

Support extended

If your business has been affected by Covid-19, the time to apply for a government loan has been extended.

The maximum loan for a one-person business is a base figure of \$10,000, plus \$1800 counting the owner as an employee as well. For each additional staff member you have in your business, you can add another \$1800.

The scheme is administered by Inland Revenue. It is open until 31 December 2020. The interest rate is 3 percent. If you repay the loan within 12 months there is no interest charge.

Since the scheme is being run by Inland Revenue, we cannot be certain as to what the department will do if you don't repay your debt on time. They might apply the same interest rate (currently 7



percent) as they do for late payment of income tax.

The money is available for business operating costs only. Conditions apply to the loan. The eligibility criteria are the same as for the wages subsidy scheme.

Self-employed - how much can you earn

Self-employed people will seldom make a fortune because their income is limited by the number of hours they can work.

Based on a 40-hour week, there are, say 2000 hours in a year, allowing for holidays.

Not all of this can be used for work. There is inevitable administration, including quoting for work you won't always get.

If you could earn 30 hours a week at, say, \$70 an hour, you would get a gross income of \$105,000. After running a vehicle and other administrative costs, you might finish with an income of \$75,000 before tax. For many self-employed that would be a good result.

You can make a bigger income, of course, by employing people. If you do, the key to your success is going to be your ability to manage them. Otherwise, they will not stay long and sometimes they will make you poorer.

Rent for employee's home

You may wish to compensate an employee who has been using their home to help run your business during the Covid-19 lockdown.

Inland Revenue has issued a list of conditions for making a payment. These are contained in a publication called Determination EE002, which also sets out how much you are permitted to pay.

There is also the matter of how you pay a share of the equipment the employee is using, such as desks, carpet and light fittings. Inland Revenue allows a one-off lump sum payment of \$400, without the need to have to produce any evidence of these costs.

If you read the determination, you will notice the employer can reimburse the employee up to \$15 a week to cover all other expenditure. You will probably agree this is not very much.

You don't have to follow this publication. If you and the employee want to work out an allowance based on actual costs and use this instead, that is fine.

The determination applies from 17 March 2020 to 17 September 2020.

TAX TIPS, TRAPS & TROUBLES

IRD - interest certificates and cheques now gone

From 1 April 2020, banks have not been required to provide their customers with year-end interest certificates.

This is because Inland Revenue is collecting this information and it's available on their website. The only catch is where a client does not supply their IRD number. In this case, they will be taxed but it won't show up in My IR.

What if the interest is on a joint account? Inland Revenue will assume joint investments are split equally between joint account holders who have provided their IRD numbers. You will be able to go into "My IR" and alter the allocation of the interest. Alternatively, it can be fixed when your tax return is put in.

From 1 March, 2020, Inland Revenue will no longer accept cheques. However, you could pay your tax using a debit or credit card.

If you do this, Inland Revenue proposes charging a convenience fee of 1.42%. While this might seem expensive and it is, it could be useful for the person who has a short-term cash flow problem and cannot pay tax on time. If this person is expecting money to come in before the deadline for paying the bank, it might be worth the cost.

Even if the money is late, and you have to pay interest to the bank, the convenience of being able to arrange the finance quickly, when compared with the time you would have to put in negotiating a loan from the bank – or if this was not possible, spread payments with Inland Revenue – could still be worthwhile.

Paradoxically, payments into the income equalisation scheme have still got to be made by cheque until Inland Revenue can find an alternative.

Not much charity for Healthy Homes measures

If you are a landlord or landlady and have to take measures to comply with "Healthy Homes", there's not much charity.

Inland Revenue has issued a publication, PUB00334, which sets out how it sees the tax law applying. It is much as you would expect.

However, you should remember anything you buy during the current tax year can be treated as a business expense up to an amount of \$5000. So if you are required to put in a heat pump and it costs you \$3000, you can treat this as an expense for this particular year.

Remember, if you buy more than one depreciable item at a time, each item having the same depreciation rate, you have to add all these together for the purposes of the threshold. So, if you buy two heat pumps each costing \$3000, you now have to put these in your depreciation schedule. You can't write them off as an expense.

Business cards with impact

You know you should never go anywhere without business cards, but are they having the impact you want?

What's on your business card? The basics are your name, your role (managing director, sales manager etc) and contact details. Contact details should include a landline (if you have one), cellphone, email and website. If you're busy on social media, include your page details, hashtags etc.

Make sure you use your company colours and logo. Don't pick your logo off your website – it probably won't be crisp enough. Get it from your designer or use the original artwork.

Use the back of the card for a list of the services your company offers.

Then hand them out as often as possible. Hand out extra cards and ask if they can be passed on to someone they know who might use your services. Asking for a card is a sure way of being able to politely offer your own.

One of the world's best car salesmen has been known to fling a whole lot of cards in the air when something exciting happens in the stadium. Apparently this works for him otherwise he wouldn't do it.

Tip for saving time

If you fold the pages carefully in half, before you punch holes in documents for filing on ring binders, you will be able to get the holes centred. This will make it much easier to put the pieces of paper back on the ring binder, if ever you want to remove them, temporarily.

WFH is the new work environment

If there's one thing the Covid-19 crisis has taught us, it's that many of us can work from home.

It's even spawned a new initialism, WFH (working from home).

There have been some interesting consequences – and new opportunities have arisen. City cafes and bars have suffered because there are fewer people in town getting a coffee, lunch and after-work drinks. However, that's provided more business for the suburban and small town eateries, who seem to be doing very well post-lockdown.

