



# Hnry Sole Trader Pulse

New Zealand

July 2022



# Key talking points

- **Most sole traders are better off financially than 3 months ago**, with 55% reporting higher income than the previous quarter. Freelancers, Consultants and those in Health & Wellness have seen the most improvement, with an average of 65% of this group reporting higher income than the previous quarter. This is in stark comparison to Tradies, only 43% of whom reported higher income than the previous quarter.
- Sole traders in general have a **pessimistic outlook on the health of the economy**, with 41% reporting that they believe the health of the economy in 6 months' time will be either 'poor' or 'very poor'. The **level of pessimism evidently increases with age** - sole traders aged 55+ were over 8 times more likely to say that the financial performance of their business would be either 'poor' or 'very poor' in 3 months' time compared to those aged 17-34.
- **Inflation and interest rate increases are affecting the majority of sole traders**, and they are taking action to respond. 85% of sole traders have reported that they are avoiding taking on additional debt, while 82% reported that they are now having to pay more for supplies and services. Accordingly, only 39% of sole traders have tried to **secure additional or alternative funding and credit** in the past 6 months. The majority of those that did secure additional funding (62%) focused on government grants and subsidies. **Less than one-in-ten looked at non-government sources of credit.**
- Excluding those who sought government support or loans, **45% of sole traders reported that they were initially denied funding by lenders**, of whom just over half (24%) went on to secure credit elsewhere. Increasingly stringent assessment criteria and the current or projected financial performance of their business were the most common denial reasons reported by this group. Interestingly this is very different from the most common denial reason reported by those that applied for government funding - that they were denied because they were self-employed.
- With 75% of sole traders believing that the 2022 Budget would either be bad or have no little to no effect on their sole trading business, a **deeper understanding of the unique needs of sole traders by the government is still evidently required**. Only 3% of those surveyed believe the 2022 Budget will be beneficial to their business. 0% of Tradies believe that the 2022 Budget will be good for their business.
- 26% of Sole Traders are actively considering incorporating themselves as a company - not because they genuinely require such a business structure (e.g. due to taking on creditors, employees or investment), but because they are of the incorrect belief that it will allow them to avoid any personal liability and avoid paying personal taxes - **both of which are common misconceptions associated with incorporation.**
- **Tax and financial administration is still a key burden** for sole traders, who are spending an average of 5 hrs every week and \$295 every month managing tax and financial admin. Cumulatively, this represents approximately **2 million hours lost every week** on tax and financial admin across New Zealand.



# How the Henry Sole Trader Pulse was conducted

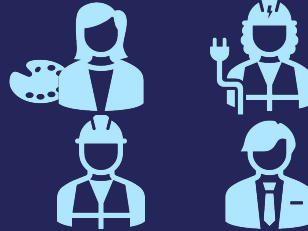
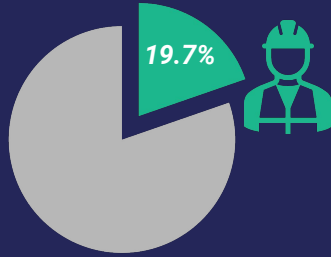
Henry commissioned Resolve Strategic to conduct polling to measure and regularly track the sentiment, views and experiences of sole traders in Australia and New Zealand. This report contains the results of the third Pulse in New Zealand, with methodology and topics as follows:

- This survey polled 500 sole traders (excluding those trading as companies) across New Zealand, with a maximum error margin of +/-4.4%.
- The poll was conducted online via reputable business and general population panels, with respondents screened to ensure they are sole traders (including contractors, consultants, freelancers, gig economy workers, tradies, etc.).
- A representative sample by age, sex, area and tenure when compared to known population parameters using minimum quotas and/or weighting where required.
- In this Pulse the poll also asked a series of ad-hoc questions about the decision to become a sole trader, the idea of cracking down on limited companies that avoid tax, the recent 2022 Budget, the effects of inflations and interest rates, and the use of and problems securing funding and support.



# Sole traders are a significant part of the NZ economy

There are over **400,000 sole traders** in New Zealand, making them **19.7% of the working population**<sup>1</sup>



Sole Traders are a large and diverse group, comprising freelancers, contractors, tradies, gig workers and wellness professionals - **over 35% of whom have more than one job**



Sole traders are spending approximately **2 million hours every week** on tax and financial admin. This adds up to over **\$3.2 billion in lost productivity** for New Zealand sole traders every year. As such they are turning to tools and services that help to ease that burden. Given the wider potential of a recessive economy, minimising unnecessary cost and hassle is a big priority for New Zealand's sole traders

Notes: (1) Based on OECD Employment Data [<https://data.oecd.org/emp/self-employment-rate.htm>]

# How the Henry Sole Trader Pulse works

The questionnaire employs several core questions asked in every Pulse, notably:

- A pulse figure of sole trader sentiment, with 100 being 'average', 0 'negative' and 200 'positive', that can be tracked over time and broken down by sole trader groups. It is calculated using 12 variables, each grouped into current / future business performance, personal factors, business / economic conditions, and past business performance (using an average weighted in descending order).
- A series of attributes, such as sex, age, area, tenure, turnover, industry and whether have another job.

