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THE ChatGPT PHENOMENON

You've probably heard about the new AI (artificial intelligence) technology that has huge implications for how we all work.

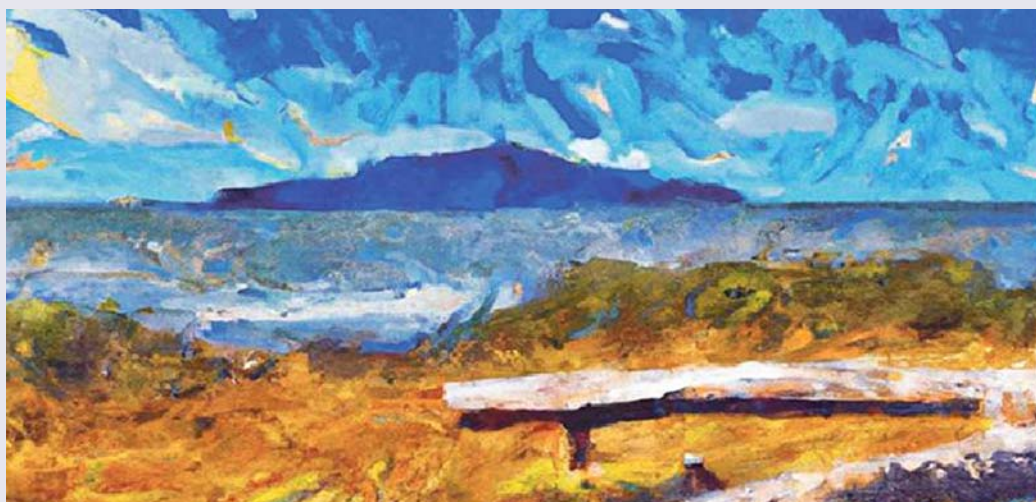
Foremost is ChatGPT, which launched in December, breaking internet records as its popularity grew to millions in just days. As its name suggests, it's basically a way to chat, more particularly to get information on any topic. Rather than a Google search, ChatGPT looks for the "best" answer. It looks at all the information on the internet to do that, using AI to create just the one answer.

It can be a huge helper in day-to-day life. Ask it for a weekly recipe plan based on the keto diet, how to repair a bike puncture, or what natural remedy might ease the pain of a bee sting. The somewhat scary part of this technology is when it's used to overtake human creativity. Right now, a rapidly growing number of university assignments are being written using ChatGPT.

For example, you can type in: "Give me a 500 word article on the molecular response to a virus." Architects might also ask for a building design based on Frank Lloyd Wright. However, ChatGPT itself advises that it might "occasionally generate incorrect information", and has "limited knowledge of world and events after 2021".

Meanwhile, OpenAI has also developed DALL-E 2, which is similar to ChatGPT, but it can generate images from textual descriptions. We tried: "Give me a picture of Kapiti Island in the style of van Gogh." You can see the result below.

DALL-E 2 can be used for many applications, such as product design, video game development and digital art. There is a charge to use it. To try ChatGPT, register at chat.openai.com; for the image generator, go to openai.com/dall-e-2



Selling a loss-maker

Until recently, when the shares in a company were transferred to another owner, which resulted in a change of ownership of more than 51% of the shareholding, the new owners could not use the losses incurred before the ownership change.

Not long ago, the law was changed. **If the new owners carry on the business in the same way as the old owners** they could use up the company losses as long as they didn't relate to prior to 31 March 2014.

While there's a benefit by being able to pass on company losses, there's also a downside for the buyer of the company shares. Any undisclosed company debts, including if Inland Revenue discovers the company has not accounted for all its profits, will continue to be debts of the company. This includes any penalties or interest Inland Revenue cares to come up with.

Many potential buyers will prefer to buy the business and not its shares. So while this is useful in some situations eg passing a family business to the next generation it may not be as attractive to arms-length buyers.

There are some proviso's which go with this change in legislation, so if you are considering such a change in shareholders, please contact us to discuss.

Reboot to start the day

Are you getting regular error messages on your computer or device, or apps not launching quickly? You might have some serious problems, but a simple reboot often fixes things. Close your programs and apps, shut down and wait 10 seconds before restarting.

Most PCs will go for weeks without needing a restart, but it's a good habit to close down at the end of the day (then you're not tempted to do work after hours) and restart each morning.



KEEP ON TOP OF SLOW PAYERS

Perhaps one of the most unethical and unfair things one can do in business is to not pay the bill when it should be paid.

When you get a bill, you have received the goods or services and you hold the upper hand. There is little your supplier can do to get paid without it costing a lot of money. Of course some people unexpectedly get into a tight spot financially. The reasonable thing to do is to send a message to the supplier apologising for not being able to pay on time and requesting an arrangement to spread payments. Don't ignore overdue bills.

There is talk of a recession looming. This is, if it occurs, likely to lead to more people having difficulty paying their bills. If you think you might be one of them, consider ordering only what you know you can pay for. If you're a supplier, you should be planning now, before it's too late, for how you deal with unpaid invoices.

- If your business has a large number of customers, none of them being of a significant size, you are in a much healthier situation than those depending on one or just a few big clients. If not, can you change things now to get more, smaller customers to spread the risk?
- In tough times small businesses can get badly hurt when a big customer won't pay. Continuing to supply that customer to keep them going, in the hope their situation improves so they can pay you can be disastrous.
- Can you get deposits or increase the amount of deposit you ask for up-front?
- Are you spelling out your terms for payment before you take a job and making sure the customer is aware of them?
- If you want to charge interest on overdue accounts, you need to make this clear at the start.
- A customer who has to be constantly followed up for payment is wasting your time. You might be better off without them. It might be better to get rid of them now, while there's still a good chance of replacing them. You could make better use of your time promoting your business.
- Are you keeping in touch with customers? Emails are such a cheap and easy way to communicate. Develop a system for sending messages to your clients and customers regularly. Set yourself specific dates when this has to be done. Think about special offers, tips and suggestions that could be useful to them.



