as a health problem, you still wouldn't be stressed about financial matters such as how to pay the bills.

How much is needed for financial stability?
How long is a piece of string?! How much money you need to be financially stable depends on your cost of living and what your needs will be. To reach short-term financial stability, a person might only need to have 3-6 months of living expenses saved. Long-term financial stability might be having enough to retire without running out of money.

Let's explore the top six ways you can become financially stable.

1 Get financially educated

A great first step to become financially stable is to start to educate yourself. Understanding money, investing, lending, insurance, and budgeting may seem challenging, but it's not if you dedicate time to improving yourself and learning.

When you are informed about these areas, you'll start making better future decisions and be more conscious of current financial moves.

And yes, the Internet means you can teach yourself this!

2 Think ahead, including for retirement

Getting financially stable in the shorter-term is incredibly important. It's easy to vision your success and plan for something over a shorter timeframe. As the results are soon visible, it's also helpful to keep you motivated.

However, you also need to think long-term too and how you'll be set later in life. It might be challenging to think about that early on and when you are just piecing your finances together.

Preparing for retirement early will give you a massive advantage as you have time on your side. This gives you years of compounding investment returns helping you on your way to financial freedom. How much you can invest may change over time, especially as life changes such as having kids or changing career paths may decrease or increase the regular sum you can invest. But, getting started is the main thing. If you don't have a lot of money, that's okay! You can start investing with as little as $5 with online platforms or simple investment solutions.

3 Increase your income

As you improve your budgeting and understanding of where your money is going, you'll probably start to cut back on your spending. This is great but **remember that you can only cut back so much.**

A big part of becoming more financially stable is going to be increasing your income. There are numerous ways you can do this:

- Starting a side hustle in your spare time
- Increasing your salary by promotion, overtime, or striving for bonuses and commission
- Get into the gig economy, like delivery app jobs
- Changing career paths
- Sell your knowledge and expertise as a freelancer/consultant

Making more can help ensure you reduce financial struggles and help you be more at peace. But be warned, you want to be careful not to fall into the lifestyle creep trap as you make more money.

4 Build your financial plan

Have you ever heard of a plane taking off without planning where it would go? Probably not, which is why planning is key.

By not planning, you put your finances (and your family's) at risk because you don't understand big decisions about where you're going. Therefore, it becomes a lot tougher making a lot of little decisions that add up to achieve the overall result.

If you want financial stability in your life, you must spend time creating your own financial plan, or paying someone to do it. Without this guidance and research, you'll be decision-making blindly, just a like a plane taking off without knowing where it's headed.

Think of your financial plan as a route map that will help you and your family navigate financial matters. It helps you layout goals, steps, and what you will need to do to reach financial stability. Just as planes take off with enough fuel to reach a backup destination, in case they need it, you'll also build flexibility and contingencies into your financial plan.

5 If needed, repay any debts

If required, debt payment options you might want to consider are:

- paying off the debt with the highest interest first; and
- paying down the debt of the lowest amounts to pay off things right away.
- pay off personal debt before business debt to maximise interest deductions.

It's up to you and your personal circumstances as to how you want to go about this.

Just remember, credit cards have the highest interest rates and can really snowball if you fare only paying minimums each month.

There are other options as well, a quick Google search can point you in the direction of plenty of free budget counselors.

6 Live below your means

A big problem many of us face is that we live above our means. We fund a lifestyle that we clearly cannot afford, for whatever reason that may be. This is commonly called lifestyle creep, which occurs when your standard of living improves to become more expensive as your income rises – which usually occurs as your career progresses. Soon after you get that long-awaited pay-rise or promotion, what you might have once seen as luxuries start slowly and steadily becoming life's necessities.

If you want to get financially stable, unless you're comfortably retired already, you have to start living below your means – spending less than you earn.

- The bottom line – how to become financially stable
- Here's the top six ways for you to become financially stable:
- Get financially educated
- Think ahead, including for retirement
- Increase your income
- Build your financial plan
- If needed, repay any debts
- Live below your means, avoiding lifestyle creep!

Source: www.milestonedirect.co.nz

Sick Leave Entitlement increased to 10 days as from 24th July 2021

Here's what you need to be aware of

1 All employees (including casual employees so long as they meet certain criteria) are entitled to take sick leave when they are sick or injured or when someone they care for is sick or injured. The Holidays Act sets out the rules and criteria around sick leave entitlement, including when and how it is to be paid. Currently all employees, irrespective of how many hours per week they work, are entitled to 5 days of paid sick leave per annum. They are also entitled to carry forward any paid sick leave they have not used from one year to the next, so long as they do not exceed a maximum entitlement of 20 days sick leave.

2 Sick Leave does not 'accrue' – employees become 'entitled' to their full annual entitlement at their 6-month "anniversary" and then every 12 months after that. This becomes their "entitlement date" for sick leave. Please be well aware that this is different to their employment "anniversary date", which is usually the 12-month anniversary of their employment start date and which is used for all other holiday pay entitlements. (You've got to love the Holiday's Act!)

3 The minimum sick leave entitlement has increased from 5 to a minimum of 10 days per annum. For existing staff this will kick in at their next entitlement date after the 24th July 2021, while for any employee with less than 6 months employment or who begin employment after the 24th July, they will become entitled to 10 days paid sick leave per annum at their first entitlement date after employment.

4 Sick Leave entitlement does not change based on how many hours one works – so all employees will now get 10 days of paid sick leave each year, irrespective of whether they work full time or just one day per week!

