

The Bulletin

December 2010



NAYLOR LAWRENCE & ASSOCIATES
CHARTERED ACCOUNTANTS ■ BUSINESS ADVISORS



NLA has moved to 200 Broadway Avenue

We are now well settled in our new office at 200 Broadway Avenue and it looks fantastic. Our new premises offer you on site parking and ground level entry, along with very comfortable, modern meeting rooms. Whilst here, visit New York, our Library, walk through the Rainforest or hang out in the Tin Shed. Come in and feel free to take a look if you are passing by.

NLA arrived in Dannevirke

Also during 2010 we have opened a new NLA office at 13 Ward Street, Dannevirke. You will continue to get the same great service that you are used to, with the bonus of a shorter drive for those who are local to this area. Michael, John and Linda regularly work from this office and can be contacted direct to make an appointment. Alternatively call Natasha Haycock or Lynn Hunt on (06) 374 5730 who make up the Dannevirke team and they will be more than happy to assist you.



Eftpos is now available

You can now pay your account by eftpos or credit card. You can ring your credit card details through to reception (please do not email) and Kristine, Suzanne or Marilyn will be able to process the payment for you or feel free to call in to the office.



Have your details changed

If you are not sure if we have your correct phone number, mobile number, email address or most importantly physical and postal address please contact our office with your correct details on (06) 3570640 or email to info@nla.net.nz.

Gift Duty

On 1 November Government announced that it will abolish gift duty with effect from 1 October next year. This decision seems quite a sensible one. Gift duty raises a paltry \$2.2M each year for Government, when in fact it collectively costs trusts around \$70M per annum to file gift duty statements, most of which are for no gift duty to be paid. At last some simplification!

It's natural to be concerned that the removal of gift duty creates an 'open slather' environment, encouraging people to hide assets in trusts to avoid creditors. Not so, says Government, who suggest that there is plenty of protection in the Insolvency Act to safeguard creditors.

For those of you with trusts and gifting programmes in place, we'll keep you updated over the coming months on how the abolition of gift duty should best be administered.

We can be your ACC online agent

Being recognised by ACC as your online agent gives us secure online access to your levy information, your cover status and invoices and allows us to work with ACC on your behalf. A simple signed authority from you is all it takes to get this happening.

A number of clients have gone one step further and asked that we just 'attend' to all of their ACC cover and premium requirements. We can certainly do this at a very reasonable annual price, so do let us know if this service appeals to you.

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The Review of Trust Law in NZ

The Law Commission has just released the first in a series of papers that aim to review and modernise the law of trusts.

In that paper, the Commission first points out that the current legislation (the Trustee Act 1956) has been neglected and that there are concerns about its usefulness and outdated language. Following on from that, the present law does not have enough mandatory provisions. For example, it is not unusual for a trust deed to include clauses exempting trustees for breaches of trust. The Commission sees a rewrite of the legislation as helping to clarify certain basic obligations that must be adhered to.

Even though the Act is called the 'Trustee Act', it contains only one statement about the standard expected of trustees. The new legislation will spell out the duties and powers of trustees, as well as beneficiaries' rights.

It will be some months before the likely changes become clear. Having said that, we have concerns about the standard of trust administration in a number of our clients' trusts and we're continuing to step up our trust administration activities, to make sure those trusts are robust and cannot be challenged by any third party.



Christmas Closure Period

Our offices will be closed from Thursday 23rd December 3pm to Monday the 10th of January 2011.

To all of our wonderful clients, business associates and supporters, we wish you a joyous Christmas and an exciting and successful 2011.

From the team at:



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.

Here, There and Everywhere The Hidden Cash Economy

In the 2010 Budget, the Government announced it will be providing additional funding of \$119 million to the Inland Revenue Department (IRD) to expand its taxpayer audit activity with one-third being targeted to investigate the 'hidden cash economy'.

What is the 'hidden cash economy'? Basically, it is not returning sales as taxable income either by pocketing cash for goods and services sold (colloquially called 'cashies') or by swapping goods and services with other businesses without returning their value as income. Both amount to tax evasion in the eyes of the IRD. In biblical times tax collectors were treated with contempt and two thousand years later some attitudes to the nation's tax collectors haven't changed, indeed, some see taking cash as a God-given right in 'God's own'.

How is the Government through the Inland Revenue Department going to tackle this multi-million dollar problem? We believe they will use the tactics of their trans-Tasman counterpart, the Australian Tax Office who have accumulated Australia's biggest business benchmarking performance database, providing valuable information to measure whether businesses' profit margins are appropriate for their industry.

Take a painting contracting business for example. From the firm's paint supplier invoices the IRD can add up the quantity of paint purchased in a given tax year. Their statistics will tell them the average number of litres that can be applied in an hour and the average hourly charge out rate. They can then estimate what the firm's sales should be and compare this with the amount returned for tax purposes. If the firm is doing 'cashies', or undisclosed contra deals with other businesses, the sales figure returned will be deficient and runs the risk of being reassessed for back tax over several years with interest, late payment charges and shortfall penalties adding to the debt.

Back up all information on your computer!

It is important that you remember the information on your computer needs to be backed up, on a regular basis, on to a hard drive or discs so that the information is still available if you lose everything from your computer. And if possible, keep the backup copy in a different location to your computer.