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## The Holiday's Over....

### Tax Treatment of Mixed Use Assets.

**Holiday home owners and people with recreational assets such as yachts, face paying more tax in the future. Inland Revenue has announced a review of the tax treatment of "mixed use assets" such as holiday homes, used for both private and income-earning purposes.**

The Minister of Revenue, Peter Dunne, says unfairness arises when some owners claim their house is available for rent during the significant periods of the year the house is empty. "This provides them with a basis for claiming tax deductions for expenses relating to the period the property is empty. Claiming these deductions could be regarded as unfair, particularly if the owner holds the asset primarily for private enjoyment," Mr Dunne says. He added "Everyone would like to own a holiday home, but it should not be subsidised by the taxpayer."

The suggested options would limit deductions for private use and during periods the assets are unused. The thresholds for full deductibility of expenditure have been set reasonably high.

Submissions on the issues paper are due by 30 September. As always, there will be devil in the detail, and we will provide further updates.

If you have any questions or concerns on the above, please speak to your usual Chester Grey advisor or contact Tim Appleton either by phone (9) 277 8278 or email him, [tim.appleton@chestergrey.co.nz](mailto:tim.appleton@chestergrey.co.nz)

## For Your Information

**KPIs - Key Performance Indicators** are pieces of measurable data that breakdown aspects of the operational side of your business in order to measure your progress. These include:

- Data surrounding how many staff you have and how 'productive' they are in terms of selling goods or services
- How many clients or customers you have and how much each of these spends with you
- Data surrounding cashflow and the collection of bad debts or even debts you may have to 'write off'

Revenue generated by the different good and services you offer

**Benchmarking** is vital when establishing the performance of your business. Benchmarking compares your important KPIs to those of businesses with similar operations. You can then ask yourself:

- Are your operating costs as low as similar businesses?
- Is your debtor management plan working as effectively as those of your competitors?
- Is your staff productivity comparable?

Benchmarking can provide the not so obvious solutions to a number of small margins which in turn, when tweaked, may dramatically improve your bottom line.

## What's happening..?



### Glasswear: Group Show

The Depot, Devonport  
 1 - 20 October 2011

Glasswear presents an exciting snapshot of current practice by this group of innovative jewellers. In what has become an annual exhibition, the show explores the physical properties of glass through the work of six very different makers.



### Hairy Maclary PumpHouse

Theatre, Takapuna  
 1 - 22 October 2011

Hairy Maclary from Donaldson's Dairy is everybody's favourite dog. He and all his friends come to life in this all-new stage show.



### Art in the Dark

Western Park, Ponsonby Road  
 11 - 12 November 2011

Art in the Dark is a community art event, held at night in Ponsonby's very own Western Park. Over two nights in November, the park will transform into a community hub, lit by installations, short films and live performances.

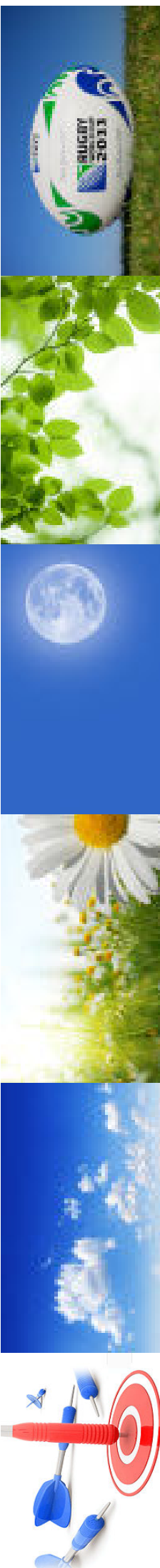


### Acoustic Church Tour with

#### Bic Runga

Holy Trinity Cathedral,  
 22 - 23 November 2011

This supremely talented writer, recording artist and performer will return to headline the 2011 Classic Hits Acoustic Church Tour



# Customer Loyalty Ladder

**To have a great business, you need to establish a customer loyalty ladder. The ultimate aim is to develop evangelists for your business.**



**Evangelists** (the highest level of customer recognition), openly promote your business through comments to other people, comments on your website, facebook and blogs. To develop an evangelist for your business, you need to make communication very easy and encourage members to become advocates and then evangelists for your business.

