

MONEY

2017 QUARTER 3

ISSUE

MATTERS

Q3 / 2017



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Passing on the family business

Transitioning a family business to the next generation can be an incredibly confronting process.

Stepping back from your business is a big move and can be quite difficult if there isn't a solid plan in place. Succession planning helps to ease the process. A strong succession plan reduces the risk of interfamily disputes and can ensure the strength of your business continues well into the future.

Consider the following when preparing your business' succession:

Well-defined plan

A formal succession plan can help guide your business through a smooth transfer of control. Involve family members in business succession planning discussions and foster a collective family vision early on. It is important to be realistic when choosing successors; don't expect family members to take over if they have no interest in the business. Think strategically about the skills, knowledge and experience required for the future success of the business and co-ordinate family members to roles appropriately.

Once you identify the successors, you will need to decide on levels of management, control and shares of ownership. If you have more than one successor, you will

need to decide on whether ownership and management will be equal and if your management team will include non-family members and so forth.

Start early

Frequent and open communication is key for removing tension and promoting a healthy transition. Be sure to communicate your succession plans to your staff as well as successors. Potential successors need to be introduced to the business as early on as possible. Training successors years in advance helps to teach them key business skills and processes required to run the business. It also gives them an opportunity to form relationships with important clients and key stakeholders long before succession is implemented.

Financial and legal issues

A major part of succession planning is accounting for the financial and legal issues that arise with the handover of the business. Business owners need to evaluate their options, such as the decision to sell or gift the business to family members, whether a trust needs to be set up as part of the succession and so forth. They will also need to address the tax implications upon sale or transfer of ownership, and during circumstances such as death and divorce.

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Improving internal communication

Internal communication can mean the difference between having a team that thrives or plummets.

Businesses with effective internal communication experience higher levels



of productivity, have stronger working relationships and a positive workplace culture. Here are a few ways to ensure effective internal communication in your workplace:

Regular check-ins

Regular communication processes, such as a daily huddle or weekly conference call are effective in planning ahead, discussing progress on projects and problem-solving. Making communication habitual ensures all employees are kept aware of what is happening in the business and are on the same page. Providing regular updates to employees also helps to save time searching for information and allows them to get involved in discussions about business changes and future plans.

Flat organisational structure

Hierarchies can be detrimental to effective communication. A flatter organisational structure means there are reduced layers of management between staff and senior management. Flat structures can result in faster communication and lower misunderstandings. Another considerable advantage is that rules and regulations are less complicated which can lead to fewer conflicts.

Team activities

An essential element of successful teams is a strong sense of community. Creating opportunities for employees to get to know each other by incorporating team-based activities and activities outside of work, i.e., business events and celebrating birthdays can help to foster closer teams.

Getting restructuring right

Before restructuring a business, employers must consider a number of factors to avoid any potential legal pitfalls.

Restructuring a business refers to any proposal to sell, transfer or contract out work. Restructures may be deemed necessary by management during economic downturns or when a business needs to reduce costs quickly to maximise efficiency.

Restructuring may involve merging two or more existing roles, losing roles, adding new roles or a combination of these things. Businesses need a genuine business reason to restructure, otherwise, they may face personal grievance cases.

Here are three considerations for employers before moving ahead with a restructure:

Employee protection provisions

Businesses cannot restructure unless the relevant employment agreements contain 'employee protection provisions.' Employee protection provisions protect the employment of an affected employee if a business undergoes a restructure. Employers will need to add these provisions if they haven't done so already. Be sure to include notice periods, terms and conditions, any entitlements available and processes for dealing with a restructure.

Employers must be aware that some employees have stronger employment

protection than others, i.e., cleaning, food catering, laundry, orderly and caretaking workers. Generally, these workers have the right to choose to be transferred to the new employer, on the same terms and conditions of employment with continuity of service.

Allow time for consultation

Not involving your employees in the restructuring process is a common mistake. Ensure staff are consulted if their jobs could end or change in the event of a restructure. Employees must be given enough information and a reasonable amount of time to provide feedback. Employers must genuinely consider all staff feedback and discussions, and answer any questions about the restructure. It is critical to consult with employees during the proposal stage before decisions are final, even if the consultation will make no difference.

