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## Winter blues tips

With positive thoughts we experience pleasant and happy feelings. Unfortunately, in the midst of winter, it is easy to lose sight of our positive thoughts where the days are short, the temperature low and grey clouds surround us. However, it is important to make the effort to maintain a positive outlook on work, family and life in general.



Positive thoughts can not only bring us positive feelings, but they also change the way we appear, act and react. Take a moment to look at the people around you right now. Are you able to identify those who are thinking happy, positive thoughts? It's not just the people who are smiling.

People who have a positive mind set have a certain brightness in their eyes. They often walk tall and have elevated energy levels. For some, their whole being broadcasts happiness, health and success. Is it any wonder that we prefer to be around positive people, and avoid the negative ones?

So what can you do to think more positively? Well, it's not just about putting your head in the sand and ignoring life's less pleasant situations. Positive thinking is about approaching unpleasant situations with a more positive, productive attitude. It involves focusing on the best outcomes, not the worst.

One reason people struggle to live a positive happy life is due to their minds playing a constant record of negative self-talk. When self-talk, that constant chatter in your mind, is always negative, it can bring down your whole perspective on life and dictates how you relate to yourself and those around you.

A few tips to help elevate your thoughts and reduce negative feelings are to:

**Recognise negative self-talk** - a good place to start is to keep an eye on the things you tell yourself. If you tend to dwell on the negatives or do not feel good about yourself, this is a good indicator that your thoughts need improving.

**Pause for a moment** - when you notice yourself having negative self-thoughts, stop for a moment and think about the scenario. By putting it into perspective we can prevent ourselves from thinking negatively. For example, if you trip and fall, before you berate yourself for being such a 'clumsy idiot', stop and think, are you really that clumsy? Or was the ground wet or uneven, were you distracted?

**Challenge negative thoughts** - you can test and challenge your self-talk. Pull yourself up on negative self-talk and ask yourself, "is that really true?". If you missed that business opportunity, are there any lessons for the future you can take from the situation?

**Accept yourself** - having self-confidence is fundamental to ensuring you are on track to having positive thoughts. The degree to which you value yourself and the belief you have in your skills and

abilities impacts the way you think about yourself. Nobody's perfect, so accept your faults and move on.

**Get positive** - train your mind to conduct positive self-talk. Make an effort to use positive words in your inner dialogues and when talking with others. To reinforce your positive thinking, write three words on a piece of paper and put this in your pocket: "Approachable, Happy, Smart". Read the note a few times a day and this is what you will project.

No one is immune to negative self-talk, but by making a conscious effort to change the way you think and practice your self-talk, you can work towards removing self-criticism from your life.

One small positive thought in the morning can change your whole day. Good thoughts. Good feelings. Good life.

## Witnessing history

Over the last few months we have witnessed history, with the majority vote in favour of Britain leaving the European Union (EU). This was a surprise to many, and sent shockwaves around the world. In the days following the vote, the value of the pound declined substantially, and this instability may continue into the future as long as uncertainty is prevalent.

Some of the key drivers behind the vote to exit the EU include a general view held that the EU is holding Britain back. The EU is said to be imposing too many rules on business and charging billions of pounds each year in membership fees for little in return (per the Treasury figures, in 2014/2015 Britain's net contribution was £8.8 billion). Many people are also concerned with immigration levels and want Britain to take back full control of its borders, reducing the number of people moving there to live and/or work.

Under the current EU framework, it is relatively easy for businesses to move resources such as people and products to and from British and European countries. However, businesses that trade in Europe and Britain are finding it difficult to predict how Britain's exit from the EU will impact their business going forward. Although it is difficult to predict what will transpire over the next few years, by understanding the process and expected events behind the exit, you can get an idea of the potential outcomes an exit may cause.

