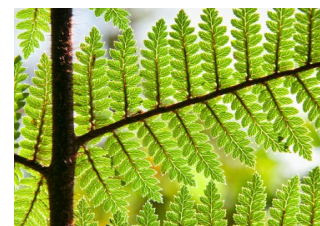
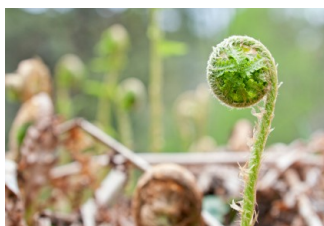


The Bulletin

October 2011



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GrowthGuide The Business of Growth

As a member firm of NZ CA, we have recently presented the findings of a SME research project, GrowthGuide 2011. This report provides valuable insights to SMEs and how they can build their businesses to take advantage of the economic recovery.

- What do SMEs say about their revenue growth forecasts for the year ahead?
- How many responding firms expect to raise capital in the next 12 months?
- How many SMEs surveyed have a written business plan and how effective is it?
- What do SMEs see as key constraints against improved performance and growth?
- On average, what did SMEs spend on marketing in the past 12 months?
- Are SMEs being innovative and what are their views on R&D?
- How do SMEs view export opportunities and international markets?

GrowthGuide 2011 shows what SMEs see as key indicators to drive improved business performance over the next 12 months. Click here to learn more about [GrowthGuide 2011](#) or phone the office for a copy.

The Abolition of Gift Duty

Legislation has now passed to abolish gift duty from 1 October 2011. Government officials and Inland Revenue officers have made it clear that current NZ legislation will be used, in future, to prevent individuals from divesting themselves of assets overnight to defeat creditors, relationship partners and Government agencies providing social assistance (rest home fee subsidies, student loans etc).

Gifts defined as 'extraordinary', i.e. they exceed \$27,000, may be subject to claw back at any time and legislation such as the Insolvency Act, the Property Law Act and Social Security regulations will be used in future to police this area.

The message is clear - with the abolition of gift duty, current legislation will increasingly be used along with organisational changes to police this area by the likes of WINZ, IRD, the Official Assignee and other agencies. Long story short - substantial gifts should not be undertaken without seeking professional advice.

Budget Announcement

The changes announced by John Key and the National Party in the latest budget, enable the Government to save \$2.6 billion over the next four years. The changes will not commence immediately, providing people and businesses time to adjust. The following changes were announced:

- From 1 April 2013 the minimum employee and employer contributions will increase from 2% to 3%.
- From 1 April 2012 the tax free status of employer contributions will be removed and all employer contributions will be subject to Employer Superannuation Contribution Tax (ESCT) at the employee's marginal tax rate.
- The Member Tax Credit (previously up to \$1,040 p.a.) will decrease by 50% from \$1 to 50c for every \$1 contributed by members, up to a maximum of \$521 p.a. as from 1 July 2011.
- The Government is to assess whether there should be a one-off enrolment exercise with employers.

Source: RSM Prince



What Happens if you Die Tomorrow?

Maybe not what you think:

It's a common misconception that everything will go to your spouse/partner. If you have no will in place, your spouse/partner gets:

- All personal chattels
- The first \$125,000 of the estate
- 1/3 of the remaining property

Which means the kids get the other 2/3s.

If your children are grown would they want the estate liquidated to get their cash, or could life mostly continue as before? Would the market conditions be the best time to sell?

If you have up to date wills that are reviewed regularly the above can be avoided.

You can create a living will (inter vivos trust) where business can continue almost as if you were still alive.

Consider selection of your executors – these are effectively your personal representatives. Often we chose them based on emotions. Need to consider if these representatives can continue on with your business and be remunerated appropriately.

Also consider: preparing a living will re medical care choices appointing enduring powers of attorney re mental incapacity writing a more informal memorandum of wishes (what schools you'd like your kids to go to and why...) If you do have a will – has it been updated in the last 5 years? The things you own along with the needs of your children will have changed over that time.

LTC Elections

(Look Through Companies)

We've worked very hard and very proactively to ensure our LAQC clients transition to the right entity, whether that be electing to become an LTC, reverting to a standard qualifying company, exiting the QC regime altogether or restructuring to a fresh entity such as sole trader or partnership. Most of our clients have accepted our recommendations and their transitional work is by and large complete.