Whatever your business, there might be big opportunities for you, too. In the new “think-laterally” world, how can you market yourself to make the

most of the changing environment?

Where do people work when they're at home?

As a painter you might market your ability to redecorate a spare room. An electrician can put all the new power points in the right places, or get the lighting right for a WFH office.

An IT wiz can set up all the gear to work remotely. A builder might add the extra room needed.

Even real estate agents will soon be adding ‘office space’ as a marketing option for houses, rather than saying ‘studio’ or ‘spare room’.

Think about what you can offer to ride the new wave of working from home.

Scanning from a cell phone

The cameras in most cell phones make pretty good scanners.

That's great for single images, but phones can also scan documents of several pages.

On iPhones there's a scanner in Notes. Open a new or existing note, tap the **camera** icon and tap **Scan Documents**. You can use the auto-capture option by bringing the document into the viewfinder, or use the shutter button or one of the volume buttons to capture the scan.

For Android phones you can download an app called iScanner in Google Play. There are others, such as Adobe Scan.

Once scanned, documents can be stored, emailed or sent in messages.

Tax rules relaxed for Covid-19

Some of the tax rules have been relaxed to help people cope with Covid-19.

- There is some flexibility in filing returns.
- Usually, if the shareholders of a company change by more than 51 percent then any tax losses are forfeited. Covid-19 might make it necessary to change shareholding and these rules have been modified, which may allow for a change

of more than 51% provided the business remains essentially the same. Check with us before you change the shareholding in your company.

- If you make a tax loss in either the 2020 tax year or the 2021 tax year, you can carry the loss backwards to the previous year, if it helps you. Normally, you can only carry losses forward and set them off against future years' profits.

BRIEFLY

Income relief

If you have lost your job or your business has failed due to Covid-19, you can apply online to Work and Income for relief payments of \$490 per week for 12 weeks if you were working 30 hours or more per week and \$250 per week if you were previously working 15 to 29 hours a week. You can get more details about the scheme by going to Income Relief Payment on the Work and Income website. Applications for this relief close on 30 November 2020.

Wages subsidy

If your sales/revenue has declined by 40 percent for a continuous 30-day period, you may qualify for the Wages Subsidy Extension, which is administered by Work and Income. This scheme is for those who are still significantly affected by Covid-19. The way the scheme works is a little tricky and you should look at the detail. Businesses operating for less than a year can also apply. Applications under this scheme opened on 10 June 2020 and run to 1 September 2020.

Can't pay tax?

If you have not paid tax, which was due on or after 14 February 2020, and this has been significantly due to Covid-19, the tax department will look kindly at cancelling both interest and penalties on late payments. In fact, you only have to ask and provide a time frame over which it will be paid.

ACC comes to party

ACC is delaying its invoicing from 1 July 2020 until October.

How valuable is your time?

It's a fair question for business people, but what your time is worth becomes especially relevant when we spend our (paid) time working on something an expert could do in less time – and more effectively.

We've probably all experienced the tech glitch we thought we could fix. About 1½ hours later and it was still not working. The tech expert could probably fix it in 30 seconds.

As Kiwis with a No 8 wire can-do mentality, we're generally keen to tackle problems ourselves. But as a business person, we have to think about the cost.

There's no problem spending a few minutes fixing a technical problem when we're confident we can do it.

However, unless you really have spare time, remember the clock is ticking. It's simply bad business to try to do an expert's job.

Think about how frustrating it is when you have expertise and a client tries to do your work themselves. You often have to tidy up the mess, which takes

longer than it would have in the beginning.

So consider what your time is worth on an hourly rate, and work out how much time you're spending on a tech problem. Then work out what an expert might charge. Chances are you'll save not only your time but also the frustration that goes with it. If the problem is fixed quickly, you and your business can get back to work.

A handy app worth installing is Team Viewer (from teamviewer.com). Once it's installed, it allows a tech to access your computer through a password you provide. They can then work on a problem remotely, from anywhere in the world.

Of course tech problems are not the only ones you should consider letting others deal with. Could you, for example, get someone else to do the banking? You can add answering the phone, scanning and similar types of jobs.

One successful business person famously said the first person to hire is the one who does all the jobs you shouldn't.

TAX CALENDAR

August 28

First instalment of 2021 Provisional Tax for those with March balance dates who pay provisional tax three times a year

September 28

Second instalment of 2021 Provisional Tax (December balance dates)

October 28

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

November 30

First instalment of 2021 Provisional Tax for those with June balance dates

Good citizen gets business

A garden centre encourages its customers to bring back their plastic containers for reuse. Not only are they doing their bit for the environment but they are encouraging loyalty to their business

The password work-around

Yes, you can manage secure passwords without having to write them down, or remember them. It seems every transaction or subscription online requires a password, and everyone says you should never use the same one all the time.

Fortunately, many solutions are available. One is to use a password manager, such as 1 Password (1password.com). There are several password managers online, so it's worth checking to see what suits you best, and what you're prepared to pay. There's usually a small annual fee. Free ones might not be as secure as you need.

With these managers, you use just one password and the app will provide a secure password for whatever it is you want to do.

If you run a Mac operating system, the Safari web browser also has a useful password manager. When you go to a site requiring a password, it will do it for you and remember it for next time. If you already have your own password, just click on 'Forgot password' and let Safari find you a new, secure password. Just remember it will only work using the Safari browser.

Microsoft is rumoured to have developed a password manager for Windows. Watch out for it later this year.