🇳🇿 NZ SMALL BUSINESS TAX

VERSION 1.0

What You're Not Taught (But Need to Know)

A practical guide for NZ sole traders and small business owners

No jargon. No fear. No guessing.

Why this guide exists

Most small business owners don't fail because they're bad at what they do.
They fail because they don't understand how taxes actually work in New Zealand.

This guide exists to fix that.

Not with loopholes.
Not with dodgy advice.
But with **clear explanations of the rules you're already operating under**.

If you run a business in NZ, this is knowledge you can't afford to ignore.

What this guide will help you do

- Understand how NZ tax really works
- Stop overpaying through ignorance
- Claim what you're legally entitled to
- Reduce stress around GST and tax bills
- Make decisions with confidence, not panic

This is not about avoiding tax.
This is about **not paying more than you legally owe**.

Who this guide is for

- Sole traders
- Side-hustlers
- Contractors
- First-year business owners
- Anyone who feels “busy but broke”

If you earn income outside PAYE, this applies to you.

What this guide is NOT

- Not legal advice
- Not accounting tricks
- Not financial hype
- Not get-rich-quick nonsense

It’s education.
And education changes outcomes.

How to use this guide

Read it in order.
Don’t skip sections.
Each part builds on the last.

This is a system, not a checklist.

THE NZ SMALL BUSINESS TAX FORMULA

Business Income

– Allowable Expenses

– Depreciation

= Taxable Profit

This is the core formula behind the NZ small business tax.
Every section in this guide explains one line of it.

SECTION 1 — HOW NZ TAX ACTUALLY WORKS

(The part most people were never taught)

The core rule

In New Zealand, you are **not taxed on the amount of money you earn**.

You are taxed on **what's left after allowable deductions**.

Tax is charged on **profit**, not effort.

Why this matters

Two businesses can earn the same income
and pay very different amounts of tax legally.

The difference is not luck.
It's understanding.

How employees and business owners are treated differently

Employees:

- Taxed before they receive money
- Very limited deductions
- No control over timing
- Little flexibility

Business owners:

- Taxed after expenses
- Can claim legitimate costs
- Can plan timing
- Can control structure

Same country. Same law.
Different rules.

This is not a loophole

The NZ tax system is designed to:

- Encourage business activity
- Support investment
- Reward risk
- Grow the economy

The flexibility business owners have is **intentional**.

Most people just never learn how to use it.

A simple example

Two people earn $70,000.

Employee

- Taxed on the full $70,000
- No expense deductions

Business owner

- Earns $70,000
- Claims $18,000 in legitimate expenses
- Taxed on $52,000

Same income.
Different tax outcome.

The mistake that causes stress

Most people ask:

> “How much tax will I have to pay?”

Better question:

> **“What is my taxable profit?”**

When you focus on profit:

- tax becomes predictable
- planning becomes possible
- fear disappears

Key takeaway

Tax feels painful when you don't understand it.
Predictable when you do.

This guide is designed to help you transition into the second category.

SECTION 2 — PROFIT ≠ REVENUE

Why earning more doesn't fix your tax problem

The mistake most small business owners make

They chase **revenue**.

Revenue feels good.
Revenue looks impressive.
Revenue feeds hustle culture.

But **revenue does not pay tax bills**.

Profit does.

Know the difference (this matters)

- **Revenue** = money coming in
- **Profit** = what's left after costs

IRD does not care how busy you are.
IRD cares what's left **after expenses**.

If you don't control profit, taxes will always feel painful.

The NZ reality

In New Zealand, tax is charged on **net profit**.

Read this again:

You can earn more money and still be worse off.

Why?
Because higher revenue without structure means:

- higher income tax
- higher GST
- Higher provisional tax
- tighter cashflow
- more stress

Real-world example (common situation)

Business A

- Revenue: $100,000
- Expenses: $15,000
- Taxable profit: $85,000

Business B

- Revenue: $80,000
- Expenses: $35,000
- Taxable profit: $45,000

Business **A** looks “more successful”.
Business **B** keeps more money.

