

Reducing your tax bill

Your tax bill is calculated on your net profit. You can reduce your tax bill by claiming as many valid business expenses as you can. You'll need to keep good records, eg receipts and log books, and hold onto them for seven years — Inland Revenue (IR) will need to see these records if you're audited.

Claiming expenses

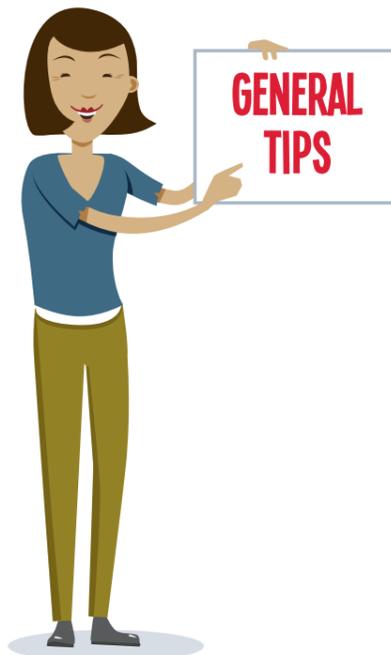
- Many of the costs involved in running a business can be claimed.
- If you run your business from home you might be able to claim some household expenses.
- Entertainment expenses can be 50% or 100% deductible, so check with IR.



TIP: DO NOT claim full travel costs if your trip mixes work and personal time. Only claim the business portion.

General tips

- If you're considering starting a business close to the end of the tax year — 31 March — wait until the new tax year to save on paperwork.
- Understand basic tax with IR's Smart business guide (IR320).
- Consider hiring a tax agent. Their knowledge could save you time and money.

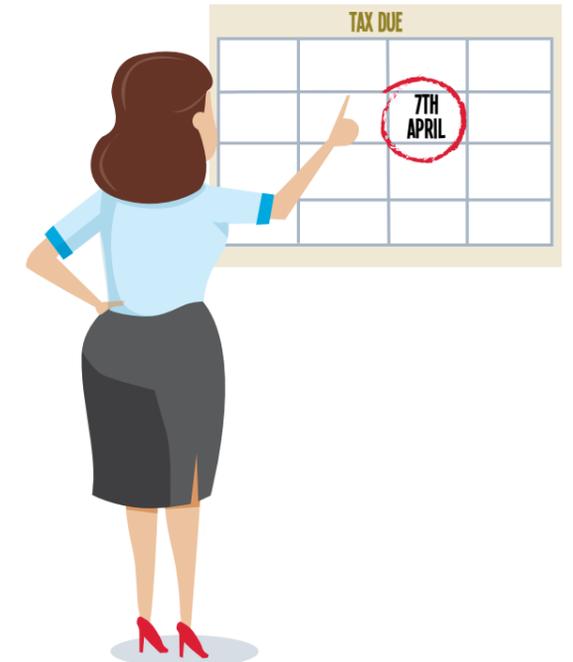


TIP: DO NOT overpay tax. Refunds include interest, but at a lower rate than you'll get in a savings account.

Pay on time

- Paying by online banking is quickest and easiest.
- In your first year of business, you might get a discount if you voluntarily pay tax before the end of the tax year.
- If paying by cheque, send it at least a week before the due date to avoid the risk of late penalties.

TIP: DO NOT pay tax late. Penalties might be more than what you owe.



Depreciation

- This is a way of claiming back some money on your business assets — that is, for value lost through wear and tear.
- Claiming depreciation is generally compulsory — tell IR if you decide not to for a particular asset.
- There are two calculation methods. Pick one for each asset and stick to it. See IR's General depreciation rates (IR265).
- You can claim it on software, your website, and some intellectual property.
- Group low-value items bought together, eg 5 x \$200 chairs = \$1,000 asset.



TIP: DO NOT forget to keep clear records if an asset is used privately and for business.

Vehicle expenses

- Claim full running costs if the vehicle is used strictly for business.
- If it's your own vehicle, you can still claim running costs for your business use.
- Work out your business use by either:
 - Record actual running costs — but business-use expenses are limited to 25% of actual costs
 - Keep a log book for at least 90 days every three years, showing distances, dates and business reasons
 - Use the IR mileage rate.

TIP: DO NOT claim costs on your GST return if you use the IR mileage rate.