In order for Britain to formally exit the EU, Article 50 of the Lisbon Treaty must be invoked. As Article 50 is relatively new and has never been invoked before, both the timing around the exit and application of the Article are uncertain. The process of Britain exiting the EU is expected to take some time and until Britain ceases to be a member, the

EU laws still stand. From a legal and regulatory standpoint, nothing should change for approximately two years. This window, as prescribed by the article, provides for a renegotiation period allowing for a new legal foundation to be built for Britain's trade relationship with the EU. During this period a number of other factors could also impact the outcome of the exit where key events will take place, such as the French Presidential election and German Federal election.



The exit implications for businesses will largely depend on the arrangement Britain enters into with the EU following the exit (Britain will likely enter into one single deal with the remaining 27 EU members). Four scenarios could occur in relation to the different degrees of integration that Britain may have with the EU in the future. These scenarios could take different specific forms, but broadly reflect one of the following:

- EEA Member - where Britain remains part of the EEA and keeps the four freedoms of labour, capital, goods and services.
- Free trade agreement.
- Bilateral agreement (Swiss option).
- No access agreement, whereby no new trade agreements are established with the EU.

Any businesses trading across the British border will be anxiously waiting to see what happens next. They are likely to be thinking ahead and identifying potential issues and opportunities that may arise following an exit, such as the structure for exporting and importing goods, potential regulation changes, customs procedures and passport controls for business travellers. It could even see NZ businesses being put on a par with UK businesses when trading with counter parties within the EU.

## Labour's housing policy

The Labour party has recently released an overview of its new housing policy designed to tackle New Zealand's housing "crisis".



Labour are of the view that property "speculators" are driving house prices out of reach of first home buyers and

have proposed new measures to resolve the issue. There is currently a lack of detail around how exactly the new measures will apply, but based on the details available, they could have an impact should Labour be successful in next year's election.

### Extending the bright line test

Currently, gains from residential property sold within two years of purchase are subject to income tax, unless the property is the seller's main home, inherited, or transferred in a relationship property settlement. Labour plans to extend the period of the bright line test from two years to five years. This policy has come under fire, with some critics arguing that it will place a burden on landlords selling for legitimate reasons.

### Banning foreign buyers

Labour proposes to ban non-residents from buying existing New Zealand homes. Who will be classed as a non-resident for this purpose has not been

defined; which is a crucial detail that could have a profound effect on the ambit of the policy.

In proposing this policy, Labour have referenced disproportionate house sales to overseas buyers and the relative success of a similar policy in Australia. While non-residents would be banned from purchasing existing homes, they would not be prevented from building new houses in New Zealand. The basis for this presumably being that building a new house adds to the supply.

### Altering rules around negative gearing

Labour have pledged to consult on ways to limit the ability for negative gearing to apply to rental properties, which has been described by Andrew Little as a "subsidy for speculation". Negative gearing allows landlords to return a taxable loss on their rental properties that can be offset against their other income to reduce their overall tax liability.

In the lead up to next year's election, the National Government is likely to come under increased pressure because of its perceived lack of action on the housing market. Labour looks to be seizing the initiative by releasing its plan to combat rising house prices.

It remains to be seen whether National will bring a similar policy to the table, or whether they are happy to rely on other measures, such as the Reserve Bank's recent increase in the loan to value ratio for investment properties to 40%.

## ACC Snippets – Potential Opportunities/Earners' Levy Non Claimable Portion

### ACC CoverPlus Extra (CPX)

As a product, ACC CPX has been available for some years now, but still has relatively low take up levels we understand. We firmly recommend you consider the ACC CPX option as it is particularly suitable for:

- First Year self-employed needing adequate accident cover – no previous self-employed earnings record otherwise behind them in event of accident.
- Farmers and other businesses with fluctuating income, particularly if low income the previous year – any accident would result in minimum cover paid by ACC if on standard ACC CoverPlus.
- Persons on strong income but in reality needing only a lower level of cover.

The advantages of ACC CPX are that it operates more like an ordinary insurance policy:

- You choose the level of cover you need – provides certainty of cover in advance.

- You get the cover you pay for as it is underwritten up front 100%, not at 80% of prior year's leviabale earnings.
- You do not have to prove loss of earnings – no wait time for claim to be processed – already underwritten.