Revenue is noisy.
Profit is quiet.

Why “just make more money” is bad advice

Without planning, more income:

- increases tax
- increases pressure
- exposes poor systems

This is why many business owners are:

- fully booked
- constantly working
- still struggling

They don’t have a revenue problem.
They have a **profit problem**.

The shift you must make

Stop asking:

> “How do I earn more?”

Start asking:

> **“How do I structure what I already earn?”**

That’s where:

- expenses matter
- depreciation matters
- timing matters
- structure matters

Profit is planned

Strong businesses:

- track profit monthly
- understand their numbers
- plan expenses intentionally
- make decisions before tax time

You cannot hustle your way out of bad structure.

Key takeaway

Revenue feeds the ego.
Profit feeds the business.

Until you understand this, taxes will always feel like punishment.

SECTION 3 — ALLOWABLE EXPENSES

NZ law. No guessing. No, “my mate said.

This is where most people overpay

Not because they're dishonest.
Because they **don't know what they're allowed to claim**.

NZ tax law is simple on this point:

If an expense is incurred to earn business income, it is generally deductible.

Miss this, and you donate money to IRD unnecessarily.

The core rule (don't complicate it)

An expense is deductible if it is:

- directly related to earning income
- necessary for running the business
- not private or personal in nature

If it helps you **make money**, **protect the business**, or **operate properly**, it likely counts.

Common allowable business expenses (NZ)

These are **widely accepted** deductions when used for business purposes.

Operating costs

- Website costs (Wix, hosting, domains)
- Software subscriptions (Canva, Xero, Hnry, Adobe, Google Workspace)
- Internet & phone (business portion)

- Bank fees & payment processing fees
- Business insurance
- Office supplies

Marketing & growth

- Advertising (Facebook, Google, flyers, print)
- Branding & design
- Photography & content creation
- Promotional materials

If it promotes your business, it's not a luxury — it's a cost of earning income.

Professional services

- Accountant fees
- Bookkeeping
- Legal advice
- Business consulting
- Coaching directly related to your business

This is not "optional spending".
This is **business infrastructure**.

Education & training

Allowed when it:

- maintains or improves your current business skills
- relates directly to what you do

Examples:

- industry training
- marketing courses
- software training
- compliance education

Not allowed:

- study for an unrelated future career

Vehicle expenses (NZ-specific)

If you use a vehicle for business, you can claim:

- kilometres (IRD rate), or
- actual costs (fuel, repairs, rego, insurance — business portion)

You **must** choose a method and be consistent.

Personal use must be excluded.

Home office expenses (we'll go deep in the next section)

If you work from home, you may claim a **portion** of:

- rent or mortgage interest

- power & gas
- internet
- rates
- house insurance

This is legal.
It is normal.
It is often underclaimed.

(We'll cover this properly in Section 4.)

What is NOT allowable (be clear)

You cannot claim:

- personal groceries
- everyday clothing
- family holidays
- private expenses with no business link
- "rounding up" because you feel like it

This is where people cross from **planning** into **evasion**.

Don't do that.

The biggest mistake people make

They don't track expenses as they go.

They:

- lose receipts
- rely on memory
- panic at tax time
- underclaim

Good record-keeping isn't about IRD.
It's about **not overpaying**.

Simple rule that saves money

If you paid for it to run your business, record it.
Decide later if it's deductible.

You can't claim what you don't track.

Key takeaway

Expenses are not a trick.
They are part of how the NZ tax system works.

Failing to claim legitimate expenses doesn't make you honest.
It makes you uninformed.

SECTION 4 — HOME OFFICE EXPENSES

One of the easiest legal deductions most people miss

Let’s be clear upfront

If you work from home in NZ, **you are allowed to claim a portion of household costs**.

