



Paul Duggan & Associates Limited
Chartered Accountants



tax + business newsletter

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Xero – online accounting system

This is a great time of the year to change to Xero if you are considering changing your accounting software or if you want to complete your GST returns online for the first time.

We are proud to be a Xero Certified Partner and this certification gives us an in depth understanding of Xero functionality to our clients.

Xero is an online accounting system that gives small businesses like yours and your advisors easy access to bank transactions, invoices, reports and GST – anytime you need it, anywhere in the world.

If you would like more information please contact Leslie.

Tax Talk

Questionnaires

It's that time of the year again – time to start thinking about getting your 2013 Financial Statements and Tax Returns underway.

This will be the second year that we will be carefully scheduling when we complete your financial statements and returns. We expect that by planning our work in this way we will complete your returns in a timely manner, and give you certainty about when your work will be finished.

At this stage we will be asking you to bring us your records at a similar time to last year.

We will email your electronic questionnaire or paper copy, whichever is applicable, closer to your scheduled time.

If, for whatever reason, it does not suit you to bring your records in at the scheduled time, please give us a call as we may be able to schedule an alternative date that suits you better.

Trust Administration

The Law Commission's review of Family Trusts continues. A paper on Trustees' duties, the office of Trustee, trust administration, and trustees' powers is due out shortly, with the final analysis - on trading trusts, the potential registration of trusts and the obligations of trust advisors - to be delivered to Government in the near future.

It appears we are heading for a major shake up on the entire manner in which trusts operate and are administered. As your accountants (and for some of you, your professional trustees) we're on a mission to ensure your Family Trust's administration processes are robust. If you haven't heard from us yet, you may well do soon....

MYOB Online Accounting

MYOB online accounting software lets you manage your business anywhere, anytime. Which means you're free to work wherever and whenever you like.

AccountRight Live gives you the choice of how you do the accounts: on your desktop, in the cloud or both - it's the first of its kind in New Zealand.

Get all the benefits of businessSUPPORT like 24/7 Support, software upgrades, IRD compliance updates and training, plus a whole lot more with Live Services.

- Access your accounts on any internet connected PC anywhere, anytime
- Link your bank account to automatically import and match your bank transactions
- Store your data securely online and make a local backup to your PC whenever you like
- Allow same time access for up to five people

If you would like more information please contact Andrew or Leslie.

Death and taxes may be inevitable, but they shouldn't be related. J.C. Watts, Jr.

Tax Talk



Changes to rates and thresholds as of 1 April 2013:

Working for Families

The net income level guaranteed by the minimum family tax credit will rise from \$22,568 to \$22,724.

ACC

The government announced that the 2013/2014 levy rates will remain at their current levels. However they have introduced three new initiatives:

- Extended Workplace Safety Discounts
- Vehicle Classification System
- Fleet Safety Incentive Programme

We will be following up on these changes in future issues, but in the meantime, visit the following website for more information:

www.acc.co.nz/news/WPC116639

KiwiSaver

The minimum contribution rate for employers and employees will rise to 3% from April.

Primary and Secondary School Children

From 1 April 2013 PAYE must be deducted from payments of salary/wages or schedular payments to school children.

Student loan changes

The repayment rate for student loan deductions increases from 10 to 12 cents per dollar earned over the current threshold of \$19,084 per annum.



Changes to the tax treatment of commercial lease payments

If you're considering entering or exiting a commercial lease arrangement in the coming months we advise you to contact us to discuss the potential tax implications arising from proposed changes effective 1 April 2013.

Lease inducement payments are a lump sum paid by a commercial landlord to a tenant providing incentive to enter a lease arrangement in times of high lease vacancy. Currently such payments are treated as deductible for the landlord and as capital or non-taxable receipts for the tenant.

The proposed changes will make lease inducement payments taxable income for the tenant with the income spread evenly over the lease term. Landlords will now also have to spread the deduction over the lease term.

Lease surrender payments are a lump sum paid by the tenant to a landlord to exit a long term lease. Generally lease surrender payments are treated as taxable to the landlord, but non-deductible to the tenant. In future these payments will be made tax deductible to the tenant.

Both proposed changes will only apply to leases entered on or after 1 April 2013. Effectively landlords and tenants will in future receive symmetrical tax treatment for receipts and payments.



KiwiSaver employer contributions and minimum wage

A recent case must have given some employers pause for thought. The Employment Court has ruled that employers must pay KiwiSaver contributions in addition to the minimum wage, not inclusive in the minimum wage. In a 'total remuneration' package, the gross wage must amount to at least the minimum wage plus compulsory employer contributions. Anything less is a breach of the Minimum Wage Act 1983.

Case Study: Employees were being paid the minimum wage, with their employment agreements stating remuneration was 'inclusive of KiwiSaver compulsory employer contributions'. The KiwiSaver Act 2006 allows total remuneration packages, provided that mandatory employer contributions are accounted for.