The headline measures include:

- Past financial performance: A combination of sole traders' financial performance in the last 12 months and the last quarter
- Current/future financial performance: A combination of sole traders' financial performance right now and expectations for financial performance in the next quarter and the next year
- Economic conditions: A combination of sole traders' perspective on business conditions right now, economic conditions right now and expected economic conditions in 6 months
- Personal conditions: A combination of sole traders' personal satisfaction, mental well-being, work life balance and degree of freedom

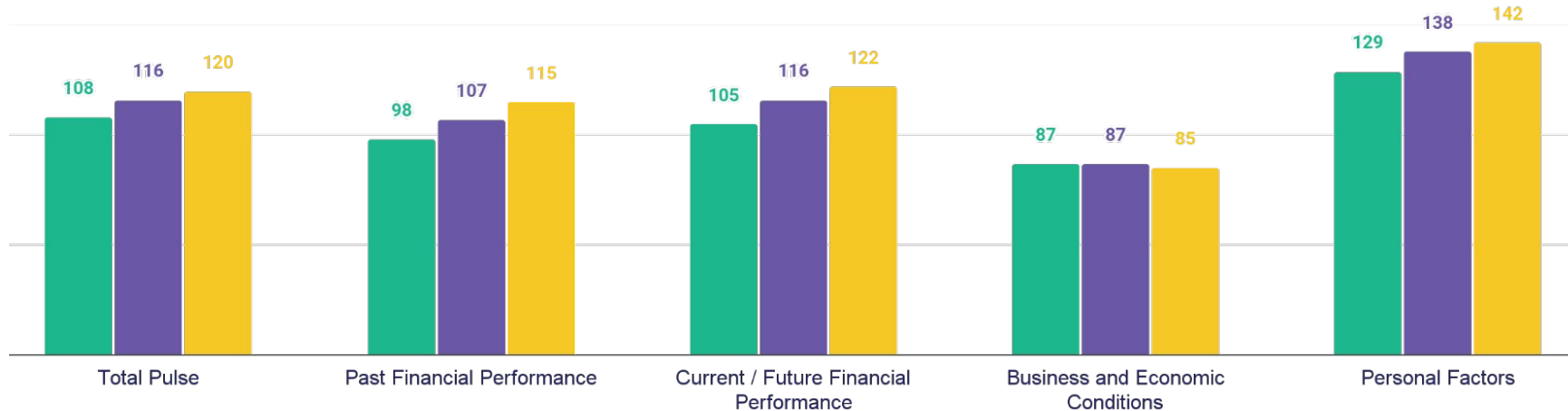


# Overview of Henry Sole Trader Pulse results

We found significant improvements in sole trader sentiment compared to many areas in the March 2022 Pulse, reflecting the easing of COVID restrictions. We have seen improved financial performance ratings for June 2022, however, confidence in business and economic conditions has waned (likely due to inflation, interest rates and market conditions such as supply chain issues). Positively, this has yet to impact personal factors or the overall index

## Sole Trader Sentiment: Overall Index

**Chart:** Sole trader sentiment towards financial performance, economic conditions and personal factors (including wellbeing, work-life balance and personal satisfaction and enjoyment of being self employed). Refer to index explanation below for details on what the index figures mean



KEY: Oct 21 Mar 22 Jun 22

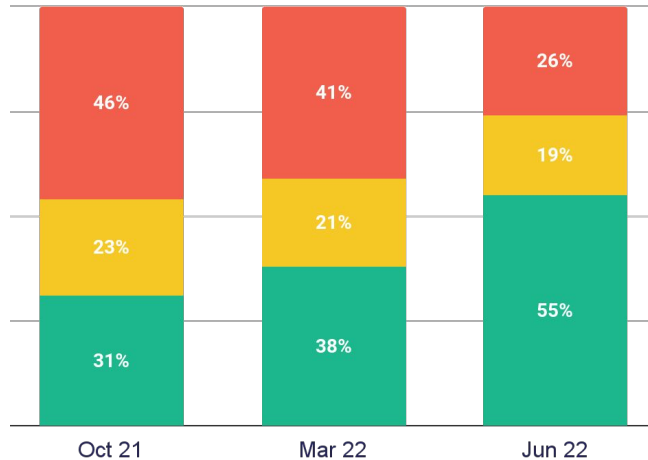


# Financial performance has improved for most sole traders

Most sole traders are better off financially than 3 months ago, a likely result of opening up after COVID lockdowns. Freelancers, Consultants and those in Health & Wellness have seen the most improvement, while Contractors and Tradies were the professions with the lowest proportion of sole traders reporting higher income than the previous quarter, likely due to the larger impact of inflation and supply chain issues