This is not a loophole.
This is not aggressive.
This is **explicitly allowed under IRD rules**.

Yet it’s one of the most underclaimed deductions.

Why home office expenses exist

IRD recognises that:

- Your home is partly used to earn income
- Business use creates real costs
- Those costs shouldn’t be fully taxed

So you are allowed to claim the **business-use portion** of your home.

The basic rule (simple and legal)

You can claim household expenses **in proportion to the space used for business**.

The calculation:

Business-use area **÷** Total home area **=** claimable percentage

That percentage is then applied to shared household costs.

Step-by-step example

- Total home size: 100m²
- Home office: 10m²

Business-use percentage = 10%

You can now claim **10%** of eligible household costs.

That's it. No tricks.

What you can claim (shared costs)

Using the business-use percentage, you may claim a portion of:

- rent or mortgage interest
- power & gas
- internet
- rates
- house insurance

These are real costs you already pay.
You're just allocating the business share correctly.

What you can claim fully

Some costs may be **100% deductible** if they are only used for business:

- desk
- office chair
- printer

- business equipment
- office supplies

These are not shared costs.
They don’t need apportioning.

What you cannot claim

You cannot claim:

- the full rent or mortgage if only part of the home is used
- private areas of the house
- personal household expenses unrelated to business

Overclaiming is how people get into trouble.
Correct claiming is how people save money **without stress**.

Flat-rate vs actual costs (NZ option)

IRD also allows a **simplified flat-rate method** for home office expenses.

This can be useful if:

- Your records are basic
- Your home office use is small
- You want simplicity over precision

However:

- The actual cost method often results in **higher deductions**
- especially if rent, power, or internet is significant

Choose the method that fits your situation.
Consistency matters.

Records you should keep

You don’t need anything fancy.

Keep:

- a simple floor plan or measurement
- copies of power, internet, and rent/mortgage statements
- notes explaining how the space is used

This protects you if IRD ever asks — and keeps things stress-free.

The mindset shift

You are not “claiming back” money.

You are **allocating business costs correctly**.

That’s how the system is designed to work.

Key takeaway

If you earn income from home and don’t claim home office expenses,
You are likely overpaying taxes.

This is one of the lowest-risk, highest-value deductions available to small business owners.

SECTION 5 — DEPRECIATION

Paper expenses that reduce tax without draining cash

This is where people get confused

Depreciation sounds technical.
It's not.

Depreciation simply recognises that **business assets wear out over time**.

Instead of claiming the full cost in one go, you spread it out over several years.

The result:

- lower taxable profit
- lower tax
- The same cash in your bank

The plain-English explanation

When you buy a business asset, you:

- pay for it once
- use it over several years

NZ tax law allows you to:

- claim part of that cost each year
- Match the expense to how the asset is used

This is depreciation.

What counts as a depreciable asset

Common examples:

- laptop or computer
- phone
- tools
- equipment
- furniture
- machinery

If it:

- lasts more than one year
- is used for business

…it is usually depreciated.

Why depreciation matters

Depreciation creates an **expense without extra spending**.

You already paid for the asset.
Depreciation just spreads the tax deduction over time.

This means:

- Profit reduces on paper
- tax reduces in reality

This is one of the quiet advantages business owners have.

Simple example

You buy a laptop for **$3,000** for business use.

Instead of claiming $3,000 all at once:

- You depreciate it over its useful life
- claim a portion each year

Each year:

- The taxable profit is lower
- The tax bill is smaller

The laptop still does the same job.
The cash is already spent.

Business vs personal use

If an asset is used for both:

- business
- personal

You can only depreciate the **business-use portion of the asset**.

Example:

- The laptop is used 70% for business
- only 70% of depreciation is deductible

Be realistic.
Be consistent.