Redundancies

Employers must follow the restructuring consultation process with employees before deciding on redundancies. If redundancies occur, they must be genuine (based upon reasonable grounds) and follow a fair process. Selection criteria should always be disclosed to employees, especially where two or more positions become redundant and one employee is offered the remaining position. Also, make sure employees get the agreed notice period and compensation.

Protection for creditors of tax debtors

A new threshold set up by the New Zealand Government offers greater protection and security to creditors of tax debtors.

The regulations surrounding the threshold state that any business owing debts in excess of \$150,000 would be exposed by the Inland Revenue to certain approved credit reporting agencies. This is a much-welcomed change for creditors, particularly smaller ones as it helps safeguard them from signing a financial contract with a business who is in a considerable amount of debt unknown to the creditor.

There are multiple benefits for creditors arising as a result of this new law. Creditors can make more informed choices regarding the businesses they decide to work with, thus allowing them greater opportunity to avoid dealing with dishonest or risky businesses.

The \$150,000 threshold was introduced on the 29 June 2017 and is currently limited to companies.

Protecting your business from cyber attacks

Cyber attacks are a common threat that businesses face in today's marketplace.

With business dealings occurring mostly and sometimes entirely online, there is appropriate concern surrounding data and data safety.

There are numerous strategies you can employ to best protect the safety and security of your business. Consider the following tips for protecting your business and be sure to conduct further research to choose the type of protection that best suits the needs of your business.

Anti-virus protection

If you do not have anti-virus and anti-malware software installed on your work devices, you are practically asking for your data to be stolen. Anti-virus and anti-malware protection is important because it prevents attackers from deleting files or accessing personal data. All devices with sensitive information regarding the business should have anti-virus or anti-malware software installed.

Strong firewall

Firewalls are usually the first line of defence as they control the traffic of content and information flowing in

and out of your business online. They create a barrier between your secured, trusted networks and unsafe, insecure outside networks. There are different types of firewalls, including proxies, stateful inspection, hybrid or packet filtering. Research the kind of protection your business will need and what is the most economic way to achieve this. Be sure you read up on reviews and ask around before installing anything.

Regular backups

Backing up involves making a copy of all your data so that, should anything vicious happen, you have not lost this data indefinitely. There are a plethora of ways in which data can be backed up. The method you choose will depend on personal preference, the size of your business, the confidentiality of your data and so on. Backups are usually defined in three different groups; full, incremental and differential.

Full: a copy of all the data is made. These are the safest however they take the longest and most businesses only use these types of backups periodically.

Incremental: these are similar to full backups but differ in the sense that they only backup data that has changed since the last backup.

Differential: differential backups are a combination of the two aforementioned



backups. They backup data that has not been updated since the last full backup.

Disable autofill forms

Autofill forms are those boxes on particular websites and programs you frequent that store data such as your name, email address, passwords, billing address, credit card details, etc. They are designed so that you do not have to continuously type commonly used information, or so that you don't have to log-in to certain sites every time you visit them. Having your data stored in these form fields is inviting to hackers trying to steal and use your information. To prevent this, turn off the autocomplete and autofill settings in your relevant browser.

Essential qualities of successful business owners

Owning a business is not going to guarantee you success or wealth.

There are specific qualities required to be valued and respected as an employer, qualities that will help you to succeed and allow your business to flourish. Consider the following qualities essential for successful business owners.

Passionate

To be successful, you need to be passionate. Running a business takes a lot; a lot of time, energy and money. There will be sacrifices you have to make to succeed, and if you aren't passionate about what you do, chances are your health will suffer.

Organised

Being organised will help you create a

successful business. Being able to track elements such as finances, growth strategies, employee performance, etc. will assist you in owning a prosperous business.

Integrity

Being known as someone with integrity is extremely important for business owners. Being honest and trustworthy will hold you in good favour not just with clients and other businesses, but with your employees too. When people feel that you are a good person, you are more likely to have employees that want to work hard for you and customers that will seek you out and stay with you long term.

