

Tips for using **AI** in business

September 2024 Issue 87

Using AI in business can significantly enhance efficiency, decision-making, and customer experiences.

Here are some tips to help you effectively integrate AI into your business:

Identify Key Areas for AI Implementation:

Determine which areas of your business can benefit the most from AI. Common applications include customer service, data analysis, inventory management, and marketing automation.

Start Small and Scale Gradually:

Begin with pilot projects to test AI applications on a smaller scale. This allows you to measure the impact and make necessary adjustments before a full-scale rollout.

Focus on Data Quality:

AI systems rely heavily on data. Ensure your data is clean, accurate, and well-organized to get the best results from AI tools

Invest in Training:

Equip your team with the necessary skills to work with AI technologies. This includes understanding how to interpret AI outputs and make data-driven decisions.

Prioritise Ethical AI Use:

Implement guidelines to ensure AI is used responsibly. This includes addressing issues like bias, data privacy, and transparency.

Leverage AI for Customer Insights:

Use AI to analyse customer data and gain insights into their preferences and

behaviours. This can help you tailor your products and services to better meet customer needs.

Automate Repetitive Tasks:

Free up your employees' time by automating routine tasks such as scheduling, data entry, and customer enquiries.

Monitor and Evaluate AI Performance:

Continuously monitor the performance of AI systems and evaluate their impact on your business. This helps in making informed decisions about scaling and improving AI applications.

By following these tips, you can harness the power of AI to drive innovation and growth in your business

Safety Tips for Using AI in business

Using AI safely in business involves several key practices to ensure ethical, secure, and effective implementation. Here are some essential tips:

Prioritize Data Privacy:

Ensure that all AI applications comply with data privacy regulations such as GDPR or CCPA. This includes obtaining proper consent for data use and implementing robust data protection measures. Good systems, policies and procedures should be adopted by the Business before using AI.

Mitigate Bias:

AI systems can inadvertently perpetuate biases present in the training data. Regularly audit your AI models to identify and mitigate any biases.

Ensure Transparency:

Maintain transparency in how AI decisions are

made. This helps build trust with customers and stakeholders. Explain how AI systems work and the rationale behind their decisions.

Implement Ethical Guidelines:

Develop and enforce ethical guidelines for AI use within your organization. This includes addressing issues like fairness, accountability, and transparency.

Regular Monitoring and Evaluation:

Continuously monitor AI systems to ensure they are functioning as intended and not causing unintended harm. Regular evaluations can help identify and rectify issues early.

Invest in Cybersecurity:

Protect AI systems from cyber threats by implementing strong cybersecurity measures. This includes securing data, algorithms, and the infrastructure supporting AI applications.

Provide Training and Education:

Educate your employees about the ethical use of AI and the potential risks involved. Training programs can help ensure that everyone understands how to use AI responsibly.

Stay Updated with Regulations:

AI regulations are evolving. Stay informed about the latest legal requirements and ensure your AI applications comply with them.

By following these practices, you can leverage AI's benefits while minimizing risks and ensuring ethical use.

Source: These articles were generated by Co-pilot an AI chatbot developed by Microsoft with a little help from us.

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"The only place success comes before work is in the dictionary."
- Vidal Sassoon

Be wary of beneficiaries becoming trust settlors

Deemed Settlor

A beneficiary becomes a deemed settlor if:

- a. The amount owing to them from the trust at the end of the income year is \$25,000 or over; or
- b. The trust does not pay interest to the beneficiary at a rate equal to or greater than the prescribed IRD interest rate.

Therefore, watch out if a "child"

beneficiary's current account balance is more than \$25,000. If the trust does not pay interest to the beneficiary, they will become a 'settlor'. This new rule became effective from 1st April 2020 and was not retrospective. (Part of Income Tax Act (section HC 27(6)).

The current account balance can arise from the trust distributing income to beneficiaries, especially the dividend income that the trust has received in March 2024.

Implications

The main implications of a beneficiary becoming a deemed settlor include:

- Land Developer Association Rules – if the deemed settlor or trust is considered a land developer, the other is also deemed a developer by association.
- Once the person is deemed a settlor, it is for life, and they are unable to revoke their settlor status.
- There are also possible implications in relation to the foreign trust rules, thin capitalisation, NRWT and AIL rules where these rules are applicable to the trust. For example, if the beneficiary who is a deemed settlor were to leave NZ, there is risk the



NZ trust may become a tax resident in the jurisdiction they move to (this is dependent on the rules for the foreign jurisdictions).