When depreciation stops

Depreciation continues until:

- the asset reaches its residual value, or
- The asset is sold or disposed of

If you sell an asset:

- There may be a depreciation adjustment
- This is normal and manageable

Nothing scary — just record it properly.

Do you need to calculate this yourself?

No.

Most people:

- use accounting software, or
- rely on their accountant

Your job is to:

- record asset purchases
- Note business-use percentage

The system handles the rest.

The mistake people make

They either:

- forget to depreciate assets, or
- don’t track purchases properly

Result:

- higher taxable profit
- higher tax
- unnecessary stress

You can’t claim what you don’t record.

The mindset shift

Depreciation is not a loophole.
It’s not clever accounting.

It’s simply:

matching costs to how assets are used over time

And NZ tax law fully supports it.

Key takeaway

Depreciation reduces tax without reducing cash flow.

If you ignore it, you are likely paying more tax than necessary.

SECTION 6 — GST

Not your money. Not your profit. Manage it properly.

Let’s clear this up first

GST is **not income**.

It does not belong to you.
It is not profitable.
It is a tax you collect **on behalf of IRD**.

Most GST stress comes from treating it like spending money.

When you must register for GST (NZ rule)

You must register for GST when:

- Your turnover is **$60,000 or more** in 12 months, or
- You expect to exceed that amount

You can register voluntarily below this threshold, but it’s not always beneficial.

How GST actually works

When registered:

- You **charge GST** on your sales (output tax)
- You **claim GST** on your business purchases (input tax)
- You pay IRD the **difference**

You are the middle person — not the owner of the money.

Simple example

- You charge a client **$1,150**
    - $1,000 = income
    - $150 = GST
- You spend **$460** on business costs
    - $400 = expense
    - $60 = GST

GST return:

- GST collected: $150
- GST paid: $60
- GST to IRD: $90

The $90 was never yours.

Why do people feel “GST broke”

Because they:

- Don’t separate GST
- spend it accidentally
- panic at return time

GST only hurts when it’s **mismanaged**.

The simplest GST system (low stress)

Do this:

- separate GST into its own account
- transfer GST weekly or per invoice
- never spend it
- treat it as untouchable

Do this consistently, and GST becomes boring — which is ideal.

GST filing frequency (NZ)

You can usually choose:

- monthly
- two-monthly
- six-monthly

More frequent filing:

- helps with cashflow awareness
- reduces surprise bills

Less frequent filing:

- means larger lump sums

Choose based on discipline, not convenience.

What you can claim GST on

You can generally claim GST on:

- business expenses
- assets
- operating costs

As long as:

- You are GST-registered
- The purchase is for business use
- You keep a tax invoice

What you can't claim GST on

You cannot claim GST on:

- private or personal expenses
- GST-exempt supplies
- expenses without proper records

Again, this is about **correct allocation**, not pushing boundaries.

The mindset shift

GST is not a bill.
It's a **flow-through tax**.

When you manage it properly:

- It doesn’t hurt
- It doesn’t surprise
- It doesn’t control you

Key takeaway

If GST feels stressful, it’s a system issue — not a tax issue.

Once your system is right, GST becomes routine.

SECTION 7 — PROVISIONAL TAX

The tax everyone fears — and almost everyone misunderstands

Let’s strip the fear away

Provisional tax is **not a penalty**.
It’s not IRD being greedy.
It’s not because you did something wrong.

It exists because:

You’re consistently making money.

That’s it.

When provisional tax applies (NZ rule)

You’ll usually enter provisional tax when:

- Your end-of-year income tax bill is **more than $5,000**, and
- IRD expects you'll earn a similar income again

IRD is saying:

> "You're no longer occasional. You're ongoing."

What provisional tax actually is

Provisional tax is **paying your income tax in advance** instead of all at once.

Employees pay tax every payday.
Business owners pay tax in **chunks**.

Same tax.
Different timing.

Why people panic

Because they:

- don't expect it
- Don't set money aside
- get hit with large instalments
- feel like they're paying tax twice

They're not.

