

Business Matters

Strategies for managing your business



HC PARTNERS LTD
Chartered Accountants

Women in business on the rise

In today's burgeoning small business market, the number of women running their own businesses is increasing rapidly. While this is great news for women the world over, the fight for equality still has not quite achieved its goal, at least not in the business world.

Studies have shown that, although the number of businesses owned and run by women continues to grow, the income of these businesses tends to be limited when compared with those run by men. Stereotypical views of the so-called fairer sex would have us believe that this is because most women are satisfied with running small businesses with no interest in growth, because of a tendency toward being risk averse and a lack of interest in increasing profitability. But is this really the case?

The fact is that 87% of female business owners polled in a recent survey said that their goal was to grow their businesses, but while they were more than willing to put the hard yards in themselves to achieve that growth, they were reluctant to hire on employees to share the workload and help their businesses grow quickly.

This reluctance to take on help is often a result of not being able to justify the expense of hiring when they can achieve the same result by putting in the extra hours themselves. It can also be caused by an unwillingness to pass their responsibilities onto others, because of the belief that they need to do everything themselves, or a lack of confidence in their abilities to take charge of the working lives of other people.

There is only so much growth one person can achieve on their own, however, and while female business owners may be very successful flying solo, their aversion to sharing the burden of their business can stunt their personal and business progression. Whatever the cause, this negative attitude toward delegating responsibility to employees is unlikely to help women to expand their businesses or their finances past the \$500,000 year mark.

Whether it is a simple desire to keep up with the boys, or a more practical or personal reason, women in business who want to achieve significant growth in their businesses need to consider taking on the title of 'Boss' and delegating responsibility. In matters of business, two heads really are better than one, so just imagine how much more three or four extra heads could achieve.

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Living on borrowed funds



A detailed policy statement from the Inland Revenue Department (IRD) regarding their approach to shareholders and beneficiaries of trading trusts may be forthcoming. This is following the Tax Review Authority's (TRA) decision that loans paid out to beneficiaries

of trading trusts can be considered as income and therefore subject to taxation laws.

In a recent incident reviewed by the TRA, it was found that an individual was living off of loans taken out of trading trusts and companies in order to avoid paying tax. These findings led to the decision to declare

the loan amount paid to the individual as income, and to impose a 100% penalty on the recipient for abusing the taxation system.

As a result, loans paid out from trading trusts to beneficiaries, and from companies to shareholders are likely to now be closely scrutinised by the taxation department in an attempt to prevent such an event from happening again. This could also mean that the ways in which company shareholders and beneficiaries of discretionary trusts access the funds available to them will face significant changes.

The circumstances of this case were likely unusual, given that such loans by companies and trusts are neither uncommon nor suspect in most instances. However, a policy will need to be introduced specifying how such loans are to be treated in the future.

Individuals currently receiving such payments from a company or trust should ensure that their records relating to receipt and repayment of such loans, documents stating the reasons for the loans and all other relevant receipts are in proper order in case further review is taken by the TRA or the IRD.

Your business without you

It is a sad fact that in the recent economic downturn, a number of business owners were forced to sell their businesses, because of a reduction in sales and an inability to stay afloat through the global financial crisis. Many of these business owners, unprepared for the day they would have to hand over the reins to an outsider, lost out on a selling price that was determined by market price in a buyers' market.

Situations like this serve to highlight just how important it is for owners of businesses throughout New Zealand, no matter their age, to create and implement a plan of succession for their future and the future of their business. Without proper planning, business owners could find themselves out of pocket when the time does come for them to retire. They could even find the ideas and ideals behind their business being compromised in the hands of a buyer who is given no restrictions and no direction in which to take the business.

Succession planning assists business owners to prepare their business and their staff for the time when ownership of the business will pass into the hands of another person. A good succession plan will include:

- the key roles within the business, the duties performed by the individuals filling those roles, and the skills required to perform those duties effectively, to the benefit of the company
- possible employees within the company who have the necessary skills, knowledge, experience, and abilities to fill these key roles
- any steps that may need to be taken, such as additional training and/ or education, to prepare existing employees to step into key roles once the business owner sells the business.

Such a plan will not only ensure that the key roles within a business are filled by competent people who are able to do the job. A good succession plan will also enable a business owner to identify who amongst their employees is most likely to carry on the operation of their business the way the owner would want it to be done.



Making the most of a trade show

Trade shows are excellent opportunities for promoting your company's products or services, generating leads for future sales, networking with other vendors, and increasing your company's visibility, but what is the best way to make sure you make an impact?

To make sure you get the most out of your time and financial investment, it is best to carefully plan every detail of this important event. Here are some tips for before, during and after the trade show that can help increase the return on your investment.

Before the Show

Visibility of Staff: Plan to provide employees who will work at your booth with outfits or accessories that clearly identify your company. Purchase company hats or polo shirts with your company logo or invest in some other distinctive item that will make your staff stand out and enhance recognition of your brand. Prepare nametags for your sales representatives with their first and last names, titles and your company's name.

Marketing Materials: Well before the date of the show, prepare marketing materials that explain your products or services and set out the benefits. Consider creating special promotional packages to give to those attendees who express high interest. Make sure all materials are professionally designed and communicate a consistent message. Proofread everything carefully before going to print.

If the show provides a list of pre-registered attendees, consider doing a pre-show mail out to invite them to your booth. Also, be sure to let all current customers know about your presence in the show. Giveaways such as pens, bags or magnets with your company's name and contact information will attract people to your exhibit and help them remember your company.

A draw that requires attendees to submit their business cards will give you leads in addition to those attendees who take time to talk to your sales representatives. Award prizes that relate to your company's products or services. If your company has a website, let people know that the winners will be posted there by a certain date, to encourage contestants to visit your website.

