



## Why do beans count?

Welcome to the new BRG newsletter! Our newsletter will now be coming out to you every month, so grab a tea or coffee and enjoy the first issue.

If you would like to receive this newsletter by email, contact us by email on [support@busres.co.nz](mailto:support@busres.co.nz).

### How to lose customers?

A CLIENT told this story.

“As you know, I am always very busy. Recently I wanted a CD writer. I looked up the Yellow Pages and rang a likely supplier. I had my credit card in front of me. I asked to buy the CD writer and the assistant told me to go to their website. I explained I had a credit card in front of me and would prefer to settle the transaction now. I was told the company worked only through its website.

“I rang a second company and received a similar reception. I explained, if I put this telephone down, I would be unlikely to go to the website. The assistant said ‘This is the only way we do business. It is the way we keep our costs down.’ I tried a third company and this time they were happy to take my credit card and supply the goods. Incidentally, theirs was the cheapest price.”

Lesson: Always, always make it as easy as possible for the customer to buy. You will not be keeping costs down if you are losing sales. This client has an excellent understanding of the internet, but it was much easier for him to supply a credit card number over the phone and get the deal settled.

### Employment Agreements

We are regularly coming across clients that still don't have Employment Agreements for their staff. It is now a legal requirement that you have a **written** Employment Agreement.

Over the last two years there have also been some legislation changes that mean you should have updated any existing agreements.

If you don't have an agreement with your employees, or you haven't updated your agreements recently we recommend that this is an area you need to review. Rosemarie Agnew from our office is the person to contact if you need some help in this area. We have an Employment Agreement writer which makes this whole process very easy. Rose can be contacted on 07 573 5569 or alternatively email her on [rosea@busres.co.nz](mailto:rosea@busres.co.nz).

### Why compete on price?

A CLIENT tells this story.

“I was at a party. I happened to be sitting next to a neighbour who is a builder. He knew I had just bought a section and was drawing up house plans. He wanted an opportunity to tender for the contract.

“I told him I thought it was important to have a good plumber and asked him which firm he used. His response was as follows:

‘I use XYZ. Their price is high but I cannot run a contract using an unreliable plumber. He has four people in his firm, all of whom are qualified tradesmen. In any event, everything is pressure-tested these days.’

“I shall be calling for three tenders to build the house. My builder neighbour uses some sophisticated modern technology, so he is likely to be one of them. Will I choose the lowest price? Bearing in mind the size of my investment, I am certainly going to be choosy about who I ask to tender. This automatically eliminates the lowest price. After that, it is going to be price, reputation and an ability to convince me about quality. This investment is far too important to decide on the basis

of price alone.”

### **Keep your personal bank records**

TAX inspectors are entitled to investigate your personal transactions. You have no obligation to keep any records but you do have to prove you are innocent of any wrong-doing if called upon to do so.

We recommend people keep good records of personal income and expenditure so these could be produced if your business is ever subjected to a tax audit. If you do not keep this information, the IRD can get it from your bank **at your expense**. Bank services of this nature do not usually come cheaply.

### **Tax Traps**

#### **Losing interest deductibility**

A LAWYER borrowed \$100,000 to lend to his partnership practice and claimed the interest paid as a tax deduction against the interest received from the practice. He sold his home, repaid the \$100,000 loan and rented until his new house was built. He then borrowed to pay for the new house. None of the interest was tax deductible because it was incurred to buy his personal residence. The lawyer needed to avoid repaying the \$100,000 he had borrowed, to maintain interest deductibility.

A similar situation often arises when a client wants to buy a new home and retain the old one for renting. Interest on money borrowed for the new home is not tax deductible, even though the loan enables the renter to retain the first residence. Always look **directly** at how the money has been used.

Some clients will sell their old home to a family trust and raise a loan for the trust to buy the house. If this is done to get a tax deduction for interest, it could be seen as tax avoidance. The interest claim would then not be acceptable to Inland Revenue. However, the transfer of personal assets to a family trust is usually acceptable because the main reason for the transfer is asset protection, rather than tax avoidance.

If you consider transferring a property, in these circumstances to a company, be sure you have a good non-tax reason for your decision.