

# ACCELERATE

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OUR NEWSLETTER FOR GROWING BUSINESSES

*We hope you have an enjoyable Christmas break and a Happy New Year!*

We're closing our doors on 23<sup>rd</sup> December and will reopen in the New Year on 16<sup>th</sup> January 2023. We're grateful for all your support in 2022.

As you gear up for some well-earned rest, here's some helpful information for the holidays, including the answers to some tricky tax questions, and Christmas marketing tips.

## Manage your Christmas cash flow

Christmas can cause a cash flow crisis for small businesses, but you can prevent problems from spilling into the New Year:

1. **Get your invoices out early.** Ensure December and January invoices go out well before Christmas to give your customers the chance to pay before the break. Encourage customers to pay before Christmas if they are closing over summer.
2. **Chase up your invoices.** Don't let unpaid invoices linger over summer. Politely ask your customers to settle overdue bills before the break to prevent further delays.

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# Tricky tax questions at Christmas time

Here are some answers to common tax questions at this time of year.

## **Is our Christmas work party tax deductible? Does it matter whether it is held on business premises?**

Expenditure on entertainment is only 50% deductible for tax purposes. This applies to deductions for spending on food and drink or celebration meals, whether they are on or off premises. There are exceptions — light refreshments for employees, such as afternoon tea, are fully tax deductible.

## **How about hiring items for a Christmas party?**

The 50% tax limitation applies to any expenditure on hiring wait staff, crockery, glassware, utensils, furniture, music, or entertainment associated with a Christmas party.

## **If I take my clients or staff out for Christmas lunch, is it tax deductible?**

The cost of taking colleagues out for an end-of-year lunch or dinner would be 50% tax deductible.

## **Are my gifts to staff and clients tax deductible?**

The cost of gifts other than food or drinks is generally tax deductible. If you buy food, drinks, or even supermarket vouchers, this expense is only 50% deductible.

Remember, gifts to staff must be under \$300 per quarter (including GST) to be fully tax deductible. If the cost exceeds this amount, or if total gifts or discounted services to staff for the year exceed \$22,500 FBT will be payable to Inland Revenue. In this instance, costs can still be claimed.

## **My staff can't use public transport due to public holiday schedules. Is a transport allowance for them tax deductible? Will I need to deduct PAYE from the allowances paid?**

Expenses incurred on reimbursing staff for travel expenses are tax deductible. However, whether the allowance will be taxable to staff, and hence require a deduction of PAYE, depends on the circumstances.

An allowance to reimburse extra transport costs to staff is exempt from income tax, depending on whether employees incur the costs in connection with their employment, and for the employer's benefit.

For allowances paid to staff unable to use public transport, the first \$5 will be taxable income to the employee, and you would be required to deduct PAYE on the \$5. Any additional amount paid will be tax-free provided it compensates the staff member for the additional transport costs.

Additional costs are those that staff incur on top of their usual travel costs. Employers need to make a reasonable estimate of the amount of expenditure incurred by the employees. Any costs reimbursed over and above this level or for non-work related reasons require PAYE to be deducted.

## **What is the tax treatment of cash bonuses for staff?**

PAYE must be paid on cash bonuses and included in the employee's wages for the week.



*Call us if you have any further tax questions before Christmas*

## Keep your staff safe at Christmas

The holiday season is a great time to highlight the year's achievements. But with every Christmas party comes great responsibility. Four top tips for ensuring a Christmas party is remembered for all the right reasons:

1. **Remind staff about drink-driving laws.** Ensure that staff have a transport plan travelling to and from Christmas work events. Reiterate the rules about alcohol and company vehicles.
2. **Staff are under your watch.** As an employer, remember your business is responsible for after-work functions where alcohol is served, whether the party takes place at the office or an outside venue.
3. **If something goes wrong, bring in HR.** HR departments are designed to handle employee incidents. Poor behaviour at a work event can lead to disciplinary cases. It's vital to log issues through the proper channels.
4. **Have a sober senior staff member.** While you might be off the clock, ensure at least one senior staff member remains alcohol-free during the festivities as a responsible host to deal with emergencies and ensure everyone gets home safe.

## The key to Christmas marketing

Christmas is a great time for businesses to send out fun, engaging messages to customers. People are on the lookout for new products, experiences, and services, more willing to spend. What's the key to adding some Christmas magic to your marketing and inspiring brand loyalty into the New Year?

**Prepare early.** Christmas decorations seem to go up earlier every year, and people like to get organised. Be ready to send out emails long before the holidays. Inspire shoppers with gift ideas, sales, and savings to boost your Christmas top line. Personalised offers can generate even better results.

**Build your subscriber list.** You won't be able to engage unless you have a decent subscriber list. Be open and transparent with your customers about why they should receive your emails and messages and let them know about all the fantastic deals they could miss out on. A Christmas-only subscriber list could also drive engagement.

**Make your email stand out.** Many businesses bombard customers with offers, exclusive deals, and customer messaging at this time of year. How do you make yours stand out? When creating your email, test out different subject lines, preview text, calls-to-action, and personalisation tactics.

**Be mobile-friendly.** The most successful companies know consumers are increasingly mobile, and more spending than ever is done on smartphones. Your email is more likely to be read on an iPhone than a desktop. Ensure it's concise and designed for mobile devices. Emails that aren't mobile-friendly can be marked as spam.

**Remember late shoppers.** You'll have built plenty of momentum with your subscriber list by late December, and there are always people who leave their spending until the very last moment. Tempt them with some carefully crafted emails.

## Don't overlook inventory

At Christmas, increased demand can take you by surprise. There's nothing worse than running out of stock during peak season, so check your stock against previous summers. You don't want to over-order or order too little.

During the holiday season, relationships with suppliers are more important than ever. Check in with key suppliers early – they'll also be dealing with reduced capacity and extra demand.



## What to consider when closing up over summer

2022 has seen a spate of ram-raids, theft, and vandalism targeting New Zealand businesses. With companies closing over Christmas, there are plenty of security issues to consider.

- Before you close, ensure all doors and windows are locked, shutters are down, and consider investing in a security alarm system (it could make all the difference).
- Use lighting to your advantage. As thieves like to commit crimes under cover of darkness, sensor lighting can deter them at the door. Keep lights on timers to give the appearance of an occupied space. It could make criminals think twice.
- If you keep valuable equipment on site, paying for a professional security service could be a worthwhile investment.

## Maintaining a skeleton staff

While some businesses shut completely over the summer break, many stay open. Businesses have the difficult task of balancing their rotas to keep things running smoothly.

To maintain a skeleton staff over Christmas, offer incentives and ensure staff get the chance to take turns to cover shifts, so everyone gets some time off to see their loved ones.

## KEY TAX DATES – DECEMBER 2022/JANUARY 2023

Date	Category	Description
5 December	PAYE	Large employers returns for November. File employment information within two working days after payday.
20 December	NRWT / Approved Issuer Levy	Payment and return for November.
20 December	RWT	RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during November.
20 December	PAYE	Small employers returns for November. Large employers returns for December. File employment information within two working days after payday.
16 January 2023	PAYE	Large employers returns for December. File employment information within two working days after payday.
16 January 2023	Provisional Tax	Instalment due.
16 January	GST	Return and payment for November
20 January	PAYE	Large employers returns for January. Small employers returns for December. File employment information within two working days after payday."
20 January	FBT	FBT return and payment for quarter ended 31 December due
30 January	GST	Return and payment for December

**Note:** provisional tax due dates apply to clients who have a March balance date. Different dates will apply for those clients who have different balance dates. Check with us if you're not sure.

*Disclaimer: This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.*