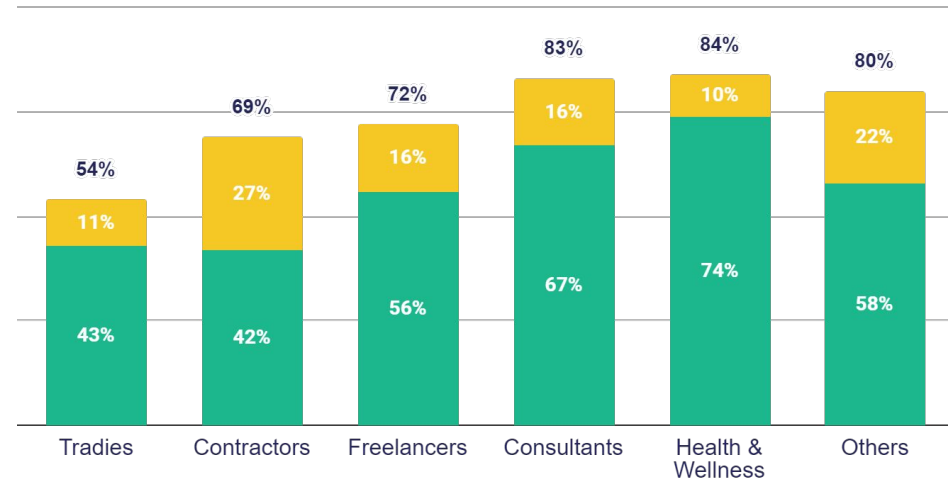
## Financial Performance: Quarterly Income Change

**Chart:** Proportion of sole traders that noted income was 'higher' 'lower' or 'about the same' as the previous quarter



## Financial Performance: By Profession

**Chart:** Proportion of sole traders that noted income was 'higher' or 'about the same' than the previous quarter, by profession



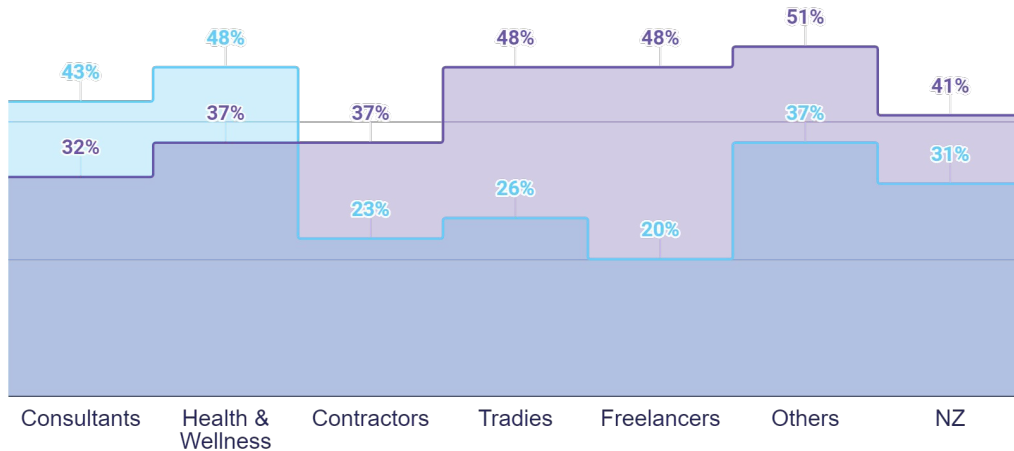
KEY: Lower About the Same Higher

# However, sole traders are pessimistic about the economy

Sole traders in general have a more pessimistic outlook on the health of the economy than 3 months ago, with 41% reporting that they believe the health of the economy in 6 months' time will be either 'poor' or 'very poor'. The level of pessimism increases with age - those aged 55+ were over 8 times more likely to say that the performance of their business would be either 'poor' or 'very poor' in 3 months' time compared to those aged 17-34

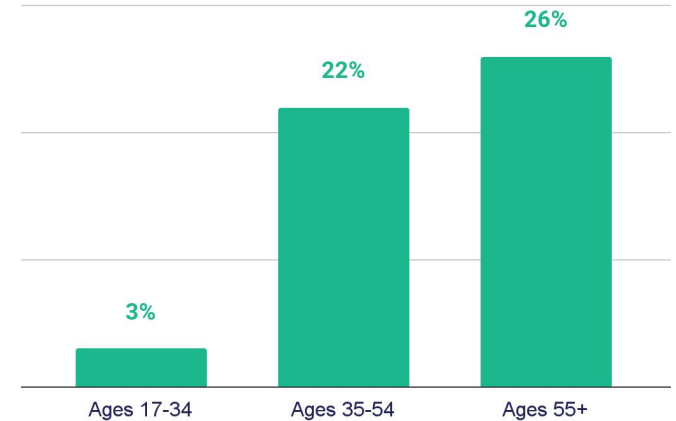
## Economic outlook: By Profession

**Chart:** Proportion of sole traders who rated the economy in 6 months' time to be 'poor' or 'very poor'



## Financial outlook: By Demographic

**Chart:** Proportion of sole traders who rated the the financial performance of their business in 3 months' time to be 'poor' or 'very poor'