Resilient

Running a business won't always be smooth

sailing. Things will go awry sometimes and there will be obstacles you will be faced with. People who are resilient will not be defeated by these challenges; they are flexible and fast thinking and can adapt quickly.

Knowledgeable

Successful business owners will be knowledgeable, not just about their business but about their industry. They will understand what happens at each level of the business and they will know what their competitors are doing. They will have a strong business plan that they are constantly improving upon. And they will always be learning new things and new ways of developing their business.

Checklist for new workers

Employers need to be aware of their responsibilities when hiring new staff to ensure they are complying with workplace laws and for their business to continue to succeed.

Here are three things to consider before hiring new workers:

Understand your legal obligations

Employers must familiarise themselves with their responsibilities to the employee such as adhering to leave entitlements (annual, sick, long service, etc.), public holiday pay rates, flexible working, notice of termination and redundancy pay. They must also provide a healthy and safe working environment for staff and adhere to anti-discrimination and equal

employment opportunity legislation.

A proper written employment agreement must be created for new workers by law. The agreement should contain the terms and conditions of employment and should be discussed with the employee fully before commencing work. An employee must be paid whatever rate is agreed to in the employment agreement, as long as it is above the minimum wage rate (if 16 years old or over).

Pay slip and record keeping

One of the first steps of hiring a new worker is determining whether they are an employee or contractor, as this will affect super and tax treatment. Every new employee needs to complete a Tax

code declaration (IR330). Employers need to register for FBT if they are providing fringe benefits for the employee. You will also need to check if the worker meets the criteria for automatic enrolment in KiwiSaver. If they are already enrolled in KiwiSaver, they must give you a KiwiSaver deduction form (KS2) or valid KiwiSaver contributions holiday request (KS6).

Offer of employment

Writing a letter of offer is usually the best way of offering employment after the initial verbal offer. Be sure to include company policies (i.e., code of conduct, social media, uniform policies), and forms that need to be completed such as a Tax code declaration and super choice form.

Secrets to hiring the right team

All too often, employers hire new staff that turn out not to be a great fit for the business.

You need to consider your interview process when hiring. Adopt the following strategies to ensure you hire the right person.

Attitude trumps skillset

Employers will see two names and preference the one with more qualifications, regardless of the 'gut feeling' they get about the interviewee with fewer qualifications. You can't train attitude but you can train individuals to develop the technical skill set to fill the position. Hiring employees that are adaptable, focused, willing to work hard and as a team is more time efficient than trying to instil these qualities into individuals.

Ask existing employees

Ask existing employees with a similar

job description what they expect of the future employee. While you may have a job description in mind, your existing employees probably have a different insight to you as to what the job requires. Another benefit of involving existing employees in the decision-making process is that it allows you to see how they will interact together. If an existing staff member who has proven to be a valuable member of the team advises against hiring a particular candidate, there is probably a justifiable reason.

Alignment of values

Hiring a team whose values align with those of the business is essential. If your team doesn't share similar values; they won't be able to represent your business in a way that is going to attract the right customers. You should have complete trust in your team, and this is much more easily achieved where values and integrity align.

Ask the right questions

The way you pose your questions will either allow for or diminish the chances of interviewees responding genuinely. Ask existing employees what kinds of questions you should ask. Consider the skills you think are valuable to the position, and questions you think will assess whether the interviewee possesses that skill. For example, if you value problem-solving, ask questions on how they have resolved issues in previous occupations. If you value self-awareness, ask questions regarding weaknesses they have and how they have been developed into strengths.

Important tax dates

21 August

Employer deductions (EDF/IR345) form and payment due, and EMS/IR348 due for employers who deduct less than \$500,000 PAYE and ESCT per year.

Employer deductions (EDF/IR345) form and payment, and EMS/IR348 due for employers who deduct \$500,000 PAYE and ESCT or more per year

28 August

GST return and payment due.

Provisional tax instalments due for people and organisations who file GST on a monthly or two-monthly basis, or aren't registered for GST.

Provisional tax instalments due for people and organisations who use the ratio method.

