



# EVEREST VINCENT LTD

## CHARTERED ACCOUNTANTS

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## Newsletter

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# Seven habits for success

AMERICAN management consultant Stephen Covey has written a best-seller called *The Seven Habits of Highly Effective People*. We think his ideas are important for running a successful business and private life, so we have decided to share them with you through our newsletters.

The seven habits can be divided into two groups.

The first four habits are all about you. The other three relate to your relationship with other people. We will talk about those in our next newsletter.

Here are the first four habits:

- Be proactive
- Put first things first
- Start with the end in mind
- Sharpen the saw.

### Be proactive

Covey tells us to stop imagining our lives are governed by our heredity and/or our environment. He urges us to take control. Too many people, he says, react to the will of others.

To be successful you must call the shots. If you suffer from an inferiority complex you are the only one who can do something about this. You are the one who must make the changes. Take the initiative.

### Put first things first

The idea is to select the most important things in your life and attend to them first. A client decided when he went into business he would allocate a maximum of 40 hours a week to his business. For him his family and his church were to come first. He will not allow the business to dominate his life. He has lived by this and he has been very successful.

Plan to do the important things in your business ahead of the less important, even if the latter are urgent. It is probably best not to make your detailed plans too long term. If you plan a year you

may be tempted to coast for the first six months. Planning for three or six months is probably better.

The author also warns against planning for too short a period. For example, do not try to plan each day of the week. There will be some days when crises occur, overtake you, and you can't achieve your daily goals. It is better to set your plan for a whole week.

### Start with the end in mind

Have you ever tried organising a function?

The easiest way is to work backwards.

Decide what the end result has to be. Now work backwards. What is next to the end? Delivery of the food? Go backwards to sending out the invitations? Before that there is the printing and so on. Armed with this information you can set a date for the function.

Planning in business is similar. Decide where you want to get to first. Visualise where you want your business to be. By having a vision, you can work out all the steps and strategies to get there.

### Sharpen the saw

This is rest and recreation. It is the need to keep learning. It includes one's spiritual needs.

### Conclusion

Covey's "habits" are powerful business tools. Why not memorise them and begin to live by them. Tom Peters, another business guru, has pointed out it only takes a nano-second to change your habits. It is maintaining the change which presents the challenge. For example, if sharpening the saw for you means regular reading, could you commit to setting aside some time every day or week for this?



# It's a goal!

DID you watch Jonny Wilkinson, the England goalkicker for the Rugby World Cup? If you did, you will have noticed how he put his arm out in a strange way before kicking the goal. Did you watch his face? Did you see how he psyched himself up? Did you realise exactly what was going on in his head?

He looked at the goalpost, he lined himself up and then just before the kick he looked at the goalpost again and concentrated. He visualised only one outcome. He was utterly focused on achieving his goal. There was no other possibility. That is why he is so good and why he is said to earn \$3.6 million a year.

As you probably guessed, we are going to tell you business is exactly the same. Determine the goal and focus on the outcome. As Wilkinson has the football skill, you presumably also have skill in your field. Given this, set your goal, set a date by which this will be achieved, get yourself thoroughly psyched up, and as long as the goal is realistic, you will kick it. We'll never see Wilkinson try to kick the ball over the goalpost from his own 22. Similarly, you must set realistic goals.

You don't get to international standard by setting easy goals. So stretch, and when you have achieved, stretch a bit more.

## FBT rates to fall

THE Government has announced it proposes to make some significant changes to the Fringe Benefits Tax regime. The cost is estimated at \$10 million, which is minute in relation to the total tax take. Here are the major changes.