KEY: Mar 2022 Jun 2022



# This pessimism stems from key concerns going forward

Sole traders are concerned about inflation issues such as high fuel prices and supply chain issues, as well as difficulty in being able to access credit and government understanding of their needs. Misconceptions about the valid reasons for incorporating a company are leading to further confusion among sole traders. All of these are compounded by the fact that tax and financial admin is still a significant time and cost burden for sole traders



## Inflation and interest rate increases

More than 4 out of 5 sole traders reported that they are now having to pay more for supplies and services, and that they are avoiding taking on additional debt



## Difficulty accessing credit

Less than one-in-ten sole traders looked at non-government sources of credit. Of this group, 45% of these say they were initially denied funding



## Lack of understanding from Government

Only 3% of all sole traders surveyed believed the 2022 Budget will be beneficial to their business



## Misconceptions around incorporation

Over a quarter of Sole Traders are actively considering incorporating themselves as a company, with many not understanding the valid reasons to do so



## Tax and financial admin burden

Sole traders are spending around 2 million hours every week and over \$3.2 billion in productivity every year<sup>1</sup> managing their tax and financial admin



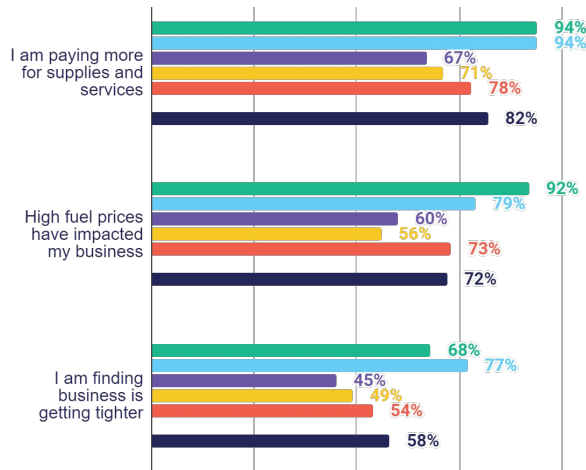


# Inflation is a key concern

Inflation and interest rate increases are affecting the majority of sole traders, and they are taking action to respond. 82% reported that they are now having to pay more for supplies and services, while 85% of sole traders have reported that they are avoiding taking on additional debt. Tradies were the profession with the highest proportion of sole traders impacted by these inflation impacts, at 94% and 91% respectively

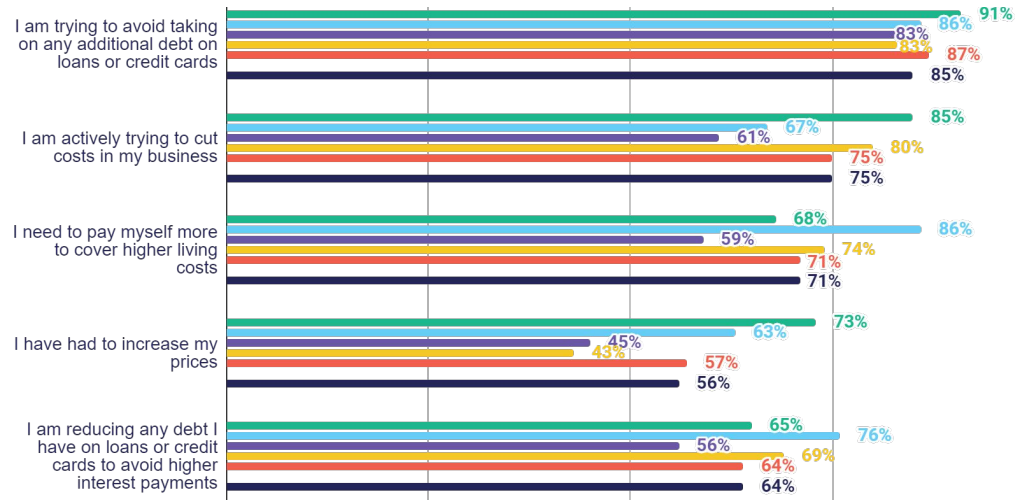
## Inflation Impacts on Sole Traders

Chart: Proportion of sole traders that said 'yes' to being affected to effects of inflation



## Inflation Responses by Sole Traders

Chart: Proportion of sole traders that said 'yes' to undertaking the following actions in response to inflationary pressures