- Working for Families – The "family scheme income" test requires Trustee income to be divided equally between all settlors, with each settlor including their share of the income as family scheme income. Therefore, the beneficiary may not qualify for working for families if they are a deemed settlor of the trust.
- The same calculation for Working for Families above also applies to Student Loan repayment amounts.
- Student Allowances – eligibility is calculated on the "family scheme income" test, which, as noted above, includes a share of Trustee income. Again, if a beneficiary is deemed a settlor, they may not qualify for a student allowance.

- Settlers can be liable as agent for unpaid tax of the trust, where there is no New Zealand tax resident trustee.

Recommendations

Reviewing and considering deemed settlor issues when considering beneficiary income allocations (beyond any ordinary beneficiary income strategies).

Considering if the trust can pay beneficiary-specific costs to offset against their current account.

For example, Theo, a beneficiary of the Smith Family Trust receives \$50,000 in revenue distribution for tax purposes. The Smith Family Trust also pays private school fees of \$30,000 for Theo. The net result is a beneficiary account of \$20,000 - meaning they fall below the threshold and do not become a deemed settlor under HC 27 (6).

Consider paying interest at the prescribed FBT interest rate for low-interest loans. Interest paid is considered taxable income to the beneficiary but may not be deductible for the trust (it depends if the trust's assets are for income earning or private, or a combination). In addition, the trust may need to account for RWT on the interest charged (additional cost and compliance).

Consider making a cash deposit to the beneficiary at the same time as the income distribution. This ensures that the income distribution for tax purposes aligns with any cash payments to the beneficiary and prevents loan accounts.

Please note that some trusts have previously been asking beneficiaries to gift back their current account balances. However, the Inland Revenue has indicated that this is an area where they will ask further questions. *Source: www.rsmnz.co.nz*

Planning critical for survival

Running a small business can be tough, especially when it comes to finding time to plan.

Planning for disasters can be even tougher. But planning is like plotting your course on a map – it helps you steer clear of panic when things go haywire.

It's crucial to have an emergency plan for stuff like natural disasters, cyberattacks, fires, or major financial hits. This plan can be a lifesaver when chaos strikes.

Equally important is having a business continuity plan (BCP). A BCP is your playbook for getting your business back on track after a crisis. The goal is to keep the wheels turning so you can keep your business afloat.

Imagine a flood wipes out all your stock, machinery, and office space. A solid BCP should answer questions like:

- How quickly can you restock from your usual suppliers or find new ones?
- Can you buy stock from your competitors to keep things going?
- How fast can you clean up or find a new workspace?

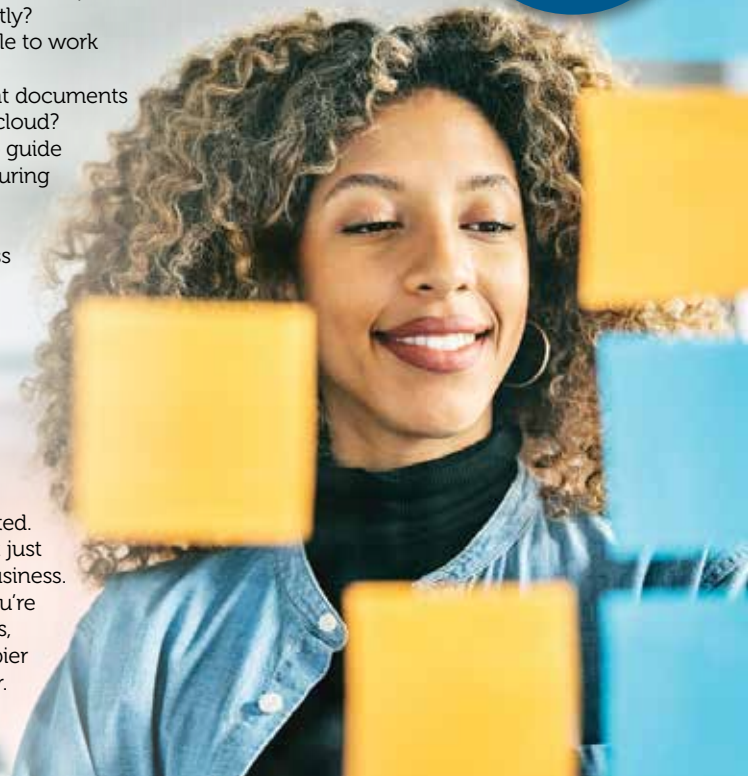
- Can you get your suppliers to step in and serve your customers directly?
- Are you and your staff able to work remotely?
- Can you access important documents and systems, like from the cloud?
- Do you have a manual to guide your team on what to do during a crisis?