We do have a small number of clients who, despite our best efforts, have not responded to our suggestions. If you're affected, please contact us and we'll take care of everything. Those who did not respond may find that they can no longer deduct next year against their personal income.

GST private use adjustments are easy as

Yeah right.



GST Private Use Adjustments

On 1 April this year, rules for calculating GST private use adjustments were simplified. Sounds great! Problem is that the new rules aren't very... simple. Private use adjustments are calculated at the time of purchase, each year if usage changes, and when sold. If you complete your own GST returns and need assistance working out how much GST you can claim or have to pay when you have an asset with private use such as a car, give us a call or drop us an email along with the facts. We'll do the calculations and send you a detailed work sheet with the calculations explained. That way if you ever have to explain your calculations to IRD, you're covered



Financial software that helps farmers plan

- Allows us, your farm advisor or business partner to view/edit information.
- Always have the most up to date version of the software – never have to do an upgrade again
- Accounting tasks can be delegated while also maintaining privacy of information – you can decide who views what.
- Data security – your farm data is stored centrally. No need to worry about backing up your PC or losing essential management information.
- With Cashmanager CRT ONLINE there is the added advantage of full integration with Combined Rural Traders (CRT) monthly statements, which simply arrive pre-coded, ready for you to accept.
- Solves the problem of moving data between computers.
- Specially tuned for flaky rural broadband.

Bank Statement Imports

For those clients who are still manually inputting data from bank statements, we urge you to use the bank statement download function and use Autocoding to speed up this process. Anyone wanting to know more about this please call Vicki Worker at our office.



Tax Talk

Income Tax – Removing the Uncertainty

‘There are only two certainties in life - death and taxes!’. Although it is difficult to tamper with the sand flowing through the hour-glass of life, good habits can slow its pace. Good taxation planning can ensure that taxes can be managed so there are no nasty surprises resulting in urgent phone calls to the bank manager a few days before due date!

What processes should self employed business people adopt to plan their regular income tax commitments? Here’s some direction.

1. Prepare annual budgets, forecasts and a tax plan.

‘If you fail to plan, you plan to fail.’

Prior to the start of each year prepare budgets and forecasts to map the business’ financial performance over the next twelve months. The operational budget will project the taxable profit from which the business’ tax liability can be calculated and inserted in the cash flow forecast for the ensuing year.

2. Use a suitable computerised accounting system. ‘What you can measure you can manage.’

The business’ financial life needs to be accurately captured with regular reports produced to indicate the company’s profitability, cash flow and performance in critical operational areas. Don’t just run the monthly reports and file them, analyse them to ensure the business is performing in all facets and compare actual results to budget. Talk to us about your accounting system. Our team supports a number of options, including web based solutions such as Xero.

3. Update your tax plan. ‘If nothing changes, nothing changes.’

Businesses are dynamic. So too are the economy and the planet we all live on. World, national and local events can significantly change business profits, so the tax plan must evolve with the business’ financial performance. Re-evaluate the tax plan at least three times a year (around provisional tax due dates) to either increase or decrease your provision. This can reduce or even eliminate use-of-money interest charged in certain instances by Inland Revenue for short paid provisional tax and, conversely, reduce bank interest on tax you didn’t need to pay.

4. Seek Advice. ‘A problem shared is a problem halved.’

We can help you with your budgets, forecasts and tax plans or prepare them for you. If you are considering a new business initiative come and talk to us so we can ensure you are using the right structure and allowing for the diverse range of taxes we can be encumbered with. Remember, taxes can be legally minimised and it’s our job to assist you to do so!



Tax Planning Checklist

It’s important you talk to us if you believe your income is going to be significantly higher or lower this income year. The first provisional tax instalment date for March balance dates has passed, but there is plenty of tax planning opportunity left in the year. Consider the following circumstances when talking to us:

| | | |
|---|-----|----|
| Revenue up or down? | Yes | No |
| Margins increased or decreased? | Yes | No |
| Expenses up or down? | Yes | No |
| Affected by removal of depreciation on buildings? | Yes | No |
| Fixed interest loans maturing at lower rates? | Yes | No |
| Unable to utilise company losses due to recent LAQC? | Yes | No |
| Any other anticipated events likely to affect income? | Yes | No |

Dannevirke Office

For training purposes the Dannevirke office will be closed on the 3rd Thursday of every month.

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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