They're paying **this year's tax, this year**.

How provisional tax works (simple version)

You make payments during the year based on:

- last year's tax, or
- an estimate of this year's profit

At the end of the year:

- IRD squares it up
- Overpayments are refunded or credited
- Underpayments are topped up

Nothing mysterious is happening.

How to manage provisional tax properly

This is where control comes back.

Do this:

- Calculate your tax regularly
- Keep a tax buffer account
- Set aside money weekly or monthly
- Don't wait for IRD letters to plan

Provisional tax only hurts when it's **reactive**.

Options you should know about

Depending on your situation, you may:

- estimate your income

- Use standard uplift methods
- pay through accounting software
- Align payments with cash flow

You don't need to master this alone — but you do need to **understand it**.

The mistake that causes stress

People treat provisional tax like:

"extra tax I didn't plan for"

It's not extra.
It's **timing**.

Once that clicks, the fear disappears.

The mindset shift

Provisional tax is a signal:

> **Your business is no longer a side project.**

Handled well, it means:

- smoother cashflow
- no shocks
- no panic

Handled badly, it feels punishing.

Key takeaway

Provisional tax isn't the problem.
Lack of planning is.

When you plan for it, it becomes just another payment — not a crisis.

SECTION 8 — RECORD-KEEPING

Not for IRD. For control.

Let's get this straight

Record-keeping isn't about being tidy.
It's about **not losing money**.

Messy records don't just cause stress.
They cause:

- missed deductions
- higher tax
- panic at deadlines

Good records give you leverage.

Why IRD cares (and why you should too)

IRD doesn't expect perfection.
They expect:

- accuracy
- consistency

- evidence

You don’t get penalised for honest mistakes.
You get penalised for **guessing**.

What you actually need to keep

You don’t need a filing cabinet.

You do need:

- invoices issued
- receipts for expenses
- bank statements
- GST records (if registered)
- asset purchase details

That’s it.

The real reason records matter

You can’t:

- claim what you didn’t record
- depreciate what you forgot
- Prove expenses you can’t show

Poor records = higher taxable profit.
Every time.

The simplest system that works

Keep it boring. Keep it consistent.

- one business bank account
- one business card
- expenses recorded as they happen
- weekly or monthly check-ins

Complex systems fail.
Simple systems survive.

Digital is your friend

Use:

- accounting software
- bank feeds
- scanned receipts
- cloud storage

The paper gets lost.
Digital doesn’t forget.

How long records must be kept (NZ rule)

In New Zealand, you must keep tax records for **7 years**.

That includes:

- income

- expenses
- GST
- asset details

This isn't negotiable.
But it's manageable.

The biggest mindset mistake

People treat record-keeping as admin.

It's not.

It's **financial control**.

When your records are up to date:

- Tax is predictable
- cashflow is visible
- decisions are easier

The warning sign

If you:

- avoid your numbers
- dread logging in
- Wait until the deadline

You don't have a tax problem.
You have a system problem.

Key takeaway

Good records don’t save you time.
They save you money.

And in business, that’s what matters.

SECTION 9 — COMMON MISTAKES THAT COST THOUSANDS

The avoidable errors that keep small businesses stuck

Most tax problems aren’t complex

They’re basic mistakes repeated every year.

Not because people are careless —
But because no one explained the rules properly.

This section exists so you don’t learn the hard way.

Mistake 1: Mixing business and personal money

This is the fastest way to:

- lose deductions
- confuse records
- overpay tax

One bank account.
One card.

If it’s mixed, it’s messy.

Mistake 2: Not tracking expenses as you go

People tell themselves:

> “I’ll sort it later.”

Later becomes:

- missing receipts
- forgotten claims
- rushed returns

If it’s not recorded, it doesn’t exist.

Mistake 3: Ignoring home office expenses

Working from home and not claiming it is:

- extremely common
- completely unnecessary

If your home helps you earn income,
Part of its costs is deductible.

