

Industry Benchmarks

It's no secret that the IRD are cracking down on the hidden cash economy. Cash trade jobs, under-the-table wages and online trading cost the Government an estimated \$7 billion a year in lost tax and the government is setting aside millions in government funds to help the IRD combat tax avoidance.

IRD has now rolled out industry benchmarks to spotlight suspicious players - focusing on industries more likely to deal with lots of cash and therefore with scope to understate their income.

Statistics NZ have calculated these standard performance ranges using the financial statements and tax returns of all businesses (in each industry) with turnover below \$10m. Another 34 industry benchmarks are due for release this year and IRD intend to update benchmarks annually.

The 16 released benchmarks are financial ratios expected from a typical business in higher risk industries, including those relating to cafe, bar and restaurant owners, painters, electricians and car rental firms. The data is carved up into small, medium and large business brackets according to annual turnover.

This is a great opportunity for you to analyse how your business is performing in a number of areas. If for some reason your business falls outside the norm profit range, you can establish weaknesses to make positive changes and boost your profits.

Some legitimate reasons for falling below a benchmark are:

- § Insufficient product mark-up
- § Difficult trading circumstances
- § High wastage
- § You may be starting up or preparing to close down
- § You may be running in a niche area of your industry
- § Your competitors may be sourcing product at lower cost

Does your business measure up compared with others in the industry? Are you doing enough to remain competitive? Visit: www.ird.govt.nz/industry-benchmarks/ to see if benchmarks are available for your industry. The IRD website explains how to benchmark yourself providing a clear example, and offers helpful tips to boost your profits. If you'd like to discuss this further please contact us.