



Cheat Sheet - Starting Out as a Company Director of a Closely Held Company in New Zealand

1. Your Company Is Not “You”

- A company is its **own legal person**.
- The money in the company bank account belongs to the company, not you personally.
- Don't treat the company account as your wallet.

2. Paying Yourself

- Take money out through a salary or wage, as an IRD registered employee of the company.
- Set up a regular pay for yourself, do not pay yourself in an irregular or haphazard way.
- Pay the **PAYE to Inland Revenue at the same time you pay yourself**.

3. Keep Banking Simple

- Put all company income and expenses **through one bank account**.
- Never put personal expenses through your company's bank account. This includes your personal income taxes and ACC.
- Don't pay business costs from your personal account and then “reimburse” yourself from the company bank account.
- Consciously limit the number of bank account transactions as much as practical; for some businesses 10–20 transactions a month is plenty.
- Use things like a **fuel card** or supplier accounts to keep the bank account clean.
- If a credit card is required, get one in the name of the company.
- Use a savings account only for transfers to and from the business account. Do not pay creditors or the IRD directly from the savings account.

4. Use an Accountant

- Bookkeeping and tax rules are complex – get an accountant from day one.
- They'll handle filings and keep you out of trouble.

5. Keep Some Cash in the Company

- Always try to have at least **\$5,000 in the company account**.
- Think of it as a “safety buffer” for bills and business shocks.

6. GST and Receipts

- When you receive payments that include GST, you **may choose to transfer the GST portion into a savings account**.
- This makes budgeting and paying GST much easier.

7. Home Office Costs

- Pay home office expenses through your **personal account**, not the company.
- Every six months, your accountant can journal the claim into the company.
- If you put them directly through the company, it can create an **extra income tax bill** beyond PAYE.

8. Business Expenses – What You Can and Can't Claim

Not deductible:

- Meal breaks, lunches, cafés, takeaways, fast food (unless it is a genuine business meeting, then you can claim 50%).
- Medical and health costs (doctor, optometrist, chiropractor, prescriptions).
- Clothing, unless it is safety gear like hi-vis, helmets, or steel-cap boots.

Deductible in certain cases:

- Food and accommodation costs when you are out of town on genuine business travel.

9. Vehicle Use

- If the company owns a car that you also use privately, you must keep records.
- Keep a **logbook for 3 months every 3 years** to record business vs private use.

10. Invoices & Record Keeping (NZ IRD Rules)

- You must keep invoices as proof of business expenses.
- For GST claims **under \$50**, you do not need to hold an invoice.
- Records must be kept for **7 years**.
- Records can be stored **digitally** (scans, PDFs, accounting software).

11. Smart Habits

- Keep proper invoices for every business expense.
- Pay suppliers and staff on time – a **solvent company pays its bills as they arrive**.
- Don't mix friends/family purchases with business spending.
- Ask your accountant before doing anything unusual with money.

12. Smooth Financial Management

- Think of your company's **cash as a sine wave curve**.
- The goal is to keep the wave **smooth and steady**, not sharp peaks and deep troughs.
- Avoid the cycle of big highs when money comes in, followed by lows of spending it all and having nothing until the next payment.
- Plan ahead so your cash flow stays **consistent and predictable**.

Your company is a separate "person" with its own wallet. Your job is to keep that wallet tidy, well-funded, and used only for genuine business purposes.