**Advocates**, when asked, will recommend your business. Advocates are well recognised by your team as being people who are prepared to be pro-active to viewers and prospects, in their support of your business.

A **member** is a client who has dealt with your business several times but they're not advocates yet. So, offer them a 'loyalty card' or other inducements to make them feel

they are important to your business.

**Clients** are people who have bought from your business more than once, so you need to continue to promote and market your business to them - show them you care!

**Customers** are people who have bought from your business once, but don't stop your marketing/promotional activities at this point. Now utilise systems, staff attitudes or your business knowledge to take customers to the next level.

**Prospects** are not yet customers but have shown some sort of interest in the products or services you offer. They might have responded to advertising or requested a quote. Every business has the great goal of attracting prospects and turning them into customers.

A **viewer** is someone in the market place who could buy from you but is currently not a prospect or a customer.

The team needs to understand that the first sale to a customer is the beginning of a relationship which ideally will culminate in a customer becoming an evangelist for your business.

# Liability of Employers for Employee's Illegal File Sharing

*Copyright (Infringing File Sharing) Amendment Act 2011*

**The Copyright (Infringing File Sharing) Amendment Act 2011 requires internet companies to issue warning notices to customers suspected of illegally downloading copyright content at the request of those who own the rights to it.**

It will be the holder of an internet account - not necessarily the person doing the illegal downloading - that will be liable for any infringements. What many employers have not yet realised is that they could be penalised by the actions of their employees. Employers who rely on significant use of computer systems need to have an appropriate policy in place dealing with employee computer use.

A policy could be important not only from the point of view of ensuring that employees know what is expected of them but the existence or not of a policy and the content of any policy could be important in the employer establishing a defense if they are prosecuted or run the risk of losing their internet connection.

The new law makes it illegal to participate in file sharing through peer to peer applications and networks. Where the illegal action is taken by an employee using their employer's system, it will be the employer who may ultimately face a fine (up to \$15K) and even the loss of internet access.

In times where "me" generations consider that they have rights but few obligations, including the right to

access the internet whenever they choose and to download whatever they choose, there is a real risk for employers. Accordingly:

- Employers need to ensure that they clearly define what is and is not permissible by employees;
- The best way to do this is to have a computer policy that sets everything out clearly;
- Every new employee should be made aware of the policy and be advised to read it;
- The policy should extend to all computer use, including by remote access and the extent to which employees may attach devices to the computer system, and all means of communication including telephones supplied by the employer and use of the employee's own cell phones (phone use is particularly relevant in relation to time wasting);

Any changes to the policy should be advised to all employees.

As noted above, the existence of a policy and how extensive it is could be relevant in determining to what extent an employer should be penalised by the actions of their employees. In addition to having a policy, it would be important to keep a document trail of what steps the employer has taken to ensure that there is no illegal file sharing and what steps have been taken when illegal file sharing has been discovered (or suspected).



## Home Detention for serving tax fee

**Landmark Wellington restaurant La Casa Pasta is under new management after its former owner was caught out evading tax and filing false returns.**

Darrell Earl Antonopoulos pleaded guilty to three charges of submitting false income tax returns and 24 charges of providing false GST returns with the intention of evading tax. The restaurateur was sentenced to five months home detention and 200 hours community work.

Tony Moris, Inland Revenue assurance manager investigations, said a significant number of La Casa Pasta customers paid in cash but the company did not disclose any of these sales and Mr Antonopoulos diverted the cash for his own benefit. "Mr Antonopoulos admitted to knowing his tax obligations yet deliberately filed false tax returns on behalf of his company over a four year period and dealt in cash."

An analysis of Mr Antonopoulos's financial records

showed that the restaurant's gross profits were low when compared to other similar businesses. "Benchmarking the performance of businesses within the same sector enables Inland Revenue to identify taxpayers likely to be suppressing income," Mr Morris said.

"Once identified, Inland Revenue has a number of techniques and tools at its disposal to verify whether cash sales have been omitted and to quantify that omission."