A critical factor in your BCP should also be business interruption insurance. It could be the difference between shutting your business or surviving for another day. When buying a policy, consider:

- Cover for wages
- Cover for financial loss
- How much time your business might be interrupted.

Having a robust BCP isn't just good sense, it's good for business. Potential buyers will see you're serious about your business, and your staff will feel happier knowing their jobs are safer.

"Opportunities don't happen. You create them."
– Chris Grosser



Navigating the **NEW GST RULES** for 'listed services' and digital platforms

Starting from April 1, 2024, significant changes have been made to how Goods and Services Tax (GST) is handled for 'listed services' provided in New Zealand. Listed services include ride-sharing services, food and beverage delivery, as well as short-stay accommodation.

Specifically, when you book short-stay accommodation through an online platform (like a website or app) operated by someone else, GST will be charged at 15% from 1 April 2024 (assuming the website or app is over the GST registration threshold of \$60,000).

This applies regardless of whether the underlying accommodation provider (you) is GST registered. The responsibility for collecting and paying GST lies with the platform operator, who will issue tax invoices to customers.

If you are GST registered, you'll report these transactions as zero-rated supplies in your GST return (although large-scale operators can opt out). If you're not GST registered, the platform will handle the GST, and you will receive extra money through the flat-rate credit scheme.

Government officials expressed concerns that the growing adoption of online platforms could gradually erode the GST revenue base over time and so GST legislation was expanded to include these listed services on top of the already legislated 'Netflix' and 'Amazon' taxes (relating to the provision of cross-border remote services and low value goods). Here is what you need to know.

I supply short-term accommodation; do I still need to charge GST?

Yes and no.

For those of you supplying accommodation via an online platform such as Airbnb or booking.com, you will be deemed to supply accommodation to the platform at 0%. When you prepare your GST return, these supplies will be reflected as 'zero-rated' sales. The online platform will account for GST of 15% on the supply of accommodation.

Costs can be claimed as usual, as all supplies of accommodation are 'taxable supplies' at either 0% or 15%. So, you will continue to claim GST input tax as you ordinarily do.

Note that if you supply accommodation via your own website, or directly to the guest, i.e. not via an online platform, the rules remain unchanged, and you would still account for GST at 15%.



I supply short-term accommodation, but I am under the GST registration threshold, do I need to register?

You are only compelled to register for GST if you are over the GST registration threshold of \$60,000.

If you are under this, you are not required to register. However, the online platform is required to account for GST at 15% on any stays at your accommodation regardless. In this instance, when GST is collected, the platform gives non-registered suppliers an 8.5% flat-rate credit. This credit approximates what you could claim as an input tax deduction if you were GST-registered. So, out of the 15% GST charged, only 6.5% is actually collected by the Inland Revenue.

You are obliged to advise the online platform of your GST registration threshold so that you can determine if you are eligible for the 8.5% credit.

The flat-rate credit is excluded income for the purposes of calculating your taxable income at year end. However, there are additional calculations required to determine deductible expenditure which will add to compliance costs.

Non-registered suppliers of accommodation can voluntarily register for GST if they wish, however advice should be taken before doing so!

Is there any ability to opt out of these new rules?

Yes, but there are certain criteria to be met. Certain accommodation hosts registered for

GST can choose to 'opt-out' of the rules and handle their own GST returns (meaning they pay GST directly to Inland Revenue). To qualify for this, hosts must:

- Exceed \$500,000 in taxable supplies (those obligated to file monthly or two-monthly GST returns; or
- List more than 2,000 nights on a single platform within a year.

If hosts don't meet the \$500,000 threshold but reach the 2,000-night limit, they need the platform agreement to opt out.

The opt out rules are useful as many hotels, motels and other such large-scale accommodation providers will already have systems in place to capture GST on supplies made.

Additionally, specific rules apply to short-stay property managers, known as 'listing intermediaries'. These intermediaries handle flat-rate credits for owners and decide whether to request an opt-out or let the platform handle GST returns.

A listing intermediary is someone who lists short-stay accommodation on an online platform on behalf of the accommodation host. Common examples include property managers and agents who enter into contractual agreements with the platform operators.

Next steps

The above is a snapshot of the rules. Online platforms should now have systems in place to determine the GST registration status of NZ suppliers and account for GST.