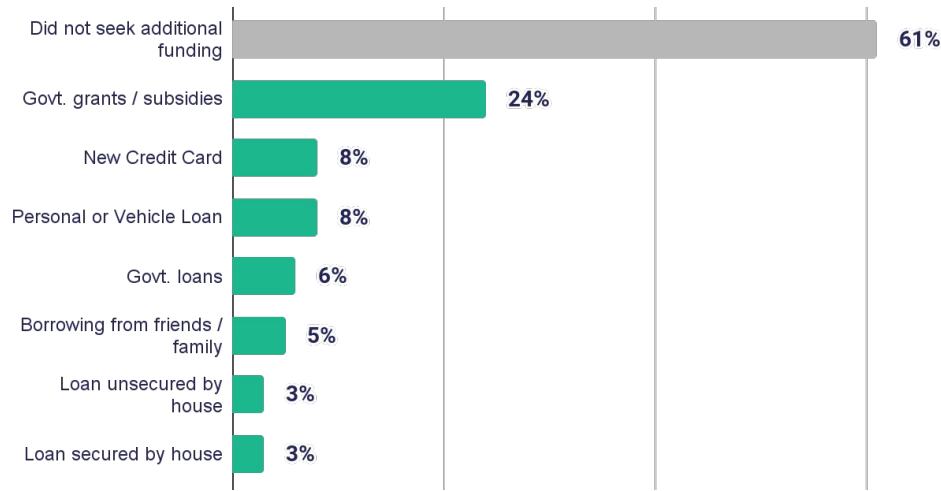


# And additional funding has been hard to come by (1/2)

Only 39% of sole traders have tried to secure additional or alternative funding and credit in the past 6 months. The majority of those that did secure additional funding focused on government grants and subsidies. Less than one-in-ten looked at non-government sources of credit. Those that only looked at non-government sources of funding found it almost twice as hard to secure funding or credit as those that looked at all funding sources

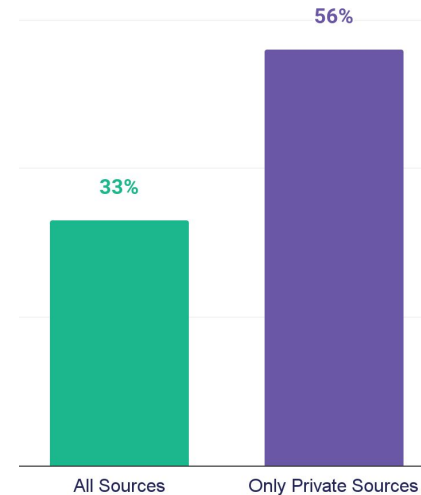
## Funding and credit sought

**Chart:** Proportion of sole traders that sought additional funding in the past 6 months by source of additional funding sought by sole traders



## Difficulty of securing funding and credit

**Chart:** Proportion of sole traders that found it harder to secure funding and / or credit in 2022



KEY: ■ All Sources ■ Only Private Sources

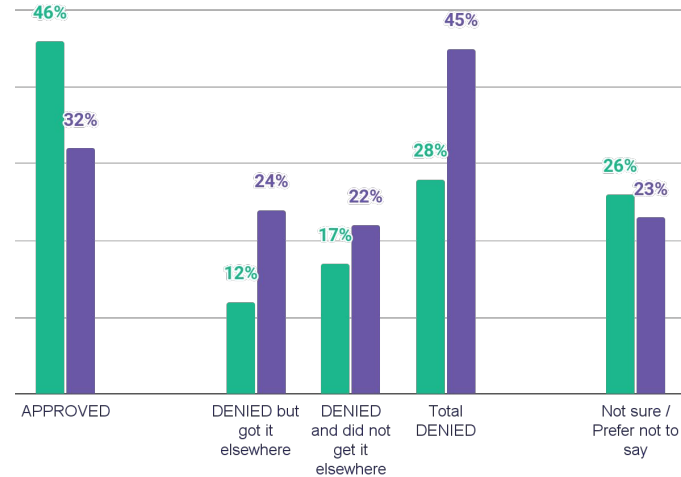


# And additional funding has been hard to come by (2/2)

Of those that only applied for funding from private sources, 45% reported that they were initially denied funding, of whom just over half (24%) went on to secure credit elsewhere. *'Increasingly stringent assessment criteria'* and the *'financial performance of their business'* were the most commonly reported denial reasons by this group - very different from that of those that applied for government funding, who were mostly denied because they were self-employed

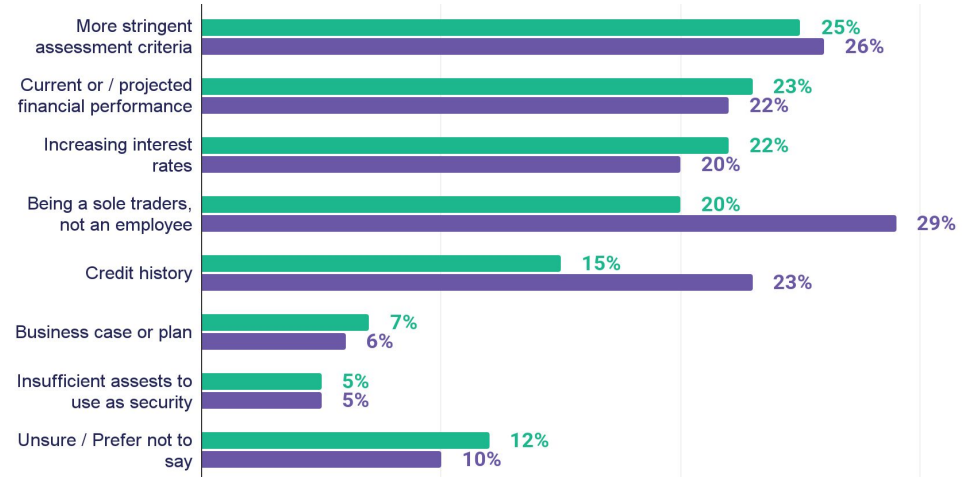
## Success and denial funding and credit