Inland Revenue has recovered \$361,000 from Antonopoulos while just over \$88,600 remains outstanding.



La Casa Pasta, which has been serving up cheap pasta on Dixon St for many decades, has been sold and is under new management.

*Article taken from NZ Herald 04/10/11*



## ***SOCIAL NETWHAT?!!!***

**Friday 25 November 2011 - 12.30pm for Lunch**

Chester Grey Office, Level 2, 652 Great South Road, Manukau

**An informative and entertaining look at the basics of Social Networking.**

**What is it? Is it relevant to me? Where is it going? Can I ignore it? Where do I start?**

Do advances in technology and new digital trends do your head in? Yeah, us too. However once you're able to cut through the jargon and the hype, it's not as complicated as you might think. In fact, you may just come to realise how familiar the fundamentals are and that your own experience and approach to business is where the true value really lies. New tools are great but only if they're the right tools employed for the right reasons.

**We will be sending out invites shortly, but if you would like to attend, please register with Carole [carole.smith@chestergrey.co.nz](mailto:carole.smith@chestergrey.co.nz)**



## **Credit Card Fraud - It could affect your online business**

**With online shopping on the rise, so is credit card fraud. Fraudsters can sometimes illegally access customer card data through computers used to process transactions and unsecured data.**

Credit card fraud is a serious risk to your business and your customers. Be aware of the risks to avoid damaging your business' reputation and bottom line.

**Some helpful tips to avoid credit card fraud:**

- Make sure your anti-virus software is up to date.
- Make sure you have effective passwords. Use passwords with letters and numbers and both upper and lower cases - passwords that cannot be easily guessed. And change them on a regular basis.
- Dispose of customer card information. If you have permission to retain this then make sure information is password protected. Hard copies of information should be locked up. Shred any such information when no longer required.
- Limit staff access to this area of your business. It is

important that your computer, associated equipment (e.g. servers) and website passwords are protected from unauthorised users.

- Make sure your website online payment system is secure. Use secure online payment gateways such as DPS and payment express. This takes much of the hassle out of online payments and is safest for your customers.

When it comes to online shopping, your customers will appreciate the extra mile you go to provide a trustworthy and secure website. Advertise the systems you have implemented to shelter them from credit card fraud.

Most banks are very proactive when it comes to credit card fraud, if you have concerns about your credit card systems then have a look online at your bank's safety recommendations.



## **You need successful customers**

**The biggest single risk for small businesses is cashflow. Conversely customers who pay their bills are the most important ingredient for business success. Cashflow and customer development are therefore vital aspects of risk management in your small business.**

Many concerns about cash management can be significantly reduced if the business has a strong customer development policy. If the business focuses on developing customers, in most cases, the business will enhance its cashflow prospects. Does your business have a customer retention system for new and current clients?

Do you communicate pro-actively with new clients? You need to advise them of your terms of trade (especially if they are a credit customer).

Do you obtain up-to-date details of all new clients? This ensures that they're on your mailing database for promotional brochures, and so on.

The best new customers are the ones that pay on time. To avoid taking on risky customers do your homework, perform a standard credit check, ask for trade and bank

references or even request a Directors' guarantee (if the customer is a company).

### **Future proofing your customers**

Consumers are looking to deal with businesses they can trust. Is your business creating a feeling of trust with the customer? It is a good idea to obtain testimonials, preferably on video, from happy customers and utilise these videos on your website. Do you conduct customer surveys to discover customers' likes and dislikes regarding your business? This might mean you need to fine-tune your business operation.

Staff should be encouraged to show passion and enthusiasm when dealing with customers, highlighting your business' unique selling proposition. You can encourage loyalty from customers by focusing on providing them with superior service, and by offering specials to regular customers. A good customer attraction and retention system should make significant contributions to the small business' cashflow. If you would like us to review your customer attraction and retention system, please contact us.



