NEWSLETTER SEPTEMBER 2023

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Meals Provided to Employees

Some farming clients provide meals to their employees. Sometimes these employees are living on the farm in accommodation provided as part of the remuneration package. Other times these will be drive-in employees that live off-farm in their own accommodation.

For the farm owner, there are a lot of positives to having all staff together at mealtime. It's a good chance to catch up and discuss work, plan, chew the fat and improve the team morale and culture.

Are the costs of the meals deductible to the employer and are they accessible to the employee?

The meals provided to the employee will generally be deductible to the employer. However, whether they are accessible to the employee will depend on their employment situation.

As the employee is receiving regular meals at the employer's premises, the meal costs fall outside the entertainment regime. The only meals consumed on the business premises that are subject to the entertainment regime are if at a party or similar function, or if consumed in a part of the premises normally reserved for only senior staff. The regularity of the meals suggests that neither of these two tests would be met.

Normally the FBT regime does not apply where the benefit is consumed on the premises of the employer. However, the definition of 'premises' excludes premises occupied by an employee of the employer for residential purposes. So, if the taxpayer is a company and meal is consumed at a shareholder employee's dwelling, it may fall within the FBT regime.

If the employee lives on-farm in employer provided accommodation, the meals may be included as part of the employee's employment income.

If the employee is drive-in and is not provided accommodation, the benefit of meals does not form part of their employment income and does not attract PAYE. As the employee receives only meals rather than board and lodgings, this is excluded from the calculation of the employee's remuneration.

Businesses that provide meals on premises will have the same rules apply to them.

UPCOMING TAX DATES

20 October 2022
September 2022 PAYE Due
September 2022 RWT Due

20 October 2022
FBT Quarterly Payment Due

30 October 2022
Provisional Tax Payments Due

30 October 2022
September 2022 GST Due

20 November 2022
October 2022 PAYE Due

Digital Services Tax Bill Introduced

The Digital Services Tax Bill (288-1) was introduced into Parliament on 31 August 2023. The Bill would allow the Government to implement, at an appropriate time, a digital services tax (DST) to be administered by Inland Revenue. The Bill proposes enabling a more comprehensive taxation of the digital economy.

The DST would be imposed at a rate of 3% on digital services revenues connected to New Zealand users or land that are derived by in-scope digital services groups. Taxable digital services revenues are revenues relating to intermediation platforms, social media and content sharing platforms, internet search engines, digital advertising and user-generated data. The tax would apply to large businesses with global digital services revenues of at least €750 million per revenue year and at least $3.5 million of New Zealand digital services revenue per revenue year.

The DST would be calculated based on the digital services group's revenue year and would be paid and reported via self-assessment by the due date in the following year. Members of the digital services group would be jointly and severally liable for the DST.

The Digital Services Tax Act would come into force on 1 January 2025. However, the Government would be able to defer this commencement date for up to 5 years. The Government is working with other countries at the Organisation for Economic Co-operation and Development to achieve a multilateral agreement. The Government intends to ask Parliament to repeal the DST when an acceptable multilateral solution is implemented.

Source: Digital Services Tax Bill, NZ Govt Legislation website, 31 August 2023.

How To Manage the Dangers Of Unexpected Business Growth

According to a study by Inc. Magazine, approximately two-thirds of the fastest-growing organisations fail. This happens because they miss the opportunity to do one essential thing: become self-sustainable. With that in mind, let's discuss the dangers of unexpected business growth and how to handle rapid success.

1. Increased financial strain

Unexpected business growth brings a sudden increase in operational costs — which can lead to a cash flow crisis. On top of that, a fast-growing company will have to expand its workforce to keep up with demand. And this entails additional investment. There's the recruitment process, training and onboarding, equipment, etc. In addition working capital requirements increase such as debtor and stock investment.

These steps can help you handle problems caused by increased financial strain:

- **Ensure a good overview of your business's financial situation** - You can achieve this by using good online finance software solutions.
- **Look for ways to minimise operational costs -** Consider reducing inventory and outsourcing shipping and handling. You can even try tweaking your business model, like limiting certain product purchases to pre-orders and scheduled drops only.
- **Cut costs wherever possible -** If you're renting an office, for example, could you switch to a remote work model to cut costs?
- **Consult a business advisor to assist with strategy and financial management -** this will assist with both business and financial planning

2. Company culture suffers

Rapid and unexpected business growth will inevitably affect the inner workings of a business. And if management isn't prepared to handle the changes, it can harm business culture. Typical risks include new employees not fitting in and existing employees becoming stressed or overworked. Plus, if your management team struggles to keep up with an expanded workforce and operations, it's easy to lose sight of the key values that drive your brand identity. So to prevent growth from negatively impacting your business culture, take the following steps:

- **Develop sustainable managerial practices -** For starters, make sure to integrate new employees well. As the number of tasks grows, carefully assign them to make sure that the workload is appropriately distributed, and that work is assigned to the right people.
- **Invest in employee well-being -** Do your best to meet common employee needs; so that might mean adopting a flexible or hybrid work model and organising team building events. Consider offering training and career development opportunities. Conduct casual team meetings to learn how your company can contribute to your employees' well-being.
- **Prioritise your organisation's values -** Strive to communicate your organisational values clearly and consistently to your staff and customers. Let your values be the driving force behind the decisions you make for your brand, and use them to motivate your employees.

3. Business owner burnout

In 2022, 42% of business owners reported feeling burned out; and this is the result of two major factors. Firstly, business owners often bear the full burden of making a business succeed. Secondly, they often work long hours and don't take vacations — even risking their physical and emotional well-being as they attempt to grow their business. In addition, make sure you're setting yourself, your staff, and your business up for success as you double down on new opportunities, take the following steps:

- **Make your company less dependent on your contribution -** Hire reliable, trustworthy people whom you can delegate to, and learn to step back. Delegate more responsibilities by develop and growing responsibilities of your staff.
- **Take better care of yourself -** You are your business's most critical resource - make sure you look after yourself. Get enough sleep, do your best to eat healthy, nutritious food, take time off, and get at least 30 minutes of exercise daily. So try to spend some time outside relaxing and enjoying yourself.
- **Surround yourself with people who give you strength -** Spend more time with friends and family. Also, it helps to share your experiences with like-minded business owners who understand leadership challenges.
- **Find a good business advisor -** Someone you trust, will understand your business and assist with its management and growth
- **Find your "thing" outside of work -** Whether it's a hobby, volunteering, or joining a fitness group, it's essential to have something outside of work that gives you a sense of fulfilment.
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4. Decreased customer satisfaction

A decline in product quality, customer service, or customer experience is a common risk of unsustainable business growth, and it leads to dissatisfied customers and decreases customer retention rates. Here are some strategies to help you overcome this major, all-too-common challenge:

- **Expand customer support teams -** To do this successfully, consider outsourcing some tasks or increasing internal focus on this area
- **Prioritise customer experience and high retention rates -** Have your support team keep a finger on the pulse of customer satisfaction.
- **Make product or service improvements -** Product or service development can prevent existing customers from switching to competitors and buy you time to improve customer experience.
- **Invest in content marketing aimed at existing users -** Create educational resources to help your customers get the most out of your products, and this will help reduce churn and develop loyalty.

Sudden growth can sound like a dream come true to inexperienced business owners. But navigating this time poorly can eventually bury your business. Fortunately, there are plenty of measures you can take to lead your business through this challenging period.