The Court found that employees have an inalienable right to receive the minimum rate irrespective of anything in any other statute or agreement. A payment of a compulsory employer contribution was not 'payment for ... work' performed by an employee for the purposes of the Minimum Wage Act. Here, the Court said, the employer was effectively expecting its employees to pay for the employer contributions.

In themselves, the caregivers' agreements did not infringe the requirement to account for the contributions. The Court said there did not need to be a numerical figure for the deduction; simply a statement as to how that figure is arrived at.



'A good plan today is better than a perfect plan tomorrow' - old proverb ted.

New rules for mixed-use assets

In the 2012 budget the government announced proposed changes to the rules surrounding the deductibility of expenditure incurred for mixed-use assets. The main purpose of the change is to reduce the ability for people to offset the holding costs of their assets by renting the asset occasionally. Mixed-use assets include such things as holiday homes, bachs, boats and aircraft. Owners still need to apportion the use of their assets into taxable and non taxable deductions, but the apportioning rules have changed.



An asset will fall into the apportioning rules if:

- It is used privately by owner or relative
- It is used to generate income
- There are more than 62 days when the asset is unused
- It costs more than \$50,000

The rate changes are still in the process of becoming law but once in place, they are likely to apply for the next financial year. The proposed changes to the apportioning of mixed-use assets are likely to extend to the deductibility of interest where you have more than one entity. If you have mixed-use assets, the impact of these changes may be significant and we will let you know as soon as we have an update. In the meantime, if you're concerned about how these changes may affect you, talk to us today to find out more.

Are you ready for 2013 payroll changes?

For more information on 2013 payroll changes effective April 1, visit the IRD website and use their helpful checklist. Visit the website and follow the simple step by step guide from the homepage: www.ird.govt.nz

Timely Reminders

- The proposed starting out wage will be available 1 April
- Terminal tax for clients on our agency list is due 7 April (if balance date is between March and September)

Take the time to consider ways to minimise tax and maximise cash surpluses for the coming year.

☐ Are you committed to employee expenses?

Amounts owing for holiday pay, bonuses, redundancy payments, long service leave etc. can be claimed, if the employer is committed to them at year end and they're paid within 63 days.

☐ Have you talked to us about the ICA and dividends?

The imputation credit account must balance so there is no debit balance at year end. If you have imputation debit balance, we'll contact you to discuss further.

☐ Have you scheduled a stock take?

Dispose of obsolete trading stock by 31 March or alternatively write it down to its net realisable value, the lesser of cost or market value.

☐ Have you reviewed your debtors' ledger?

To claim a deduction you need to physically write off bad debts in your debtors' ledger before 31 March. You must have taken reasonable steps to recover the debt first.

☐ Have you reviewed fixed assets?

If you have assets no longer in use, the book value can be written off - provided the cost of disposal is expected to outweigh the proceeds from its sale, e.g. the keyboard you spilt coffee on.

☐ Are repairs and maintenance due?

Consider undertaking repairs and maintenance to key assets before 31 March to ensure a full tax deduction.

Get your docs in a row...

We aim to prepare your financial statements and tax returns in good time. To do this we need your completed annual questionnaires with full supporting documentation. Minimise costly delays by keeping in mind likely supporting documents for:

- ☒ **New Bank Loans**, balance outstanding at year end, security, interest rate, loan term
- ☒ **Fresh Hire Purchases Items**, interest rate, term and repayment plan
- ☒ **Vehicle/Plant & equipment purchases**, agreements. Was finance obtained?
- ☒ **Closing Stock and WIP (Work in Progress)**. Stock on hand at year end? Any un-billed work in progress?
- ☒ **Income**, include details of Wage or Employer Subsidies, additional income as defined for Working for Families

- ☒ **Bank Statements**. If you use MYOB or a similar system, copies of final bank and credit card statements let us check the reconciled balance
- ☒ **Property/Business Sales/Purchases**, agreements and settlement statements
- ☒ **Debtors and Creditors**. What is owed **by** or **to** your business, including whether amounts are GST inclusive or exclusive?
- ☒ **Donations/school fees?** Receipts needed please
- ☒ **Interest, dividends and rebates?** Provide details

Fixed Price Agreement

We are introducing the option of service plans and fixed price agreements for our clients. You will be able to choose the services you would like us to perform for you, and we will agree upon the fee before work starts. Because the fee is agreed in advance, there are no surprises for you. If you require additional work or an unanticipated need arises we will then agree to perform this work at a mutually agreed upon price, before the service is provided.

Our fees are payable by the 20th of the month following invoicing, but if you prefer you can pay monthly instalments in advance by automatic payment.

We know that unexpected costs are never welcome, and that frequent smaller payments are often easier to manage than one off costs. We hope that by offering these options we can do our bit to help your business manage cashflow. And if you need help managing cashflow, you can talk to us about that too!

Disclaimer:

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.



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