

# The Bulletin

June 2011



**NAYLOR LAWRENCE & ASSOCIATES**  
CHARTERED ACCOUNTANTS ■ BUSINESS ADVISORS



**Welcome to our June issue of The Bulletin...**

<b>In this issue:</b>	
Shareholder/Employee ACC	1
GST Simplification	1
Private Use Adjustments on Cars	1
Building Depreciation Gone	1
Tax Rates Dropping	2
Employment Law Changes	2
Note from Dannevirke Office	2

## Minimising shareholder employee ACC levies

Changes were made last year enabling shareholder employees to be classified under their individual occupation rather than the business activity of their employer company. This change can make quite a difference to the levies you pay. For example, the levy rate for an office manager is much lower than that of a factory supervisor.

We provide an ongoing ACC administration and advisory service to our clients on an agreed annual fee basis. Let us review your cover structure and premiums, to ensure your cover is appropriate and levies are minimised.

## ACC levies, no claims discounts and experience rating

Government has introduced experience rating into the ACC levy system on 1 April 2011. Here's how it is likely to work:

- Small employers (paying less than \$10,000 per year in work related levies) will be entitled to a no-claims discount
- Larger employers (paying more than or equal to \$10,000 p/a) will be part of an experience rating programme. This programme will reflect both the employer's and its industry's performance in preventing injuries and claims and could create an increase or reduction in levies of up to 50%!

Clearly Government is trying to provide employers with a financial incentive to prevent injuries as well as make levies fairer by ensuring low-risk employers aren't paying for high-risk ones. Having said that, is a no claims discount or loading of minus or plus 10% (the majority of employers will fall into the 'small employer' category) really going to incentivise employers to get serious about workplace safety?

## Private Use Adjustments on Cars

As of 1 April, when purchasing a car, the rules for calculating private use adjustments on vehicles for sole traders and partnerships have been simplified.. sort of.

By way of example, if you expect business usage to be 80%, then you simply claim 80% of the GST on the cost of the car and any running expenses. Sounds logical, some would say obvious (accountants have been suggesting this to Government for years).

That was the simple bit. If you underestimate your private usage by 10% or more, or if any GST over-claimed due to such underestimating comes to more than \$1,000, an adjustment (not so simple) has to be made.

But wait... there's more. There's a wash up calculation when you sell the car and it's complicated. In fact, we won't bore you with the details in this newsletter. To talk through your situation, give us a call or email us, and we'll provide you with the maths!

## Building Depreciation Gone

Depreciation deductions on buildings with an estimated useful life of 50 years or more disappear from the start of the 2011/2012 year (for most clients 1 April 2011). New rules have been introduced to ensure the fit-out of commercial and industrial buildings continues to be depreciable.

## At last: some GST simplification

### Sales of land now zero rated

In the past, whether GST should be added or not to the sale of land, has sometimes been a complex matter. From 1 April 2011 these transactions will be zero rated, as long as all the following apply:

- The purchaser declares in writing that the property is to be used for a GST activity
- Both the purchaser & vendor are GST registered
- Not principal place of residence

## Risk and Reward

### Employment law changes 1 April 2011

Changes to both the Holidays Act and the Employment Relations Act came into force on 1 April 2011. These changes are intended to reduce compliance costs, increase business confidence in recruiting new staff as well as speed up the resolution of workplace disputes. The main changes include:



- Employees are now able to cash in one week of their four weeks' leave
- Employees who have irregular working hours and pay will now have their holiday, sick and bereavement leave calculated on an average daily pay basis
- Employers and employees are able to agree to transfer taking a public holiday to another working day
- The minimum wage increased from \$12.75 to \$13.00 from 1 April, while the training and new entrants' minimum wage rose from \$10.20 to \$10.40, effective as of the same date
- The 90-day trial period is being extended to all employers. From 1 April employers and employees can enter into an employment agreement which provides for a trial period of 90 days or less. During the trial period the employer can dismiss the employee without risking a personal grievance
- Employers will have to keep detailed personal files for each employee. These files must contain signed copies of employment agreements, other terms and conditions, handbooks, as well as any intended agreements (even where these have not been agreed to by the employee). These documents must be available to employees on request. Employers have until 1 July to get their files up to the new standard. We estimate that a good number of our clients will have some work to do here!
- Union representatives will need an employer's permission to enter the workplace
- Employers will be able to communicate with employees during collective bargaining
- Minimum requirements establishing a fair and reasonable dismissal process is set out in the Act and employers will have a much clearer process to follow. This is great news for our employer clients, who can be fearful of dismissal processes being scrutinised for minor defects

### Company tax rates dropping

The company tax rate has reduced from 30% to 28% for the 2011/2012 income year (for most companies, 1 April 2011)

#### Individuals

Taxable Income	2009/2010	2010/2011*	2011/2012
0-14,000	12.5%	11.5%	10.5%
14,001 - 48,000	21.0%	19.25%	17.5%
48,001 - 70,000	33.0%	31.5%	30.0%
Over 70,000	38.0%	35.5%	33.0%

#### Non-Individuals

Companies	28 cents in the dollar
Trustee income	33 cents in the dollar

\*In 2010/2011 the rates are composite rates. The Company income tax rate decreases from 30% to 28% effective from the start of the 2011/2012 tax year i.e. 1 April 2011 for most companies.

#### Dannevirke Office

For training purposes the Dannevirke office will be closed for the morning of the 3rd Thursday of every month. Thank you for your patience and understanding. For anything urgent during these times please call 06 374 5730.

#### Changes in Particulars

Please remember to let us know of any changes in:

- \* Physical address
- \* E-mail address
- \* Phone and/or fax numbers
- \* Shareholdings
- \* Directorships
- \* Trustees

#### 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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