We believe that ACC CPX has many advantages and should you wish to know more, please phone us and we can assist with any application.

### ACC Workplace Safety Discount (WSD) – 10% Discount on Work Levy

For small business' wishing both to have a safer work environment and lower premiums payable to ACC, there is the WSD scheme. If you employ no more than 10 full time equivalent employees or your annual payroll is \$564,000 or less, then you may qualify.

Essentially there is an application process whereby if you put in place health and safety systems, then you might be eligible for a 10% reduction in your work levy.

For more information on this Discount and the steps necessary to apply, please call us or visit the ACC website.

### **ACC Earners Levy Shareholder Employees Non Deductible Income Tax / Non Claimable for GST**

A reminder that the **Earners' Levy** component of a Company's ACC premium in relation to shareholder-employees is not deductible to the Company for Income Tax and not claimable either for GST purposes.

We recommend that you check carefully your ACC invoices when processing your GST return transactions to identify and split out any of the **non-taxable Earners' Levy** component so that you do not incorrectly claim any GST on that portion. This should now be explicitly stated on the ACC invoice.

When we complete your income tax returns, please make a point of sending us your ACC invoices paid in that tax year so that we may also confirm and treat correctly the non-deductible portion for Income Tax purposes.

## Snippets

### Do you want tax with that?

In today's global economy a country's tax regime is an important determinant when businesses are deciding where and how much to invest. Recent research ranked New Zealand's tax system number two in the world for tax competitiveness. This isn't surprising given NZ's broad based low rate regime



and the fact we don't have estate duty, stamp duty or a comprehensive capital gains tax.

By comparison, the United States ranked number 32 of 34. An examination of some their rules around food could reveal why.

In New York uncut bagels are tax exempt, but an 8% sales tax is added to any altered bagels... our suggestion is to cut your own. Illinois has a candy tax, but not if the candy contains flour. Colorado charges tax on 'nonessential packaging', and as a result, you're paying a 2.9% tax for a takeaway coffee lid.

If you thought these were absurd, prepare to have your mind blown.

In California, and 30 other like-minded states, food is subject to tax if eaten on the premises or in a heated condition. Seems relatively straightforward right? Wrong. It means a hot sandwich to takeaway would be taxable, while a cold takeaway sandwich would not be. Furthermore, if a cold sandwich has hot gravy poured onto it, it becomes taxable, even if said gravy has cooled to room temperature. If a store clerk warms a customer's cold sandwich in the store's microwave, it becomes taxable. However, if the customer warms the sandwich using the store's microwave, no sales tax is due.

In summary, for anyone visiting the states, remember: iced coffee, and fresh, not toasted, to go.

### FBT reminder

In the vast majority of cases fringe benefit tax (FBT) on vehicles is paid based on the GST inclusive cost price of a vehicle. But it is worth considering application of the depreciated tax value (TV) method if you have older vehicles on which FBT is being paid.

Under the TV method, the value of the benefit for FBT purposes is calculated based on



the depreciated value of a vehicle. It is typically not used from acquisition because it front loads the FBT cost into the first years of ownership and the benefit of its use doesn't come until later.

The method chosen in the first FBT return for a specific vehicle must continue to be used for that vehicle for five years. Hence, use of the TV method can only be considered after that initial five year period has finished. However, if FBT is being paid on vehicles that have been owned for more than five years, a comparison to the TV method should be made – it is likely to give rise to a lower FBT cost.

The fringe benefit value is calculated based on 9% of a vehicle's TV value (at the beginning of the year). The 9% rate is based on a GST inclusive value. If GST was deducted on the cost of a vehicle and you wish to use your fixed asset register, the rate of 10.35% applies. The minimum TV value that can be used for a vehicle is \$8,333.

It is worth checking your vehicle register and if the TV method is an option, run the numbers, the greater the original cost of the vehicle, the greater the potential saving.

*If you have any questions about the newsletter items, please contact us, we are here to help.*