

NUTS & BOLTS

HOW TO START A BUSINESS IN NEW ZEALAND

New Zealand is often heralded as the number one place in the world to start up a new business. New Zealand and Singapore share the top spot for ease of doing business and New Zealand holds the top spot on its own for starting a new business¹. But is it really that easy? We work through what's required, further expanding on *Brainstorming to Business Proposals* on page 2 and explain in more detail how to go about it.





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YOU'VE GOT A GREAT IDEA - so how do you start a business? Starting a business takes a lot of work, but this 10-step guide² should make the job a little bit easier:

1 As explained in further detail on page 3, do your **research** - explore your competition, outline your idea, determine how you will fund your business, work out which problem your new business idea will solve and what your target market is. The answers to these questions will form the basis of your **business plan** (i.e. who, what, when and how).

2 Get **professional advice** - Staples Rodway has professional advisors across New Zealand who have experience in helping New Zealand businesses to 'get off the ground' and prepare their business plan, set up their governance structures, prepare their capital raising and funding plans and a cashflow forecast (see *How to Plan for Uncertainty* on page 8).

3 Choose a **business name** - one that isn't already taken! Use the OneCheck search function on www.business.govt.nz/onecheck to establish this quickly and easily.

4 **Secure your business name** - make sure you've got a website domain name and check for trademarks.

5 Choose a **business structure** - i.e. sole trader, partnership, limited partnership, company, trust. We can give you advice on what structure is going to be most effective for your business.

6 Look into **regulations** - know what you need to comply with. This could be anything from food preparation regulations to health and safety in the workplace.

7 Get a **RealMe login** and a **New Zealand Business Number** - you'll need a RealMe login in order to manage your business's IRD account and details on the Companies Register. The New Zealand Business Number also gives access to a number of other functions and makes it easier to do business by providing you with a unique identifier for all your business information.

8 **Get registered** - register your business for **GST** and if you decide that a company is the right structure for your business, **register your company**. All businesses with 'taxable activities' generating income of more than \$60,000 in a 12-month period need to register for GST. Staples Rodway can help you with registering for GST and registering your company.

9 **Determine your financial reporting requirements** - do you need to prepare financial statements and how do you go about preparing them (i.e. which reporting format and following which reporting standards?). Do you need to submit financial statements and if so, to whom and are there fees and penalties if you don't submit them on time? What should your balance date be?

10 Prepare your **business case** - Staples Rodway has specialist advisors who can help you with preparing your business case, including preparing and analysing your cash forecast. It is important to make sure that your business case is robust and readable, especially for external stakeholders such as registered banks who you may want to seek funding from.

GOVERNMENT SUPPORT FOR NEW BUSINESSES

The Government has developed some useful resources to help you through the new business start-up process. The Ministry of Business, Innovation & Employment (MBIE) website³ has some practical interactive tools and step-by-step instructions which guide you through the process of setting up a new business and help you to:

- determine the most appropriate business structure; and
- simplify and facilitate the processes, requirements and legalities of setting up a business in New Zealand.

These tools include a feasibility and risk checker to help determine if your business idea is viable and a quiz to test your knowledge on which expenses can be claimed for tax purposes. There are also links to other government agencies, such as a market and competitor research tool on the Statistics New Zealand website.

MBIE's website also provides a range of funding and support services for new business ventures, such as the Regional Business Partner Network⁴, which supports all businesses, at all life stages and Callaghan Innovation, who assist high-growth or technology start-ups, and a low-cost mentoring service. Access to funding is limited, with grants only available to technology start-ups and beneficiaries who wish to start a business or become self-employed. New Zealand Trade & Enterprise (NZTE) also has some useful resources designed to help you navigate business start-ups. These include dedicated information on market research, governance, investment readiness and strategy.

Targeted assistance is available to specific businesses who meet NZTE's criteria for different phases of business development, such as 'Build' and 'Focus'.
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SPOTLIGHT ON THE FINANCIALS

We are accountants after all! In order to establish a sustainable business, you will need to make sure that your business is able to fund its costs. Costs can come in a variety of different shapes and sizes. There are likely to be one-off establishment costs like securing a domain name, perhaps securing premises to operate from, or paying for website creation. Your business costs can also be fixed (such as when you enter into a contract, including an employment contract, that locks you into making pre-defined payments on a regular basis) or variable (costs that you can more or less control and 'wind down' if needed, such as electricity or printing costs and purchasing supplies).

In any business cash is king and this is particularly the case for new businesses which don't have well established credit histories or a guaranteed client base or revenue streams. New business ventures are commonly funded from a mix of personal savings and bank or other loans. As such, it is important to get your cashflow forecast right – to make sure that you are able to pay your business expenses as they fall due, and also pay for your own living costs. While it is relatively easy to set up a new business, only two thirds of New Zealand businesses survive – up from less than a third of businesses in the mid-2000's⁵.

Another key thing to focus on is your asset base. While people are often considered to be the richest asset of any business, in pure financial terms, we are talking about the assets that will appear on your business's balance sheet – both the physical assets, like land, buildings and computer equipment, and the intangible ones, such as potentially the software you have developed or the website created to help you sell your products or services. From both an accounting and a tax perspective it is important to build in depreciation expenses for your assets, recognising that these will need to be replaced over time as they deteriorate and also recognising that you will want to make sure you are able to claim any tax benefit relating to use of your assets.



SOUNDS LIKE A LOT?

While there might be things on this list you're not quite prepared for, thankfully we've got you covered with approved Regional Business Partners and advisors across the country who can help you navigate through the business start-up process and resolve any accounting issues you might encounter along the way.

Let us make sure your business is set up right from the start and allow you to focus on growing your business. Get in touch with your closest Staples Rodway Business Advisor to discuss how we can help.

1 www.weforum.org/agenda/2016/11/top-countries-start-a-business/

2 Adapted from www.business.govt.nz/getting-started/taking-the-first-steps/10-step-guide-to-starting-a-business

3 www.mbie.govt.nz/info-services/business/business.govt.nz

4 app.regionalbusinesspartners.co.nz/Marketplace

5 www.stats.govt.nz/browse_for_stats/businesses/business_characteristics/updated-business-demog-data.aspx [Survival rates of enterprise births, by industry]