TAX CALENDAR

31 May

Deadline for FBT returns

28 June

Third instalment 2023 Provisional tax
(May balance date)

30 June

Last day to apply for annual FBT returns

28 July

Third instalment 2023 Provisional tax
(June balance date)

28 August

First instalment 2024 Provisional tax
(March balance date)

TAX CHANGE FOR TRADING STOCK DONATIONS

Two new sections were put into the Tax Act as a result of Covid-19.

Until that time, if a business donated its trading stock to a charity it had to treat the donation as a sale at market value.

These new sections were due to expire on 31 March 2023. That date has now been extended to 31 March next year.

If a business donates some of its trading stock to a registered charity or a public authority, it can claim the cost of the trading stock as an expense so long as this is done by 31 March 2024.

Where a business donates trading stock to an entity other than a charity or public authority, there is still no deemed market disposal. This is provided the person who receives the goods is not associated with the donor. However, the cost of the trading stock will not be tax-deductible.

INCOME TAX RETURNS – DON'T BE LATE

After Christmas there are only about 10 weeks of work before the deadline to file tax returns.

If you don't get your tax return in by 31 March, Inland Revenue has an extra year in which to examine your return. Also, you could lose your right to an extension of time for filing the return.

Late tax returns have a number of other disadvantages:

- Provisional tax has to be paid based on the year before last +10%. At times, this figure could be too high.
- If you get your accounts done late, it might not be practical to get them completed by 31 March. Reasons could be:
 - sickness or staff leaving
 - too many other people have left their accounting too late – overload.
- You can become liable for Inland Revenue interest without realising it. The longer this is left the bigger the bill from Inland Revenue. The interest rate is shortly going up to 10.39%.
- If there is an opportunity to save tax it's better to know about it early and take full advantage of it. Sometimes opportunities reveal themselves when the financial statements are prepared.

IN BRIEF



Child Support

From 1 July 2023 sole parents will receive child support collected by Inland Revenue and the Ministry of Social Welfare will then take this into account as income for the purposes of determining the benefit. At the moment, the beneficiary only receives any excess of child support payments collected by Inland Revenue, once the social welfare benefit has been deducted.



Banklink Ceasing

MYOB began ceasing the product BankLink at 31 October 2022. We have been making contact with all clients that are currently using this product to transition to Xero. If you have received authority forms from us for your bank and farm suppliers, please organise getting these returned to the office as soon as possible.



Xero

There are currently some great deals on new or upgraded Xero subscriptions. Get in touch with us to discuss what options are available for your business. All plans cover the accounting essentials, with room to grow.



ACC CoverPlus Extra

ACC CoverPlus Extra invoices are currently being sent out for the new financial year. Please note when you have CoverPlus Extra cover with ACC you are required to pay the invoice on or before the due date. If these are paid even one day late cover will be cancelled and you will be required to reapply. Please contact us if you are concerned that you have paid late and if needed we can assist you to reapply on your behalf. ACC does not advise you if your CoverPlus Extra is cancelled due to late payment.

When you become Bank of Mum 'n Dad

In the past responsible parents would consider their job done when their children were fully educated for the work they had chosen.

Increasingly parents and grandparents today are having to help their children buy a first home – they are referred to nowadays as the Bank of Mum and Dad.

Beware the tax man if you're helping out! If you buy a property either jointly with your offspring or in any other way involving your ownership of that property, you can be taxed on any gain in value.

There is a capital gains tax on property sold within five or 10 years of purchase. This time varies depending on when the property was bought, whether it is a new build and the tax law at the time acquired. It's called the Bright Line Test. It was designed to help take the heat out of the property market.

Of course, with falling property prices this might not be an issue.



TRAVELLING EXPENSES OVERSEAS

The Inland Revenue Department recently proposed updating tax deductibility of overseas travel expenses.

The cost of meals are excluded if you are self-employed. This is because Inland Revenue has separate rules to cover meals. Roughly, a self-employed person would have to eat anyway so should not be claiming the cost of their meals while away on business. The shareholder employee of a company is in the same situation as any other employee and meal costs while travelling away from home on business are tax deductible.

Here are some examples of how Inland Revenue sees the tax deductibility of travel expenses overseas.

- Gertrude travels overseas primarily to go to a 50th wedding anniversary. However, she had to go overseas on business anyway so turns part of the trip into a business trip. She spends 11 days out of 42 on business and therefore claims this proportion of her airfares and accommodation.
- Fred goes to Australia to buy stock. He is away for three days, one of which he spends visiting an old friend. He is entitled to claim two thirds of his travel costs.
- Oscar buys an airline ticket to go to the United States on holiday. While he is there he takes the opportunity to visit potential clients and promote his business. At the time he bought the ticket his intention was just to have a holiday, so no tax deduction is permitted for the airfare but if he hired a car specifically for the business related activities that would be deductible.
- In a 1984 court case, a qualified electrician and his wife were in partnership. They visited a factory in Australia for four days that made the electrical units on which the electrician was doing contract work. The electrician's travel costs were tax-deductible. His wife's costs were of a private nature and therefore not tax deductible.