Not claiming it is leaving money behind.

Mistake 4: Forgetting depreciation

Assets don’t depreciate themselves in your records.

If you don’t:

- record asset purchases
- Note business use

You don’t get the deduction.

This one mistake alone can cost **thousands over time**.

Mistake 5: Spending GST

This causes panic every year.

GST is not a profit.
GST is not yours.

Spending it feels fine —
until IRD asks for it back.

Mistake 6: Being surprised by provisional tax

Provisional tax is predictable.

If it feels like a shock:

- You didn’t plan
- You didn’t buffer
- You didn’t review numbers regularly

The tax didn’t change.
Your awareness did.

Mistake 7: Waiting until tax time to look at numbers

Tax time should be confirmation — not discovery.

If you only look at your finances once a year:

- Decisions are reactive
- mistakes repeat
- stress multiplies

Monthly visibility changes everything.

Mistake 8: Thinking "small" means "not serious"

Small businesses are still businesses.

The rules apply whether you earn:

- $20,000
- $50,000
- $100,000

Waiting to "take it seriously later" is expensive.

The pattern behind all these mistakes

None of these is about intelligence.

They're about:

- poor systems
- lack of education

- reactive behaviour

And all of them are fixable.

Key takeaway

Most people don’t overpay taxes because they earn too much.
They overpay because they don’t know what they’re allowed to do.

You don’t need tricks.
You need structure.

SECTION 10 — THE NZ SMALL BUSINESS MINDSET SHIFT

Why understanding tax changes everything

This guide was never just about tax

Tax is just the pressure point.

What actually changes outcomes is:

- understanding how money flows
- knowing the rules you operate under
- making decisions before problems appear

Once that clicks, everything else gets easier.

The biggest lie small business owners are told

> “Tax is complicated.”

It’s not.

What’s complicated is trying to run a business **without understanding the system around it**.

When you understand:

- profit vs revenue
- expenses
- GST
- provisional tax
- record-keeping

Tax becomes **predictable**.

Predictability removes fear.

What changes when you understand the system

You stop:

- guessing
- panicking at tax time
- avoiding your numbers
- feeling punished for earning

You start:

- planning

- setting buffers
- making confident decisions
- building sustainably

This is the difference between surviving and building.

Why small businesses feel like they're "working harder than ever"

Because effort is rewarded with:

- more income
- more tax
- more pressure

Unless structure comes first.

The system doesn't reward hustle alone.
It rewards **organisation and planning**.

This is what financial confidence actually looks like

- You know roughly what tax you owe before IRD tells you
- GST never surprises you
- Provisional tax is planned for
- Expenses are tracked automatically
- Records are clean

Nothing fancy.
Just controlled.

The responsibility shift

Once you know the rules, you can't un-know them.

From here on:

- stress becomes optional
- mistakes become avoidable
- Overpaying becomes a choice

Education creates responsibility — and freedom.

The final truth

The NZ tax system isn't broken.
It's just poorly explained.

Once you understand it, it stops feeling like something happening *to* you
and starts feeling like something you can work *with*.

Final takeaway

You don't need:

- loopholes
- dodgy advice
- risky behaviour

You need:

- clarity
- structure
- consistency

That's how small businesses stay standing — and grow.

If you're starting to think beyond survival and into structure, the following appendix will help you decide whether staying a sole trader still makes sense.

That's it. No pressure.

Appendix A: Business Structures

SOLE TRADER vs COMPANY

When staying small costs you more

First: this is not about status

A company doesn't make you:

- more legit
- more successful
- more important

It makes you **more structured**.

That’s it.

Sole trader: the reality

A sole trader is:

- You and the business as one
- simple to start
- cheap to run
- Fine at lower income

But it has limits.