## **Extent of IRD search powers 'scary'**

**Tax firm Deloitte is reminding the public of the Inland Revenue's "scary" search powers after a decision in the High Court. Deloitte said a ruling after the Inland Revenue seized documents from properties linked to former Dragons' Den star Paul Webb and his business associate Andrew Tauber illustrates the extent of the tax man's reach.**

Webb and Tauber were raided by the IRD in March, as part of an investigation into the pair's tax affairs. The IRD would not comment yesterday on the status of the investigation.

Webb, Tauber and their associates issued court proceedings in April challenging the lawfulness of the search operations. They sought a court order requesting the Inland Revenue to return the documents seized and to destroy or deliver any photographs or videos taken.

One of their complaints involved the search of a child's bedroom and the photographing of an open underwear drawer. According to evidence filed by the IRD, the photo was taken because the drawer contained a BlackBerry phone.

The application challenging the search was dismissed by Justice Venning in August.

While the Inland Revenue's right to search is not new, Deloitte partner Greg Haddon said the decision showed the tax commissioner's search and seizure powers are likely to be broader than

any other branch of the Crown. "[The ruling] identified a number of situations where perhaps in a criminal case, the search and seizure right wouldn't have existed but under a tax case it does," Haddon said. "The rules around what that warrant looks like is a lot looser [in a tax case] than what would be required under a criminal case. Under a criminal case the warrant's required to be specific about who is entitled to [enter a premise] plus what things they're allowed to look at," he said.

The IRD does not need a warrant to search a business and copy documents found there and only requires one when it wants to search a private dwelling or take documents away, he said. Any information deemed necessary or relevant to a tax investigation can be copied or seized. Haddon said the IRD can take anyone in it deemed appropriate to search a property, including police, dog control officers or locksmiths.

However, the public did have rights if the tax inspectors came knocking. "You certainly want to read the warrant if they've got one. If it's a private dwelling and they don't, don't let them in."

### **TAX PROBES - IRD search and seizure powers:**

- Can search a business without a warrant and copy documents.
- Can search a private dwelling or take documents away, but needs a warrant to do this.
- Any information the IRD deems relevant to an investigation can be taken or copied.
- Can bring dog control officers, police and locksmiths along with them.

*By Hamish Fletcher - NZ Herald 06/10/11*



## So you have a website... but how effective is it?

**The more you update your site the better your 'googlability', as static sites get lost in search engines. So quite apart from the fact that no one likes a stale site, completing regular audits and updates improves how easily your customers can find you.**

### Quick questions for a quick audit:

1. Is your homepage fresh and inviting? This is the first thing a prospect sees! Break up bulk text with headings and images; make sure important links are visible.
2. Consistency is vital - check your pages are consistent for styling and layout.
3. Scan every page for out of date content.
4. Do all of your links work? Links can break without rhyme or reason. How will clients or customers book/buy if the link to the online shop doesn't work?
5. Do you have an effective 'About Us' page? This could be the most important page on your site. Clients are more than likely to part with money if they trust you - let them get to know your team. And keep this updated, especially where new staff are involved.
6. Do you have testimonials? Are they current?

7. Does your brand have enough presence on your site?
8. 'Proof' your site's spelling and grammar.
9. Are pages loading fast enough? Large image files are often the culprit, so downsize and reload them.
10. Stay in touch with your web provider - enhancements in technology are happening constantly. These could make your site easier to navigate and maintain.

### While you're researching, check out your competitors...

- What are they doing better than you?
- What extra services are they offering?

Websites are not set and forget software. They should be treated as an integral part of your business' personality and your marketing and or sales team. If you would like some help with your website, please contact the team at CG Biztech Limited by email [info@cgbiztech.co.nz](mailto:info@cgbiztech.co.nz)



## Pledge your support to reduce the work toll

**Last year 75 people died at work in New Zealand and hundreds more were seriously injured. How can you and your workplace help to make a difference to the toll of work-related injury, fatality and disease ('the work toll')?**



The Department of Labour is calling for stakeholders to play their part in reducing New Zealand's work toll and sign the **Partners in Action Pledge**. The Pledge is a symbolic acknowledgement of the joint effort needed to reduce New Zealand's work toll.

