

BC'S BUSINESS BRIEFS

CLOUD BASED ACCOUNTING - IS IT RIGHT FOR YOUR BUSINESS?

With the rise to prominence of the New Zealand developed cloud based software products sold by Xero, many small business' are wondering if they should be considering migrating their systems to a cloud based system. While the cloud based systems aren't for everyone, they do offer a number of advantages, particularly to small and medium sized business'.

As a result of their very strong marketing of their product, a number of people this writer has spoken to believe that Xero is the only cloud based accounting product on the market. While there is no question Xero were first to market with their products, their competition also have competing products. We have experience with a number of the full cloud based systems as well as hybrid systems (combination of cloud and desktop systems) and full desktop applications. If you are seeking an independent view of the options, we believe we are able to offer some soundly based comparisons of the various main stream products on the market.

Cloud based systems certainly offer some advantages, among them;

- 1 No need to purchase software – you simply login to the providers online site and use their software;
- 2 No need to subscribe to updates for the software – you are always working with the latest version;
- 3 No need for you to back up your data - the provider takes care of that for you;
- 4 You are able to access your data from wherever you can get an internet connection;
- 5 The direct costs setting up and operating a cloud based accounting system are generally significantly less than setting up and operating a Desktop product.

Cloud based systems are however not perfect. A couple of the known downsides are;

- 1 If your internet connection is either down or unstable, the ability to operate and view your data may be at risk;
- 2 What happens if you decide to change providers and move to another cloud based system or indeed a desktop system and cease to subscribe to the service. Who owns "your" data? Are you able to get access to it?

Each of the major providers has a suite of products designed to suit different needs. We can advise you on the alternatives and assist in your decision making process as to what specific products will fulfill your needs.

TAX UPDATE

This year's budget contained a number of tax related matters, some of which were headline acts in the budget;

1 **Property Tax**

This was the big surprise. Allied with Government moves to make residential property investment by non residents more transparent (by requiring non residents to provide an IRD number when buying or selling property, have a NZ bank account prior to being able to get an IRD number and provide their tax id number from their home country with supplemental id such as a passport), the Government strengthened the rules on property purchased with the intention of resale.

While the new rules are not new taxes, they provide a set period of two years as the minimum a residential property investor must hold a property (other than their own home) before they will be deemed not to have purchased the property with the intention of resale. Property Investors who sell after the 2 year "brightline" period may still be taxed under the existing rules if the IRD is able to establish the property was purchased with the intention of resale. There are minimal exemptions from the new rules if a property is sold within 2 years of purchase.

The new rules come into effect for properties purchased after 1 October 2015. Legislation is expected in August 2015.

2 **Kiwisaver kickstart cancelled**

From Budget day (21 May 2015) the \$1,000 Kick start for all new Kiwisaver accounts has been cancelled. It will be interesting to see what effect this has on new Kiwisaver start ups. The member tax credit of up to \$521 per year per member remains. Could this be a forerunner to compulsory enrolment? This writer has long been a fan of the Kiwisaver scheme and its potential benefits to the country long term. Here's hoping!

3 **ACC levies chopped again**

The levies for 2016 and 2017 have been decreased again, following on from last year's budget. Those people re-registering their cars will have already seen the benefit of this with current year registration costs significantly down on last year. A car being registered in July for 12 months will cost \$178.29. The equivalent registration in July 2014 was \$284.66.

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