

Brief Guide to Company Expenses

1. Introduction

For people new to owning and running their own business it can be a daunting task organising themselves to make administration easier and to ensure that they account for the business properly (and don't miss out on any tax deductions).

We normally recommend the following for clients who are new to business:

- a) Establish a company to run your business to protect you from liability.
- b) Set up a new bank account for the business and put all direct business income and expenses through that account.
- c) Pay some home office expenses through the account (especially if GST registered).
- d) Have Duggan & Company register the bank account with Banklink so that they can complete the GST returns and year end in one process over the year.

2. Set up a Company

It is a quick and easy process to establish a company and some of the benefits offered are:

- a) Limited liability for shareholders.
- b) Lower tax rate (30%) for retained profits.
- c) Easier to view the business performance independent of the owners (and therefore easier to value and/or sell the business).

3. Separate Bank Account

A company is a separate legal personality and so it should have its' own bank account. (You can still transfer surplus funds to personal accounts as required).

4. All Business Expenses and Income

Have all income banked to this account and all direct business expenses paid from this account.

By direct expenses we mean things like:

- a) Goods for resale (stock) and consumables.
- b) Accountancy and professional fees.
- c) Stationery and office expenses.
- d) Motor vehicle costs.
- e) Subscriptions, levies and training or education fees.
- f) Telephone, mobile and internet expenses.
- g) Travel and entertainment.

Notes – If an item is not listed above please call us for clarification
It is better to keep personal transactions to a minimum to minimise your accountancy costs

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5. Home Office Expenses

(Subject to the agreement of other shareholders) we recommend that you pay those home office expenses that have a GST content from the company bank account:

These include:

- a) Home telephone.
- b) Home contents and building insurance.
- c) Power and heating.
- d) Rates (local, regional and water).
- e) Repairs & maintenance.

Note that we only claim a deduction for a portion of these costs (but we recommend that you pay them through this account so that they are not missed).

6. Banklink and Fees

We recommend that you allow us to register you for the banklink system so that we can cost effectively prepare your accounts. We can then e-file your GST returns and it means that at year end most of the work has already been done.

It may be cheaper for us to do your GST – some clients pay as little as \$50 per month for a complete package of GST, income tax, financial statements and advice.

7. What about Credit Cards?

You may wish to use your own credit card for business transactions (to get your rewards). Some cards can be placed on the banklink system – if this is not available in your case simply scan/email or copy the statements to us for inclusion in your accounts.

8. Seek Advice

This guide is not professional advice and we recommend that you seek advice before finalising accounts or filing any taxation returns.