

SMI

SMART BUSINESS

Strategic Management & Investments

Issue 1, May 2009

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Subscribe this month and go in the draw to win a copy of "The 80/20 Principle". The 80/20 principle illustrates that 80 per cent of results flow from 20 per cent of causes. This book shows how you can achieve much more with much less effort, time and resources, simply by concentrating on that all-important 20 per cent.

Welcome to the first issue of "Smart Business", an email newsletter from SMI with (hopefully) useful information to help you in your business. If you would like to receive future issues, please reply to this email with "subscribe" in the subject line or click [here](#) to subscribe via our website.

If you do not wish to receive future issues, you don't need to do anything.

We are now offering complete office management services, from answering phones through to a full "virtual office", including debtor and cashflow management, GST returns etc.

Prices start from \$35 per week and we can put together a tailor made package specifically for your business.

www.virtualoffice.net.nz

Delegation is the Key to Success

Call us on 8422997 or email gary.davies@smartbusiness.net.nz for more information

TMNZ – Managing your Tax \$'s

Tax Management New Zealand are buyers, sellers and financiers of tax in New Zealand. We work with your accountants to ensure maximum benefits from your tax dollar remain with you, not the tax man.

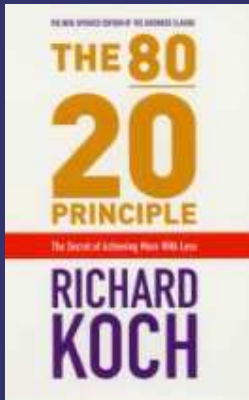
How do we do this?

We manage "use of money" interest rates for the overpayment and underpayment of taxes. We also finance tax payments so business owners can keep their cash flow for working capital. We are 'tax poolers'.

In 1998, Ian Kuperus, founder and managing director of TMNZ saw an opportunity to provide businesses with an ability to delay their provisional tax payments without incurring penalties. After consultation with IRD, 'tax pooling' was created and in 2003 Ian established Tax Management New Zealand to provide tax intermediary services.

Two such services immediately relevant for upcoming Provisional Tax and Terminal Tax payments are taxPURCHASE and taxFINANCE.

Provisional Tax - pay it when you are ready to pay it!



taxFINANCE allows us to pay your provisional tax payments when they *need* to be paid. You pay us when you are *ready* to pay it for as little as 7% funding rate, one third of the cost of borrowing on unsecured bank overdraft. To date TMNZ has approved 100% of the requests made for tax finance and approval is given on the same day of application.

Terminal Tax – up to 20% savings

taxPURCHASE provides an underpayment rate that represents a minimum saving of 20% on a business’s UOMI costs.

Call us on 8422997 or email gary.davies@smartbusiness.net.nz for more information

Need a last minute gift for Mothers Day?

Your guide to good gift giving.  

Using Your Home for the Business



Many people who run a small business use an area set aside in the family home for work purposes. If you are doing this, you can make a claim for the area set aside so long as:

- ✚ it is used principally for business use (such as an office or storage area),
- ✚ and you keep a full record of all expenses you wish to claim.

The responsibility for keeping invoices and records for a home office is the same as for any other business expenses you are claiming. You can claim a portion of the household expenses, such as the rates, insurance, power, mortgage interest and depreciation (if you own the house). You must keep invoices for these expenses.

You can only claim the expenses that relate to the area set aside for business. Work out the percentage of the work area, compared to the total floor area of the house. Then apply this percentage to the total house expenses.

Example

In a house of 100 square metres Mereana sets aside 10 square metres as an office (10% of the total floor area). GST-inclusive house expenses for the full year were:

Rates	\$1,200.00
Insurance (house)	\$400.00
Power	\$960.00
Total costs (including GST)	\$2,560.00
Divide by nine to get the GST content	\$284.44

Total costs (excluding GST) \$2,275.56

If Mereana is not registered for GST the amount to claim is 10% of the total costs including GST:

$$\$2,560 \times 10\% = \$256$$

If Mereana is registered for GST the amount to claim is 10% of the total costs excluding GST:

$$\$2,275.56 \times 10\% = \$227.56$$

Mereana can also claim 10% of the GST content of these items in her GST return, she can claim this either annually or on a period-by-period basis.

Claims on mortgage interest and household depreciation

You may also claim a proportion of the mortgage interest (not principal) paid during the year, and depreciation on the house itself. There is no GST involved in these two items, so it is easier to work them out separately. Use the same method of the business floor area percentage to work out what to claim.

Example

The business floor area is 10%

House cost (not including land)	\$100,000
Depreciation @ 3%	\$3,000
Add mortgage interest paid (not principal repayments)	\$2,340
Total Costs	\$5,340

The amount to claim is: $\$5,340 \times 10\% = \534

Note

If you claim depreciation on your home, you must include the depreciation recovered in your tax return when you cease using your home for business purposes, or when you sell your home.

You can claim the depreciation on capital items such as a computer, office furniture and fittings, or shelving, used for business purposes in your home.

Telephone costs

You may claim a deduction for telephone rental if you run your business or organisation from your home. If your home is the centre of operations or management for the business, you may claim a deduction of 50% of the telephone rental. Identify those toll calls that are business-related. It is a good idea to use a highlighter on your phone bill to mark the business toll calls. If you have a separate commercial and domestic line rental, you can claim the full cost of the commercial line for both income tax and GST, but none of the domestic rental. If you make any private calls on the business line, you will have to make an adjustment for them.

Why Men Lie



One day, while a woodcutter was cutting a branch of a tree above a river, his axe fell into the river.

When he cried out the Lord appeared and asked, "Why are you crying?"

The woodcutter replied that his axe has fallen into water, and he needed the axe to make his living.

The Lord went down into the water and reappeared with a golden axe.

"Is this your axe?" the Lord asked.

The woodcutter replied, "No."

The Lord again went down and came up with a silver axe

"Is this your axe?" the Lord asked.

Again, the woodcutter replied, "No."

The Lord went down again and came up with an iron axe. "Is this your axe?" the Lord asked.

The woodcutter replied, "Yes."

The Lord was pleased with the man's honesty and gave him all three axes to keep, and the woodcutter went home happy.

Sometime later the woodcutter was walking with his wife along the riverbank, and his wife fell into the river.

When he cried out, the Lord again appeared.

The Lord asked him, "Why are you crying?"

"Oh Lord, my wife has fallen into the water!"

The Lord went down into the water and came up with Jennifer Lopez.

"Is this your wife?" the Lord asked.

"Yes," cried the woodcutter.

The Lord was furious.

"You lied! That is an untruth!"

The woodcutter replied,

"Oh, forgive me, my Lord. It is a misunderstanding. You see, if I had said 'no' to Jennifer Lopez, You would have come up with Catherine Zeta-Jones. Then if I also said 'no' to her, You would have come up with my wife. Had I then said 'yes,' you would have given all three to me. Lord, I am a poor man, and I am not able to take care of all three wives, so THAT'S why I said 'yes' to Jennifer Lopez."

The moral of this story is: whenever a man lies, it is for a good and honorable reason, and for the benefit of others.

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