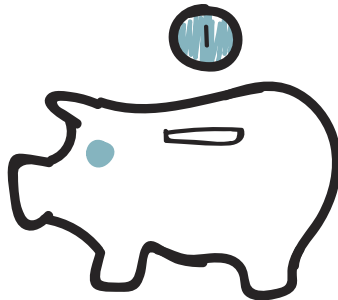


# Your **TOP 5** Accounting Questions **ANSWERED**



# 1. Am I a sole trader, partnership or company?

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Each situation is different so the following is a general guideline but I recommend having a chat with me if you are unsure.

You are a:

**Company** if you want some separation between your personal assets and the business. In the worst case scenario, if you cause harm through your work and are sued, you could lose all your personal assets.

If you have a company, your personal items are safe. However, a company generally costs more to operate as it requires more administration. It needs to be registered with the companies office and you need a separate IRD number.

**Sole trader** if you have a small one-man business and are not worried about making colossal mistakes worthy of being sued! It is much simpler and may be ideal for a one-man band. You would just use your personal IRD number for this.

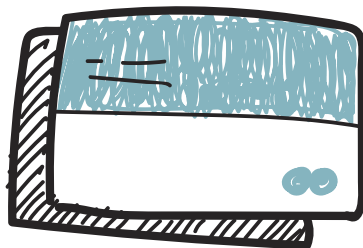
**Partnership** if there are two people involved in the business. A separate IRD number is required for partnerships.

## 2. Do I need to be GST registered?

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If your average monthly income is less than \$5,000 over the course of a year then you do not need to be registered for GST.

You can voluntarily register for GST even if your income is under \$5,000 per month. This can be helpful if you have a lot of startup costs.



# 3. What records do I keep?

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Keep all invoices in a dedicated folder (on your computer or a physical folder or both).

This is a requirement from IRD in case they decide to audit you.

These invoices need to be kept for seven years.



## 4. Should I use Xero?

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I generally advise businesses starting out **not** to use Xero.

I can complete all your work without it.

The hefty ongoing monthly costs can be a stretch for new businesses. Although the features of Xero are fantastic, it is better to wait until your business is established before signing up.

I recommend waiting until you need to be GST registered.

# 5. How much should I put aside for tax?

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A general rule of thumb is to put aside 20% of your income for tax at the end of the year. Start up a savings account to transfer it to and **do not touch it!**



# FREE Consultation

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If, after reading this, you still have more questions then get in touch promptly to arrange a FREE 20-minute, no obligation consultation.

Email: **andrew@saa.co.nz**

Phone: **021 054 9777**

## A little about me

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I am a Senior Accountant with over 10 years experience in accounting firms in New Zealand.

I am also a zealous disciple of Christ and passionate about training other believers to live out their Christian life more effectively.

Find out more at:

**[www.saa.co.nz](http://www.saa.co.nz)**