

walker wayland —

is your business operating at a loss?

what are some signs that
you are operating at a
loss?

- you can't pay your bills or yourself.
- your bank account is overdrawn.
- you are not selling the amount that you budgeted, so your income doesn't cover your expenses.



when you are spending more money than is coming into the business, you are probably operating at a loss.

this can be common when you are just starting out or are in a period of growth. and it is okay if you've got enough in the bank to cover your costs until your income picks up.

if your issue is simply timing **because of when your customers pay you**, consider changing your supply terms so that you are paid more regularly. and ensure that you are collecting your debts in a timely manner.

but if you are frequently running at a loss and the reason is **because of slow sales or unexpected expenses**, changes will need to be made.



don't ignore the warning signs!

make changes or get help as soon as you realise that things are going wrong. and don't go purchasing things that you can't pay for – you will be operating in an insolvent position and you can be made bankrupt.

what can you do

increase your sales can you get more customers, sell more or charge more for your product or service? of course, you may need to invest in marketing to achieve this.

reduce your expenses can you negotiate a better deal from your suppliers, or are there any expenses that you can cut or reduce?

sell unused assets

reduce your drawings

can you introduce funds into the business?

get advice a business mentor or accountant may be able to help.

losses for tax purposes

a common misconception is that you get a tax refund if you have a business loss. this is not correct, and the situation depends on your structure.

if you run your business in an ordinary company the business loss is carried forward and offset against profits in future years, thereby reducing the tax payable in the profit year. alternatively, it may be able to be offset against profits in another of your companies, provided certain tests are met.

if you have a look through company the business loss is transferred to the shareholder(s) of the company and included in their personal tax return(s). this loss is then available to be offset against certain other income, which reduces the overall tax payable. if there is no other income, the loss is carried forward and offset against profits in future years. **the same situation applies if your business operates as a sole trader or partnership.**

if you have any questions please get in touch to discuss.

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