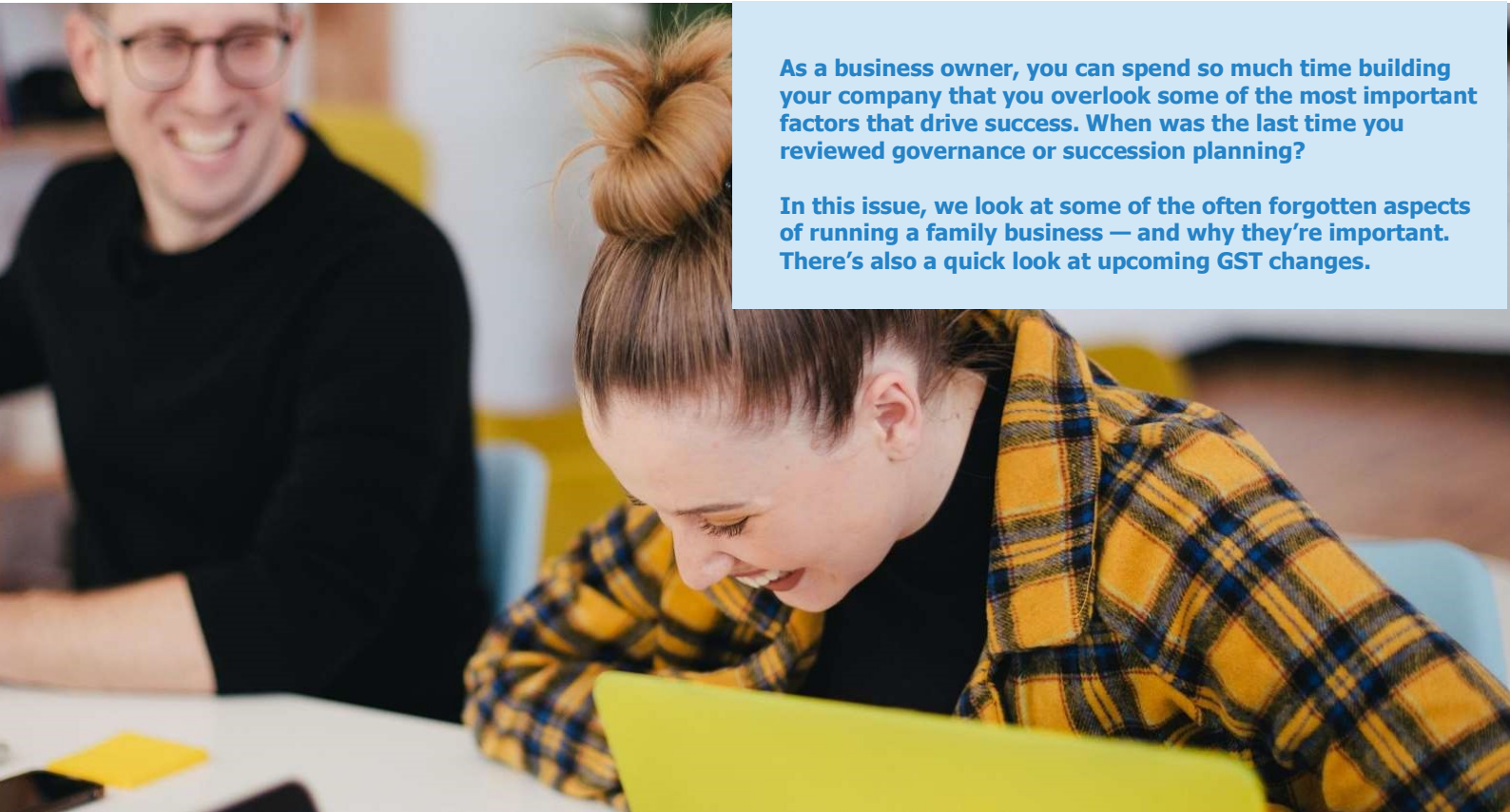


ACCELERATE

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OUR NEWSLETTER FOR GROWING BUSINESSES



As a business owner, you can spend so much time building your company that you overlook some of the most important factors that drive success. When was the last time you reviewed governance or succession planning?

In this issue, we look at some of the often forgotten aspects of running a family business — and why they're important. There's also a quick look at upcoming GST changes.

Top tips for running a thriving family business

There are so many upsides to running a family business: working together as a close-knit unit and sharing the good times together. However, being in charge of one can be complicated as you juggle company interests with those of your loved ones.

Family is loyal and dedicated, but problems can arise when emotions get in the way of business, or when family members have conflicting interests. Running a family company is never simple. See the next page for some of our tips to getting it right.

Top tips for running a thriving family business	pg. 2	The benefits of family advisory boards	pg. 3
The key to succession planning success	pg. 2	GST invoicing changes are coming!	pg. 4
Why it's important to define roles in a family-owned business	pg. 3	Key tax dates	pg. 4

- Communicate effectively and early on to establish what each family member wants out of the business. Open dialogue is the best way forward.
- Don't wait for an event or trigger. Have processes in place to deal with issues as they arise.
- Pass on knowledge from one generation to the next.
- Involve family members from a young age so they understand the business.
- Be aware of the influencing factors (history and generation).
- Be mindful of company culture — family businesses can lack proper governance structures.
- Be logical, not emotional.
- Clearly define the roles each family member plays in the business.
- Establish a family advisory board with independent board members (more on this later!)



So you've created your company from nothing, put years of blood, sweat and tears into its success, and retirement is just around the corner. What do you do next? If you're one of the lucky people who have an exit strategy, congratulations. If you're unsure what will happen, it's time to think about succession planning.

Succession can mean a number of things: handing over the reins to a new generation or having someone in the wings ready to buy you out. Either way, you need a plan.