Chart: Proportion of sole traders sought additional funding that were denied or approved



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Chart: Proportion of sole traders sought additional funding that were denied or approved



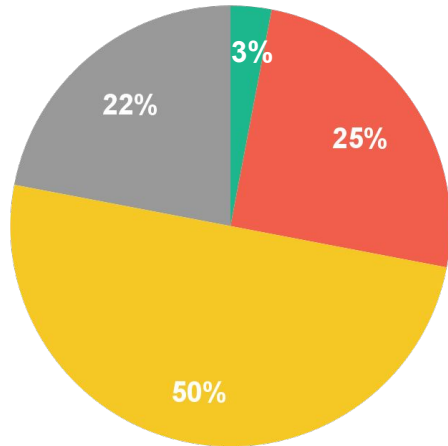


# The 2022 Budget did not resonate with sole traders

With 75% of sole traders believing that the 2022 Budget would either be bad or have no little to no effect on their sole trading business, a deeper understanding of the unique needs of sole traders by the government is still evidently required. Only 3% of those surveyed believe the 2022 Budget will be beneficial to their business. 0% of Tradies believe that the 2022 Budget will be good for their business.

## Sole trader response to 2022 Budget

Chart: Proportion of sole traders that noted the 2022 Budget was 'good for business', 'bad for business' or 'little to no effect'

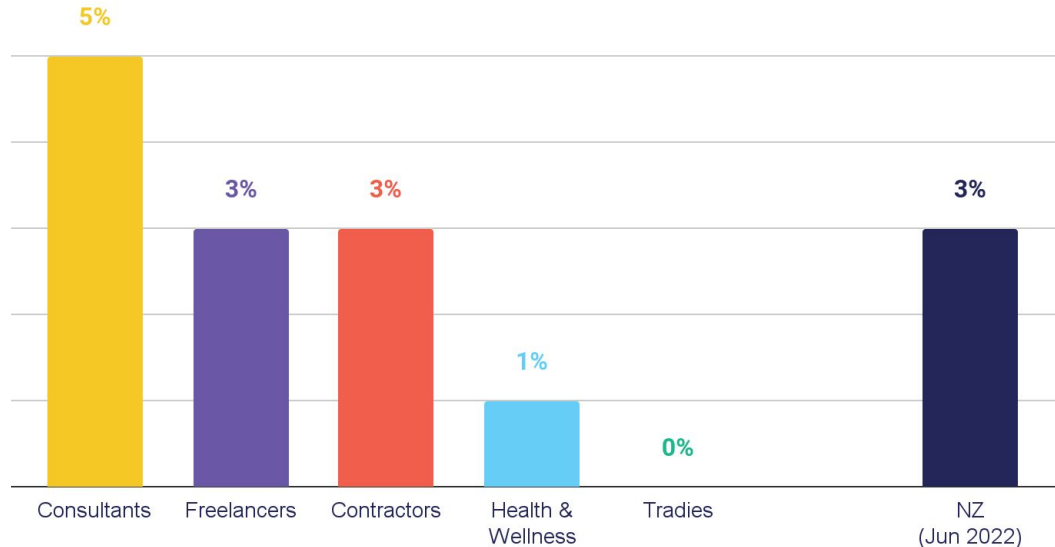


KEY: ● Good for my business ● Bad for my business  
● Little to no effect ● Undecided



## Positive sentiment towards 2022 Budget: By Profession

Chart: Proportion of sole traders that reported that the 2022 Budget was 'good for their business'



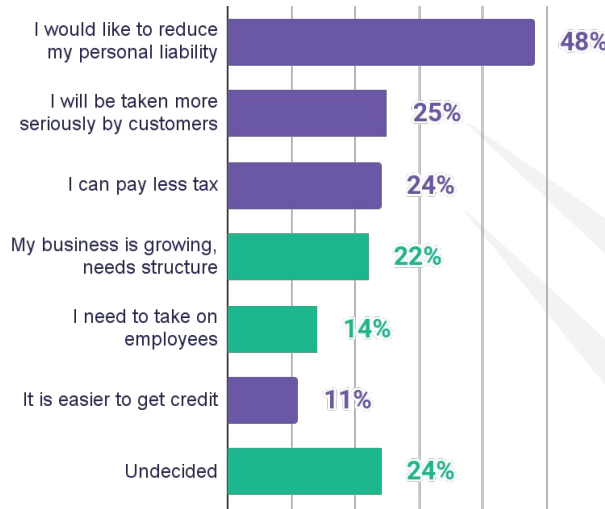


# There are clear misconceptions around incorporation

Over a quarter of Sole Traders are actively considering incorporating themselves as a company - not because they genuinely require such a business structure (e.g. due to taking on creditors, employees or investment), but because they are of the incorrect belief that it will allow them to avoid any personal liability and avoid paying personal taxes - both of which are common misconceptions associated with incorporation

## Drivers to incorporate

Chart: Proportion of sole traders that said yes to the following reasons as drivers for incorporation