The Pledge forms part of the National Action Agenda developed by the Department of Labour. It focuses on reducing the work toll in the five sectors with consistently high levels of injuries and fatalities - construction, agriculture, forestry, manufacturing and fishing.

The Pledge was launched at the release of the Construction Sector Action Plan in May 2011 - where the Minister of Labour, Construction Safety Council and the Council of Trade Unions signed up, alongside the Department and ACC.

Since then more than 150 stakeholders have also signed the Pledge - by doing so they commit to working towards achieving zero harm in New Zealand workplaces.

In return for pledging your commitment, your organisation will be recognised on the Department's website and you will be kept in the loop about workplace health and safety activities via email newsletters.

Signing up is easy, simply email [pledge@dol.govt.nz](mailto:pledge@dol.govt.nz) and we'll send you the details. Help make a difference to the work toll and commit to helping us create safer and healthier workplaces.

## Handy Website from Department of Labour

Habit at Work - [habitatwork.co.nz](http://habitatwork.co.nz)

Violence at Work - [www.osh.govt.nz/order/catalogue/109.shtml](http://www.osh.govt.nz/order/catalogue/109.shtml)

Police Business Crime Prevention booklet in English (other languages are available on the NZ Police website).  
[www.police.govt.nz/safety/business-crime-prevention.html#crime-prevention](http://www.police.govt.nz/safety/business-crime-prevention.html#crime-prevention)

Injury cost calculator - [www.acc.co.nz/preventing-injuries/at-work/injury-cost-calculator/index.htm](http://www.acc.co.nz/preventing-injuries/at-work/injury-cost-calculator/index.htm)

Guidelines for using computers - [www.osh.govt.nz/order/catalogue/computers.shtml](http://www.osh.govt.nz/order/catalogue/computers.shtml)

Forms and templates - [www.osh.govt.nz/order/catalogue/forms.shtml](http://www.osh.govt.nz/order/catalogue/forms.shtml)



# The Remote Workforce

**Working remotely can be an attractive proposition for both employers and employees. The virtual worker is rewarded with job flexibility - providing their services from home, separate or even multiple office locations. The Employer can streamline their business, and minimise overheads.**

The fundamental reason for this increasingly popular workforce is the growing access to technology. Technology such as the smart phone and tablet are becoming mainstream amongst professionals. We can now perform tasks very effectively from almost any location. Quite simply, technology is driving efficiency and communication.

Remote workers can wear whatever they want, avoid traffic and related travel costs, potentially dictate their working hours, all while avoiding the bulk of office distractions and internal politics. In some industries, it's highly likely that this style of working and managing will be prevalent in the future.

As the world heads towards the 'post PC phase', now is the time to test the 'remote office' with your staff. If you remain inflexible you may miss the boat and run the risk of losing touch with your employees and customers. If your competitors are cutting operating costs by managing a virtual workplace, this will be reflected in their prices and their share of the market place.

There are possible downsides. Workers might feel out of touch, find it harder to communicate with their seniors, losing sight of tasks and predetermined outcomes. Achieving the ultimate remote work balance will be important and perhaps heavily dependent on management.



Not everyone is suited to this style of working - or managing. The virtual workplace suits self-motivated employees, capable of working around distractions, and comfortable working in solitude. If your employee doesn't tick these boxes then perhaps they're better off in the office.

## Managing the Virtual Workplace

As working remotely moves toward standard practice, the internal management of virtual employees will become increasingly important.

Virtual managers must anticipate communication breakdowns and have the skills at hand to minimise the effects. Some simple suggestions:

- Get staff to communicate their hours and current pipeline tasks to the team
- Instant message or email staff where you have a quick question
- Schedule daily phone/skype updates to keep an eye on their workload and progress
- Have monthly staff meetings over coffee and scones
- Celebrate staff birthdays
- Have quarterly staff planning and training days
- Bring the staff together for formal social engagements
- Out of sight, out of mind? Remember to reward great work!

## Recognise the warning signs.

If a staff member is missing deadlines then nip it in the bud and get the communication back on track. Remember that everyone enjoys working in different ways - there is no right or wrong. Try to focus on the results and outcomes, not the process.

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