Develop your succession plan

First, ask yourself these two questions:

- What needs to be done to prepare your business for succession?
- Do you have a set timetable for handing over the company?

When developing a succession plan, follow this four-step process.

1. Complete an analysis of financial and non-financial matters.
2. Conduct thorough due diligence of business risks.
3. Remove obstacles that might hinder succession planning.
4. Look at ways to enhance your company's value, if you're preparing for a sale.

Handing over to family?

You might be planning to hand over your business to a family member. But this still requires careful planning.

A family succession plan recognises and accommodates the various needs, goals, and objectives of each family member. It should avoid creating ill-feeling and take everyone in the family into account. Compromises should be reached where necessary to ensure a smooth transition.

Ask us for our succession planning worksheet to gauge what different members of your family want from the succession process. This can help families work out how they feel, what different people want, what the business needs to thrive in the future, how much money and equity is changing hands, and who gets what.

The lowdown on selling up

You might presume that selling your company will be a golden ticket to a dream retirement, but making that dream a reality is far from straightforward.

With so many companies on the market, yours needs to stand out. Good businesses will fetch a good price, while bad ones won't.

Start by assessing the current position of your business. Perform internal due diligence and conduct financial and non-financial analysis.

Valuing the business with an independent party is another key part of succession planning. It's common for there to be large gaps between an owner's expectations and what the market is willing to pay. Do this early.

Also, *reflect on what you can do to make your business more attractive* to potential buyers. There are four key drivers of business value that need to be addressed: growth, profitability, efficiency and capacity, and risk management. Leave no stone unturned.

Succession is a journey

Developing, improving, and grooming your business is just the starting point in the succession planning process. Good advisers, including accountants and legal counsel, are also invaluable in helping you on your journey.

Get in touch to see how we can help shape your succession plan. Why not start today?

Why it's important to define roles in a family-owned business

Whether you're running a small family business or one that employs dozens of people, defining roles and governance is vital for any SME. The basic roles in a company include ownership, governance, management, and operational. Setting out a clear structure can bring long-term benefits and prepare your company for growth.

↓ **Ownership**, aside from literally owning the business, these are the people responsible for setting out an effective governance structure and protecting the company's future. Owners need to have a succession plan and ensure that a transition happens as smoothly as possible.

↓ **Governance** refers to the people in charge of a business's long-term strategic planning and objectives. While the owner has the final say on where a company is heading, having a structured governance process ensures the owner's wishes are being met.

↓ **Management** runs your business day-to-day, working towards quarterly, monthly, or annual goals. They focus on bills, cash flow, and play an integral role in hiring and training. Management doesn't have to be part of the family — some business owners choose to have non-family members in charge, or choose an outsider to train younger family members into future management roles.

↓ **Operational** refers to the non-financial side of the company, for example, the people out labouring on the farm, or meeting clients every day. Many family businesses view experience at this level as essential before moving up to a management role. Clearly defining these levels can help business owners manage career progression.

Setting out job roles and a clear structure is hugely beneficial for every business owner: it ensures everyone in the business knows what they are doing and what is expected of them.

The benefits of family advisory boards

Every business, large or small, deserves to be run as professionally as possible. By setting up the right structure you can give your family business the best chance of success.

While the family knows your business inside out, it can be helpful to have independent parties on hand to provide an external perspective. A family advisory board can offer fresh insight and perspective, giving your enterprise the edge.

A family advisory board can include family members, anyone with an interest in the company, and independent advisers. There are significant benefits to setting a family advisory board up:

- Bringing younger people into strategic management and retaining the experience of founding generations.
- Adding specialist expertise, for example, sector-specific advisers, accountants, legal counsel.
- Defusing family tensions — an external facilitator can keep discussions on track.
- Taking the pressure off "mum and dad" by ensuring decision-making responsibility is shared.



GST invoicing changes are coming!

New rules modernising GST invoicing and record-keeping requirements will apply from 1 April 2023. The key change is removing the requirement to issue and hold a "tax invoice" document (which meets certain prescribed requirements on details required), and instead having GST requirements met provided specific GST information is held through various business records, for example commercial invoices or agreements.

Tax invoices will be replaced by taxable supply information (TSI). This is a set list of information that must be provided to any GST-registered customers within 28 days of the date of supply. Information over and above current tax invoice requirements includes:

- the "date of the supply" — when the time of supply is triggered, rather than the current tax invoice requirement of the date on which the tax invoice is issued
- for supplies over \$1,000, the TSI must include the recipient's physical address (if that information is available).

For supplies over \$200 it will become mandatory to issue TSI to GST-registered customers within 28 days of the date of supply, and for supplies made to non-GST registered persons you have 28 days from when the customer requests the information.

Other favourable changes include the increase of the low-value threshold from \$50 to \$200 where limited taxable supply information is required and the removal of IRD approval for issuing buyer-created tax invoices (to be replaced by written agreements between parties to confirm self-billing).

The new invoicing rules have been designed with the intent that businesses issuing valid tax invoices now would not have to make any changes to comply with the new rules, however all businesses will need to be aware of the changes to ensure their business processes can manage the new GST requirements (i.e. accepting invoices which don't have the words "tax invoice" on them).

We will have more information for you about the changes over the coming months.



KEY TAX DATES – OCTOBER 2022

Date	Category	Description
5 October	PAYE	Large employers returns for September. File employment information within two working days after payday.
20 October	RWT	RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during September.
20 October	NRWT / Approved Issuer Levy	Payment and return due for September.
20 October	FBT	Quarterly FBT return for the period ended 30 September due.
20 October	PAYE	Small employers returns for September. Large employers returns for October. File employment information within two working days after payday.
28 October	GST	Payment and return due for September.

Note: provisional tax due dates apply to those 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.*