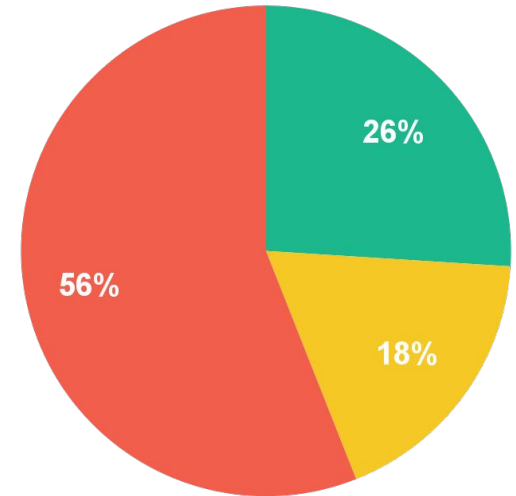
There is evidence that company directors are now being held personally liable for the debts of their businesses. Among many recent high profile cases, a 2020 Supreme Court decision in which a director was ordered to personally cover some of the shortfall incurred by a company that traded while insolvent set the tone for likely changes to liabilities incumbent on company directors

MBIE has rolled out the option of an NZBN for all New Zealand businesses, including Sole Traders, which gives them the same 'professionalism and standing' as any incorporated entity

It is a common practice for individual company directors to take the majority of income out of their company, to fund their personal expenses. This results in them paying exactly the same amount of personal taxes as if they were an unincorporated sole trader, therefore a company structure is unnecessary

## Sole trader propensity to incorporate

Chart: Proportion of sole traders that reported they either were or were not likely to incorporate



KEY: ■ Valid reasons ■ Not always valid reasons

KEY: ● YES, and am actively considering it ● YES, but unlikely to in next 5 years ● NO

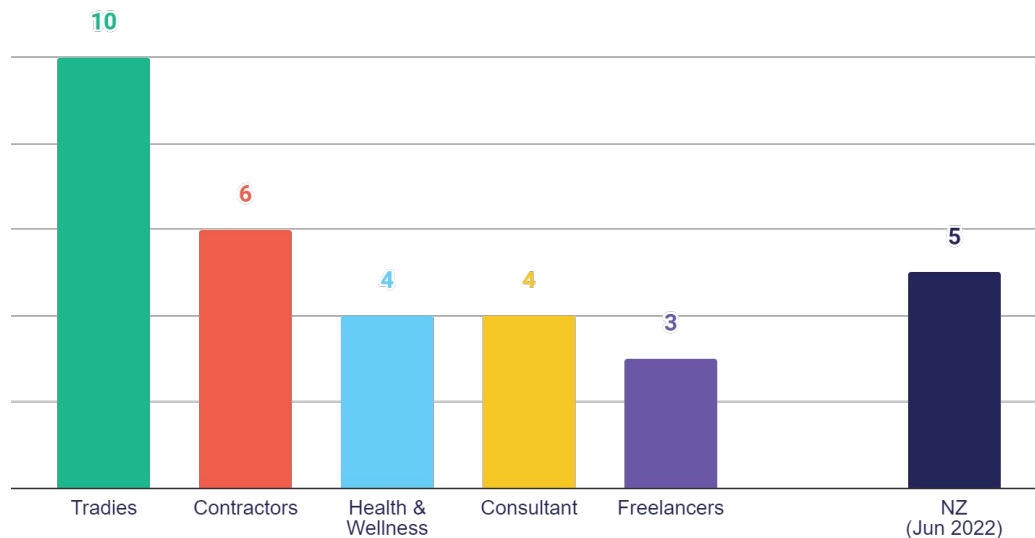


# Tax & financial admin is still a significant time burden...

Sole traders are spending an average of 5 hrs every week managing tax and financial admin. Tradies were spending double the average amount of time, at 10 hours per week. However, those that use modern, online accounting services to manage their tax and financial admin are spending less than half of the average amount of time as other sole traders, at just 2 hours per week

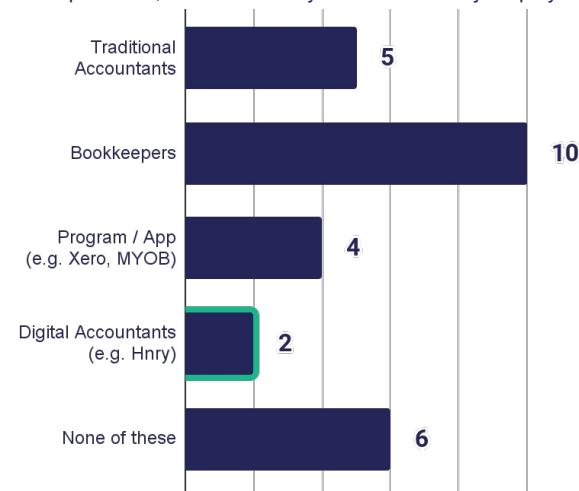
## Time spent managing tax and financial admin: By Profession

Chart: Hours spent by sole traders on tax & financial admin per week, by profession



## Time spent managing tax & financial admin

Chart: Hours spent by sole traders on tax & financial admin per week, broken down by the services they employ