- 1 Many of you have grizzled to us over the years about how unfair it is to charge FBT on the original cost of a car. Under the new rules you will be able to use the written down book value. The rate will be set at 36 percent instead of the current 24 percent. Depending on how the actual calculations are made, you will need to keep a second-hand car for between four and five years to benefit from this choice. If you wish to stay with the original cost basis, the rate is to be reduced from 24 percent to 20 percent.
- 2 The current rules for charging FBT on car parks are messy. In future FBT will apply to all car parks available for private use.
- 3 Any tax advantage to be gained from leasing a vehicle, rather than owning it, will disappear.
- 4 Currently, if an employee has permission to use a car privately, she must be home by midnight or the employer has to pay FBT for two days. In future, the employer will be able to select the 24-hour period, as long as the employee is consistent in her use of the car.
- 5 Interest on overdrawn current accounts in a company will be able to be calculated using a publicly available market rate, as an alternative to the current IRD-prescribed rate of interest.
- 6 Gifts to an employee totalling \$75 or more in any quarter are subject to FBT. This threshold will rise to \$200. The maximum quarterly total for the firm of \$450 is to be lifted to \$2000.
- 7 Petty adjustments for private use of a laptop or cell phone are to be abolished where these tools are used primarily for business.

The commencement date for these proposed new rules has not yet been set and they could be changed before they become law.

## ●IN BRIEF

### Shopping big time

THE queen of shoppers was staying with friends in the big city. She was planning a day's shopping. The host owned a car and a utility, and suggested she take the ute so she could get more in. "No thanks," she replied "I'm going to take the train."

### Advertising

IF at first your advertisement does not bring some success, do not try again. If it is a bad advertisement then running it several times is unlikely to make it better.

### Employment contracts

THE law is constantly evolving. The Government is altering the Holidays Act and considering changes to the Employment Relations Act 2000. The law develops as cases are decided by the courts. It is not worth taking an old employment contract, whiting out the name and using it for the next employee. It might well be out of date.

### A cold beer wins a loyal customer

A MAN and his wife went into a North Island pub.

He ordered a Speights beer. The pub didn't have any so he settled for an alternative.

A week later he and his wife went into the same pub again. On seeing him, a waitress called him over and said she had ordered some Speights beer and to tell the person serving him it was in the fridge.

You may not be surprised to know this couple are now loyal customers.

### E-mails

- Make your answers brief.
- Clear them as you read them. Don't leave them to be actioned later.



## TAX TRAPS

### When did you last keep a log book?

IF YOU are a sole trader or are in partnership and use a vehicle for both business and private running, you must keep a log book unless all the running is for business only. If there is only the one vehicle available for the business and family, the Inland Revenue department will assume it is being used on occasions for private use.

The following has been copied from an Inland Revenue publication. These are the minimum logbook requirements:

*Section DH 3 (2) requires that a logbook meets these conditions:*

- *It is kept for a period of not less than 90 consecutive days*
- *It records complete and accurate details of the reasons for and the distance of journeys undertaken for business purposes, and such other details as required by the Commissioner.*
- *It records the total distance travelled by the motor vehicle during the period the logbook is maintained.*
- *It is kept for a period that represents or is likely to represent the average business and private use of that vehicle over the three year logbook application period.*

Inland Revenue requires that the following information be recorded in a logbook, in a legible and understandable format:

- *the start date of the 90 day logbook test period*
- *the odometer reading at the start of the 90 day logbook test period*
- *the date of each business journey*
- *the starting odometer reading for each business journey*
- *the ending odometer reading for each business journey*
- *the origin and destination of each business journey*
- *the reason for each business journey*
- *the time of each business journey when the use of the vehicle is subject to time constraints (for example under a business hours (sometimes known as a nine to five) lease);*
- *the end date of the 90 day log book test period*
- *the odometer reading at the end of the 90 day logbook test period.*

If the proportion of business use changes more than 20 percent, you must start another log book. Have you kept the required detail? Has your log book been brought up to date within the last three years? If not, start a new log book now.

## Which business are you in?

A SHOP in one of our seaside resorts sells clothes, chocolate, low-cost tourist gimmicks, liquorice allsorts – you name it. The shop has no theme. Pickles and pyjamas and jams and jumpers are hardly a good combination.

From time to time clients come in to us with more than one business idea. Our standard advice is never to try and operate in two areas of business if you can get away with one. Having said this, we confess we have found an interesting exception to this rule.