5 The maximum entitlement of 20 days per year does not change. This means that employees may now carry forward up to 10 days of unused sick leave from one entitlement year to the next.

www.eipm.co.nz

Benefits in on-time supplier payments

It was late Friday afternoon. Joe, who is no tech whiz, had just bought an expensive new router because he was fed up with the problems arising from the cheap one supplied by his internet service provider.

He rang his IT expert and asked for some help installing it.

"We will need to visit you to do this," they said.

To Joe's pleasant surprise the tech came out late on the Friday afternoon. After the job was completed, about half an hour after the tech should have finished work for the day, Joe thanked him for coming so quickly.

"The boss said I didn't need to come but I explained you always pay your bills quickly," he said.

A café owner, who always pays his suppliers on time or early spends about $5,000 a month on coffee. Recently, the price of coffee went up but not to this owner. The supplier rewarded him for his prompt payments by not increasing the price. He in turn, was able to keep his prices stable.

Is it good business to be a slow payer? What are you going to gain by holding on to your money — maybe 0.5 percent interest? It will work better for you by being a prompt payer. Suppliers are invariably thrilled to be paid immediately and are much more likely to look after you.

Tax calendar

28 October 2021
First instalment of 2022 Provisional Tax for those with March balance dates who pay GST twice a year.

29 November 2021
First instalment of 2022 Provisional Tax for those with June balance dates.

Interest and rentals

The Government has produced a 143-page discussion document to try and sort out the complications arising from disallowing an interest deduction on residential rental property.

A typical complication is where the residential property is owned by a company and only forms a small part of the company income. Funding for the company can be constantly changing, so how do you know how much to allocate to the residential rental property?

Another one is the person who takes in a boarder or lets out part of their main home as an Air B&B. In these cases, the proposal is to allow a proportionate interest deduction.

For those who owned property before the law change, the deduction is to be scaled down over four years. The first reduction occurs at October 1 this year. The claim for interest is calculated on the basis of it being incurred. This means if you paid interest to, we will say September 25, you would also be able to claim the interest through to the end of September, even though you will not be paying it until after October 1.

Family trusts

The accounting for family trusts will become more complicated starting from the 2022 financial year. Financial statements will be required and other detail will need to be reported to Inland Revenue. This has come about due to the extra step of 39 percent tax on incomes over $180,000. Inland Revenue is concerned about the possibility of taxpayers avoiding the top tax rate.

Cryptocurrency

Inland Revenue has made several pronouncements about the tax of various forms of cryptocurrency trans-actions including "airdrop" distribution, and "hard fork" validation of blocks and transaction. If you are involved in cryptocurrency transactions, you should check the tax implications. If you buy cryptocurrency and sell it, any gain is likely to be taxable.

Subsidies on electric vehicles explained

The Government introduced a subsidy on electric vehicles from July 1 2021.

It offers $8625 for new electric vehicles and hybrids and $3450 for a second hand imported vehicle. Only cars priced under $80,000 and safer models are eligible for rebates. Fees on higher emitting vehicles will begin on January 1 next year. The rebate scheme will also expand on that date to include low emissions vehicles.

Low emissions fuels such as biofuels and hydrogen will also become eligible for funding.

Transferring shares

It appears to be so easy to transfer shares. All you have to do is to go on to the internet, find the Registrar of Companies and change your shareholding! Wrong. Share transfers need to be approved by directors so suitable minutes need to be prepared and signed. A signed share transfer form will provide evidence the seller intended to get rid of their shares. The company also needs to keep a register of shareholders and this needs to be updated. It is not the same register as the one at the Registrar of Companies. Before even starting to put through a share transfer, you must consider the tax implications. Not only can losses be forfeited but also tax credits, and this can be very expensive. If you're contemplating changing your shareholding, please confer with us before taking any action.

Feasibility expenditure

If you have a project involving some feasibility expenditure before you start, be sure to keep this separate from the other expenditure. For example, you might have a leaky building. If you can segregate the feasibility study from the rest of the expenditure, you might be able to get a write-off of the whole amount, if it is less than $10,000, or at least be able to write off the cost over a period of time.

"There's no shortage of remarkable ideas. What's missing is the will to execute them."
– Seth Godin

"I never dreamed about success. I worked for it."
– Estee Lauder

"Continuous effort – not strength or intelligence – is the key to unlocking our potential."
– Winston S. Churchill

INTEREST-FREE PERIOD on the Small Business Cashflow Loan...

2 Years? **Yes**, with Terms and Conditions

Due to the change made to the Small Business Cashflow Loan Scheme by the Government on 9 November 2020, businesses who applied for the Small Business Cashflow Loan can enjoy a 2 years interest-free period.

However, we would like to point out that the 2 years interest-free period comes with terms and conditions. According to clause 4.2 of the loan contract, any outstanding principal amount not paid in full on or before the 24-month date will be charged interest for the entire period since the loan amount was made available to the business. For example, if you have a loan balance of $8,000 on the first day after the 24 months, you will be charged interest on the whole 24 months plus one day, not just the one day after the 24-month date. Interest will be charged on the principal amount at 3% per annum on a daily accrual basis, which will be $480.66 instead of $0.66 from our example here.

Compared to many business loans offered by lending facilities on the market, business owners may be happy accepting the 3% interest charge and take the advantage of the loan for the full 5 years lending period. However, for businesses that plan to reduce debt and repay the Small Business Cashflow Loan by its 2 year interest-free date, we suggest marking your day on the calendar to ensure you pay the loan amount in full before the 2nd anniversary.

RSM NZ

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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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