How tax works as a sole trader

- All profit is **your personal income**
- Taxed at **personal tax rates**
- No separation between you and the business
- No flexibility once profit rises

This is where many people start.
It’s not where many should stay.

Company: what actually changes

A company is:

- a separate legal entity
- taxed independently
- more structured
- more flexible

It gives you **control**, not immunity.

How tax works in a company (NZ)

- The company pays tax at **28%**
- You decide how money comes out:
  - salary
  - wages
  - retained profits

This creates **options**.

Options reduce pressure.

The real difference (plain English)

Sole trader:

- Earn → tax → what's left is yours

Company:

- Earn → company tax

- Decide later how and when you're paid

Timing matters.
Control matters.

The tipping point (this is key)

A company usually starts making sense when:

- profits grow consistently
- tax bills feel heavy
- You want to reinvest
- You want separation
- Cashflow planning matters

It's **not about revenue**.
It's about **profit and predictability**.

Why do people wait too long?

Because they think:

- "Companies are complicated"
- "I'm not big enough yet"
- "I'll wait until next year"

Waiting often means:

- Higher personal tax

- less flexibility
- more stress

Structure should change **before pain**, not after.

What a company allows you to do

Legally:

- pay yourself a controlled salary
- leave profits in the business
- smooth income between years
- plan tax instead of reacting
- separate personal and business risk

This is how sustainable businesses operate.

What a company does NOT do

Let’s be clear.

A company does NOT:

- eliminate tax
- make money disappear
- remove responsibility
- work without good records

Bad systems in a company are **worse** than bad systems as a sole trader.

The biggest mistake

Switching structures:

- without advice
- without planning
- without understanding obligations

A company is a **tool**.
Used badly, it adds stress.
Used well, it removes it.

The simple rule

Sole trader = simplicity
Company = control

Neither is “better”.
The right one depends on where you are **now**.

When to seriously consider switching

Ask yourself:

- Is my profit growing year after year?
- Do tax bills feel unpredictable?
- Am I reinvesting back into the business?
- Do I want separation and control?

If yes to several —
It’s time to at least **review** your structure.

Final takeaway

Staying a sole trader too long can cost more than moving to a company too early.

The goal isn’t complexity.
The goal is **control**.

Appendix B: Structure Decision Checklist

SOLE TRADER → COMPANY

DECISION CHECKLIST (NZ)

Use this checklist honestly.
No ego. No “one day”. Just facts.

Step 1: Income & Profit Reality Check

Tick what applies **right now**.

☐ My business profit is growing year on year
☐ My tax bill feels heavier each year
☐ I’m earning more than I actually need personally
☐ I don’t withdraw all profits to live on
☐ I want to reinvest back into the business

If you tick **2 or more**, structure is becoming relevant.

Step 2: Tax & Cashflow Pressure

Be honest here.

☐ I get surprised by tax bills
☐ Provisional tax feels stressful
☐ I struggle to keep buffers
☐ My personal tax rate feels high
☐ I wish I had more control over when I get paid

If tax timing feels out of your control, that’s a signal.

Step 3: Business Maturity

This is about stability, not size.

☐ My income is consistent
☐ I have repeat clients or predictable work
☐ I track income and expenses regularly
☐ My records are mostly clean
☐ I treat this as an ongoing business, not a side hustle

Companies work best when the business is **stable**, not chaotic.

Step 4: Control & Separation

This is where mindset shifts.

☐ I want separation between me and the business
☐ I want the option to retain profits
☐ I want more control over income timing
☐ I’m thinking long-term, not just this year
☐ I want better financial visibility

If you want control, a sole trader structure has limits.

Step 5: Readiness Check (Important)

This is the deal-breaker section.

☐ I’m willing to keep proper records
☐ I understand a company adds responsibility
☐ I won’t treat company money as personal money
☐ I’m prepared to get advice if needed
☐ I want fewer surprises, not shortcuts

If you tick **NO** to these, stay a sole trader for now.