A Brazilian company called Semco employs 3000 people and runs 10 or more separate and quite different businesses. However, three criteria have to be met for a new entity to be started.

1. It must be complex. Why? Because the more difficult a business the higher the premium it can command for solving the customers' problems. There is an absence of competition.
2. The new business has to price itself at the top of the

market. Its solution has to be the best.

3. The company requires a unique niche.

The new business has to dovetail with the existing businesses. It must help increase profits in existing Semco businesses.

If you are tempted to try and run more than one business, remember Semco's rules. The extra profits will leave more room for mistakes. In spite of this, a number of Semco new businesses have failed.

## Beware the 31<sup>st</sup> of March

Some of the things you need to consider before 31 March arrives are:

1. **Imputation Credit Account – companies only**  
If your company pays dividends, Inland Revenue must have received enough company income tax to cover the pay-outs. Some people pay their 7 April tax early to help minimize any risk of error. If your company pays large dividends, check and ensure your Imputation Credit Account will be in credit on 31 March.
2. **Use of Money Interest**  
Have you paid sufficient provisional tax to avoid Use of Money Interest? It is charged at 11.93 percent on company/trustee income tax in excess of \$2500 or personal income tax over \$35,000. If in doubt, calculate your expected taxable income for the year and call us. We will tell you how much tax this would attract.
3. **Bad Debts**  
Write off bad debts **before** your balance date. You may not go back later and claim some of your debts were un-collectable.
4. **Stock and Work in Progress**  
You must count and value your trading stock at balance date, unless it will be worth less than \$5,000. You must also keep sufficient records to show Inland Revenue if they ask for them. Consider disposing of dead stock now as it must be valued at its cost, unless you can **prove** it has a lower market price. A guess is not acceptable. You have to find evidence to support the price. This can prove difficult to find.
5. **Dividends**  
It can be useful to pay dividends before 31 March. They carry tax credits of 33 per cent with them. A person receiving \$100 really gets \$149.25 and a tax credit of \$49.25. Anyone whose income is less than \$38,000 may find themselves with either less tax to pay or a refund. Also, if your family trust is a shareholder in your company, you may be able to pass the dividend through to one or more of the family. Need we say it? If in doubt, come and see us.
6. **Bonuses**  
If you want to pay any staff bonuses, they must be paid within 63 working days of the end of the tax year to be claimable for the year ending 31 March 2004.

## Your annual accounts

### Questionnaire

Please complete all the answers in our questionnaire. If you leave a gap, we do not know whether you have overlooked this question or intend the answer to be Nil or N/A.

### Call for additional information

We often have to ask for more information. Long delays make our job much more difficult. Please aim to get back to us within two days.

### Private/business apportionment

Make sure we understand what you require us to do.

### Don't overload us

It is good to give us the information we ask for. Some people think if they bring us everything they cannot go wrong. If you bring us more than we want, you overload us. We have no idea what you want us to check. Any extra checking adds to our time and cost.

### Use the bank account

All income and expenditure should go only through a business bank account. If you are short of funds to pay the business bills, lodge your own money into the account and then draw the payments. Be sure to make us aware when your own money is deposited. We would not want to take it up as sales by mistake.



## TAX CALENDAR

### March 7

3rd Instalment 2004  
Provisional Tax  
(March balance date)  
1st Instalment 2005  
Provisional Tax  
(November balance date)

### March 31

Any bad debts must be removed from debtors before balance date if you want to claim a write-off

### April 7

1st Instalment 2005  
Provisional Tax  
(December balance date)  
Terminal Tax 2004  
(March, April, May and June balance dates)

## Getting good marketing tips off the web

WHY not store the websites of some of the top marketing companies as favourites?

You could start with Guerrilla Marketing, run by Conrad J Levison and B Growth; the website for that brilliant marketer from Melbourne, Winston Marsh.

Nominate an hour a month to visit these websites and get their latest ideas. Make it a routine, such as straight after lunch on the first Sunday in the month.

Keep your eyes open for other useful websites and make it a habit to add them to your favourites. Cull those which do the least for you.