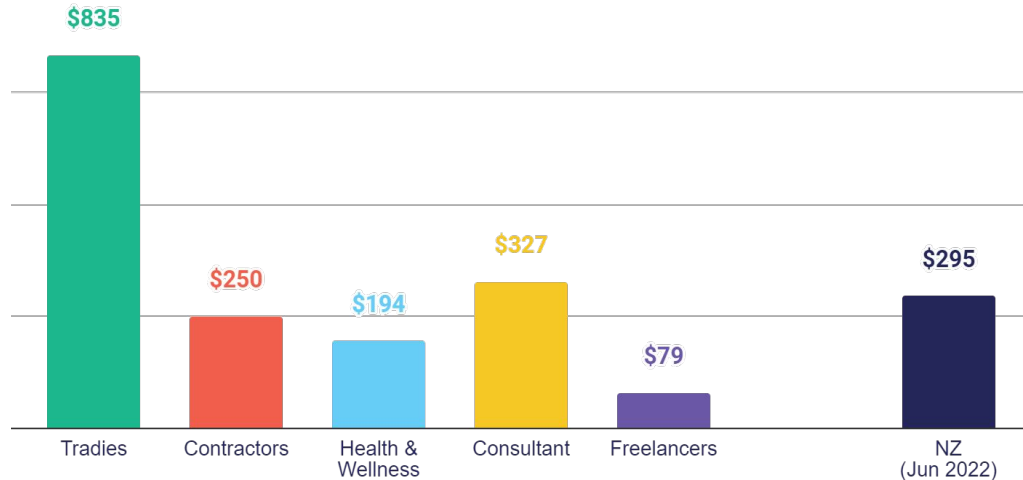


# ... and still represents a significant cost to sole traders

On average, sole traders are spending \$295 to manage their tax and financial admin every month. Tradies were again the profession most impacted, spending almost three times as much as other sole traders, at \$835. Positively however, those that use digital accountancies to manage their tax and financial admin are spending less than a third of the monthly cost to manage their tax and financial admin

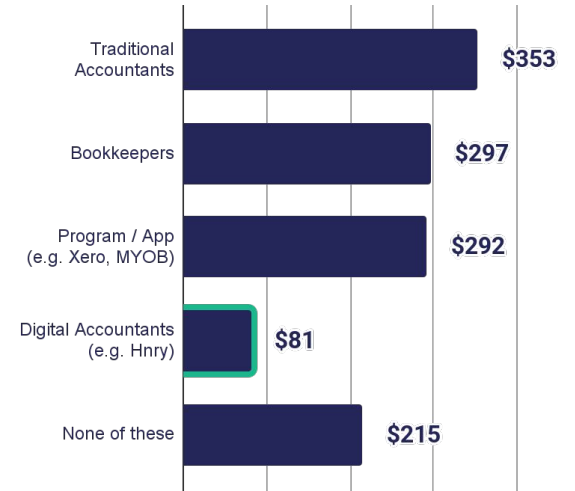
## Cost of managing tax and financial admin: By Profession

Chart: Average spend (\$) by sole traders on tax & financial admin per month, by profession



## Cost of managing tax & financial admin

Chart: Average spend (\$) by sole trades on tax & financial admin per month, by method of assistance







# All of which has a serious economic impact for NZ

Cumulatively, the burden of managing tax and financial admin represents approximately 2 million hours lost every week on managing tax and financial admin across New Zealand. This adds up to over \$3.2 billion in lost productivity for New Zealand sole traders every year

## Economic impacts of Sole Trader tax and financial admin burden



**Over 2m hours  
lost**

every week by sole traders on managing tax and financial admin across New Zealand



**Over \$3.2b every  
year**

in lost economic productivity for NZ as a result of time spent by sole traders managing their tax and financial administration<sup>1</sup>



Notes: (1) Based on average sole trader income data from Sole Trader Pulse. Assumes 45 hour working week.

# About Hnry



Pictured [L to R]: **Karan Anand** (Managing Director, Australia), **James Fuller** (CEO) and **Claire Fuller** (COO)

Hnry provides an all-in-one digital accounting service for contractors, freelancers, sole traders and the self-employed, allowing them to focus on getting the job done and never having to think about tax and compliance again. Australasia's fastest-growing accountancy, Hnry, takes care of invoicing, expenses, payments, taxes, and filings in an affordable, pay-as-you-go model and provides expert, on-demand support.

Founded in Wellington in 2017, Hnry has experienced record growth and now helps self-employed people in both New Zealand and Australia. Hnry has continued to win awards and accolades, including 'Emerging Service of the Year' at the 2019 Wellington Gold Awards, being named a finalist for 'Hi-Tech Service of the Year' at the 2019 NZ Hi-Tech Awards, winning 'Supporting Gold' at the 2020 Wellington Gold Awards and People's Choice (FinTech Organisation of the Year) Award at the 2022 Australian Finnies. The company is currently a finalist for 'Hi-Tech Service of the Year' at the 2022 NZ Hi-Tech Awards.

## Contact us



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