QUICK RESULTS GUIDE

Mostly unticked boxes?

✔ Stay sole trader
✔ Focus on systems
✔ Build consistency first

Mixed ticks?

✔ Get advice
✔ Review structure
✔ Prepare before switching

Many ticks across sections?

✔ A company is worth serious consideration
✔ Control may now outweigh simplicity

Final reality check

A company isn't for making tax disappear.
It's for managing money properly as you grow.

The wrong structure creates stress.
The right structure creates options.

APPENDIX C — SOLE TRADER → COMPANY

DECISION FLOWCHART (NZ)

START HERE ↓

Are you operating as a sole trader?
→ Yes → continue
→ No → this section may not apply

QUESTION 1

Is your business income consistent (not one-off or occasional)?

- ☐ Yes → go to Question 2
- ☐ No → **Stay sole trader (for now)**
  Focus on consistency first.

QUESTION 2

Is your profit growing year on year or becoming predictable?

- ☐ Yes → go to Question 3

- ☐ No → **Stay sole trader (for now)**
  Improve systems and tracking.

QUESTION 3

Do tax bills feel heavy or unpredictable?

- ☐ Yes → go to Question 4
- ☐ No → go to Question 5

QUESTION 4

Do you withdraw all profits personally to live on?

- ☐ Yes → Company may not help *yet*
  Improve budgeting and buffers first.
- ☐ No → go to Question 5

QUESTION 5

Do you want more control over when and how you get paid?

- ☐ Yes → go to Question 6
- ☐ No → **Stay sole trader (for now)**

QUESTION 6

Are you reinvesting profits back into the business?

- ☐ Yes → **Time to seriously review a company structure**

- ☐ No → go to Question 7

QUESTION 7

Are you prepared to keep clean records and treat business money as separate?

- ☐ Yes → **Company structure is worth considering**
- ☐ No → **Stay sole trader until systems improve**

END RESULTS

STAY SOLE TRADER (FOR NOW)
✔ Keep it simple
✔ Build consistency
✔ Improve tracking
✔ Review again later

REVIEW COMPANY STRUCTURE
✔ More control
✔ Better tax planning
✔ Clear separation
✔ Long-term thinking

Key reminder

A company doesn't solve chaos.
It rewards structure.

APPENDIX D — CASE STUDY

When Staying a Sole Trader Costs More

(Relatable, realistic, NZ-style — not extreme.)

The situation

Jamie runs a small service-based business as a sole trader.

- Consistent clients
- Fully booked most weeks
- Income slowly increasing
- Handles own invoicing and expenses

On paper, things look “fine”.

The problem

Each year:

- tax bills feel heavier
- Provisional tax causes stress
- Cash flow feels tight despite good income

Jamie is working more — but not feeling ahead.

The assumption:

“This is just what business is like.”

It isn’t.

What was actually happening

As a sole trader:

- All profit was taxed at personal rates
- All the money flowed straight to Jamie
- No option to retain profits
- no control over timing

The structure hadn't changed —
But the business had outgrown it.

The decision

After reviewing:

- profit levels
- tax pressure
- long-term goals

Jamie moved from a sole trader to a **company structure**.

Not to avoid tax —
but to **manage it better**.

What changed

With a company:

- Jamie paid a controlled salary
- Extra profits stayed in the business

- tax became predictable
- buffers were built
- stress reduced

Same business.
Different structure.

The outcome

Jamie:

- stopped being surprised by tax
- had clearer cash flow
- reinvested confidently
- worked with intention, not panic

Nothing magical happened.

Structure caught up with reality.

The lesson

The problem wasn't income.
It was staying in the wrong structure for too long.

Why this case study matters

This isn't about:

- earning six figures

- scaling fast
- being “big enough”

It’s about recognising **when simplicity starts costing you**.

Final takeaway

The right structure doesn’t make you rich.
It stops you from leaking money and energy as you grow.