Site Visit: Visit the trade show site to confirm your position, the exhibit space and the proximity to other exhibitors. If the floor is



concrete, consider using floor platforms or coverings.

Booth Preparations: Do not leave your preparations until the last minute. Make sure your display will be striking and convey the image you want attendees to remember. It should clearly identify your business from across the floor and show off your product or service to its best advantage. Consider lighting enhancements, special demonstrations, computer terminals and other features that will attract people and deliver your message.

Consider having other employees or a professional display company set up your booth. If your sales representatives have to set up the display at 5 a.m., they will lack the energy and enthusiasm needed to make the most of the show.

Staff Preparation: Make sure your sales representatives are well prepared to answer attendees' questions and promote your products or services. Go over the goals and the key messages you want to convey. Make sure everyone reviews the marketing materials that will be handed out. Remind them that they should ask for business cards and write pertinent information on the back about appointments, specific interests and other matters discussed. Encourage them to arrive early, well groomed and well rested.

During the Show

Other Vendors: Plan to visit other booths to gather ideas for promotions at future shows as well as assess the competition's displays and literature. Make sure you have sufficient staffing to allow you to roam at various times during the show. Carry business cards and brochures as you may meet potential customers on your travels.

Enthusiasm and Focus: To ensure sales representatives are enthusiastic and focused

throughout the show, schedule rotating breaks every two to three hours so everyone has a rest period. Have fresh fruit and other nourishing snacks and beverages available as alternatives to the fast food that is often the only food available at trade shows.

After the Show

Debriefing Meeting: The show is over, the props are packed away and it is time to go home. Thank everyone for their efforts and arrange a debriefing meeting as soon as possible, within a day or two. Post-show efforts are important for ensuring you get the most out of your investment, and your staff's input and feedback will help you to improve your booth for next time.

Telephone Calls: Rank your prospects by sorting out the business cards on which your staff wrote comments and other information. These are the people who should be called first to confirm or set up meetings and to discuss their specific needs. Rank the remaining cards and schedule calls to these attendees to ask if they would like to have a meeting, additional information or an on-site demonstration.

Input or scan the information on the business cards you have collected to create a database and then send everyone a follow-up mailing.

Maximising Your Investment: Did the show meet your objectives? Did it attract customers that fit your profile? Was the location and timing right? Who were the other exhibitors and did your company fit the mix? Most important, what were the sales results of the leads it generated? Keep statistics of the sales made at the show and post-show as well as the total costs of your booth and staffing so you can assess whether participating in this particular trade show is a good investment in the future.

Changes to NZ and Australia's tax treaty

The new Double Tax Agreement (DTA) announced by the New Zealand and Australian treasuries in June 2009 is now in effect.

This agreement introduces lower rates on certain withholding tax payments made between the two countries. It will help to decrease the amount of tax paid by residents of either New Zealand or Australia who are earning income from their non-residential country, such as New Zealand residents running a business in Australia.

As of 1 May 2010, amendments for withholding tax rates in New Zealand are being applied in relation to dividend payments, interest and royalties. The new rates will also apply to managed investment trusts, income from real property, and income from short term employment of residents working between Australia and New Zealand.

The tax rate applied to New Zealand shareholders of Australian companies, and vice versa, on dividends paid has been reduced from the former 15% to either 5% or 0%. The percentage will depend on the size of the holdings and the voting power possessed by the shareholder.



Royalties earned between the countries will now be taxed at 5% rather than the previous rate of 10%. Interest paid by certain financial institutions between New Zealand and Australia is now exempt from withholding tax, with provisions.

Other changes have been made to reduce the amount of tax paid by residents of Australia and New Zealand on various forms of income earned between the countries. These will be largely dependent on individual circumstances. Financial and taxation specialists will be able to advise residents of both countries how these changes will affect them in this new financial year.

A Great Read

Crush It: Why Now is the Time to Cash in on Your Passion

Authors: Gary Vaynerchuk

HarperStudio, 2009

The social media revolution is upon us! With a massive percentage of advertising budgets for businesses throughout the world being diverted toward social media sites such as Facebook and Twitter, Gary Vaynerchuk's comprehensive guide to the world of online marketing helps entrepreneurs and small business owners make the most of the tools now available to them.

At 27, Vaynerchuk was a wine aficionado, business guru and social media trailblazer, as well as the youngest ever recipient of Marketwatch's American Business Award. Years later, he has used his knowledge of social media sites and other forms of online marketing to turn his family's small wine business into a US\$60 million a year industry.

He has made appearances on shows such as Ellen DeGeneres and Late Night with Conan O'Brien, and featured in the New York Times and Wall Street Journal, and now his bestselling book is teaching people around the globe how to turn their passions into businesses, and make a success of them.

Crush It! is an easy and entertaining read, with a great deal of value for anyone looking to start a new life in the business world. With the world economic market in its current state of disrepair and online marketing becoming easier and easier to use, this book is a worthwhile investment to help anyone interested in cashing in on their passion.

WEB WATCH

ESSENTIAL SITES FOR BUSINESS OWNERS

www.biztradeshows.com

If you're interested in attending a trade show that might do your business some good, this site provides a calendar of what shows are coming up and where they will be on.

www.bpwanz.org.nz

New Zealand Federation of Business and Professional Women Incorporated

This site is a good resource for practical advice, networking sites and useful blogs to help women in business maximise their potential for success.



REMINDERS FOR YOUR DIARY

June 2010

28 June 10

2011 provisional tax payments – The first instalment of 2011 provisional tax payments are due for taxpayers with a March balance date, who are using the ratio option to calculate their payments.

July 2010

7 July 10

Income tax returns – IR3's are due for the self-employed, company owners and anyone who has worked for cash or earned extra income that has not been subject to withholding tax throughout the financial year.

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.