If you are GST registered, you should review statements for each platform carefully and check your first GST return is in line with the new requirements. We can assist with a review if you require.

If you are not GST registered, you must confirm this status with each platform. The platform is required to issue statements at least monthly regarding the flat-rate credit you are entitled to. You will need to track the credits received as well as all costs incurred so you can correctly determine your year-end tax liability from the short-stay accommodation you provide. As the flat-rate credit is excluded income there is now a specific mechanism for determining deductible expenditure.

If you think you may be a listing intermediary, further advice should be taken due to the complex nature of these results.

Source: www.rsmnz.co.nz

Interest deductions on residential rentals

There have been significant changes to the tax deductibility of interest paid to buy residential rental property.

Previously, subject to certain transitional rules, the interest on money borrowed to buy property where the sale and purchase agreement was dated after the 27 March 2021 was not tax deductible.

Limits were imposed on property bought before this date.

The current situation is:

- **Year ended 31 March 2024** – 50% of interest is claimable on property where the sale and purchase agreement was dated on or before the 27 March 2021.
- **Year ending 31 March 2025** – the cut-off date is dropped, and interest deduction is partially allowed for all borrowing. The claim is limited to 80% of the interest incurred.
- **Year ending 31 March 2026** onwards – full tax deductibility of interest is restored.

Tax calendar

September 28, 2024

Second instalment of 2025 Provisional Tax (December balance dates)

October 28, 2024

First instalment of 2025 Provisional Tax for those with March balance dates, who paid GST twice a year

November 28, 2024

First instalment of 2025 Provisional Tax for those with June balance dates

Strategies for building WEALTH

Perseverance: The Driving Force of Wealth Creation

Perseverance as defined by the Oxford Dictionary, is "persistence in doing something despite difficulty or delay in achieving success."

"To build wealth, to build one's own business, to ignore critics and media and neighbours, you must have the resolve to keep pursuing your goals past rejection and pain."

The Power of Goal Setting

The foundation of perseverance is goal setting. There is a strong correlation between wealth-building and purposeful behaviour.

This underscores the importance of not just setting financial goals, but also developing the perseverance to see them through. Whether it's saving a certain percentage of your income, investing in a diverse portfolio, building skillsets to earn more income, or building a successful business, the ability to stick to your plans in the face of setbacks and challenges is crucial.

Resilience: Bouncing Back Stronger

Developing resilience involves a shift in perspective. Instead of viewing setbacks as obstacles, resilient individuals turn them into opportunities for growth and learning. The key is to analyse every challenging experience by considering how it can lead to a positive outcome, and what steps are needed to make that happen.

While perseverance and resilience are the foundation of wealth-building, the following financial strategies are equally important. Here are four proven ways to increase your wealth:

Live Below Your Means

A fundamental principle of building wealth is to spend less than you earn. This creates a surplus that is directed towards savings and investments, which will grow and achieve future goals. Poor habits will hold you back. Adopt a frugal mindset, focusing on needs rather than wants, and always look for ways to optimise your

expenses without sacrificing quality of life.

Invest Early and Consistently

The power of compound interest is quite simply, epic. Start investing as early as possible, even if it is in small amounts to begin with. Long-term investing in a diversified managed fund or low-cost index funds or ETFs is an effective wealth-building strategy for many millionaires. Or, for people in different situations and at different phases of life, other investment choices might make more sense, including:

- Buying a first home,
- Investing in property aside from an owner-occupied home,
- Building passive income, or
- Something else.

Continuously Educate Yourself

The world is constantly evolving, and staying informed is crucial.

Primarily, invest time and energy in educating yourself. This may take the form of courses, self-development, on-the-job training, formal university-style education, micro-credentials, and so on. The world is changing quickly, and your skills and knowledge must keep up if you are to sustain and grow your personal income. This holds true regardless of how you primarily earn income – whether you are self-employed, an employee, a contractor, or something else.

Invest time and effort to learn about personal finance, investment strategies, tax efficiency, and the economy. This knowledge will empower you to make better financial decisions, identify new opportunities for wealth creation, and keep what you've built.

Network and Seek Mentorship

Surrounding yourself with successful, like-minded individuals can provide invaluable insights, opportunities, and motivation. Seek out mentors who have achieved the level of financial success you aspire to and learn from their experiences and strategies.

Source: www.become.nz



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- Physical address • E-mail address • Phone and/or fax numbers
- Shareholdings • Directorships • Trustees

Or anything else that may be relevant.

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"Whenever you see a successful business, someone once made a courageous decision."

- Peter Drucker