



SADLER OAKLY NEWMAN
CHARTERED ACCOUNTANTS

Calculating Thoughts



(the newsletter service of Sadler Oakly Newman, Chartered Accountants, Masterton)

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Be sure to read each article with the mindset "How could this apply to our business?".

Thinking of it that way will guarantee that you get the best value. Share the newsletter with staff and colleagues.

To really make sure something positive happens talk to us for that special piece of advice that will manage and grow your business ideas.

Working for Families Tax Credits are changing

From 1 April 2011, (2012 income tax year), further adjustments will be included in your working for families or family assistance "family income" calculation. For some of you this may mean that you may not be entitled to as much assistance or none at all. Note changes in recent Government Budget do not take effect until the 2013 financial year.



Why are we telling you now?

If you receive regular payments for Working for Families now, you are receiving them in the 2012 year and you may need to re-think this as we don't want you to end up in a situation where you owe the Inland Revenue the money back.

Amendments

The following income will now be included in the "Family Income" calculation which didn't before:-

- | Attributable Trustee Income – if you are a Settlor or 'Deemed Settlor' of a Trust this may affect you
- | Attributable Fringe Benefits – if you use a company vehicle and the company pays FBT this will affect you.
- | Income Equalisation Deposits – if you are putting money into the scheme to spread your tax liability this income would be included in the "family income" calculation anyway.
- | PIE Income – we will now need these details as this constitutes "family income"
- | Passive Income of Children – if you are allocating income to your children this may be included in the calculation
- | There are also some other criteria

The general feeling is that these calculations just got a whole lot more challenging. We will need to collect a lot more information off you in order to get these right.

Please contact us immediately if you think any of these situations could apply to you.

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The review of Trust Law in New Zealand – out with the old

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 are continuing to step up our trust administration activities. The purpose of this is to make sure those trusts are robust and cannot be challenged by any third party.

Where are your business cards?

Many people leave their business cards in their office drawer. It's the least productive place for them.

Have them with you wherever you go. If you wear a jacket, you probably have a small pocket located just over your heart. This pocket was, I assume, created specially for business cards! Make sure it is always well stocked.



Oh, and what about the person you meet who doesn't have a card to give you? Keep some blanks in your pocket so you can get them to write down their contact details for you.

Distribute your business cards liberally. Don't overlook the potential to get customers through your suppliers. I have even seen a business card included with a Christmas card. It's debatable whether this is a good idea because it might mix the messages you want people to receive.

Joe Gerard, an American, is reputed to be the best car salesman in the world. When he goes to a football match and gets excited he flings a fistful of his business cards in the air. You can be sure it pays for him to do this.

ACC Invoicing

Many of you whether self-employed or employers do not understand exactly how ACC prepare their invoicing. Sometimes we too wonder what they are doing! For clarity:

ACC invoice similar to the IRD invoice for tax i.e. once your taxation return has been filed this information is passed to ACC and gives rise to an invoice being generated.

Year 1 You will be invoiced for your actual earnings BUT soon after this you will also be invoiced for the year moving forwards also (provisional invoice)

Year 2 You will be invoiced for your actual earnings minus the provisional invoice + a provisional invoice for the year moving forwards

Of Course when you are on ACC cover plus extra things are slightly different in that you will each year pay in advance for the cover you have agreed.

ACC don't always get it right. Your status full-time or part-time can change. Your classification can also be incorrect. Remember we can act as your agent for ACC as well. This means we have access to your invoicing information and status online through the ACC website. We can then check any invoices prior to you paying them, ensuring you are being invoiced correctly.

Tax Talk

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 have accumulated Australia's biggest business benchmarking performance database. Thus 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. This runs the risk of being reassessed for back tax over several years with interest, late payment charges and shortfall penalties adding to the debt. The Government through IRD is very serious about plugging up the holes in the country's tax base. Any taxpayer participating in the 'hidden cash economy' can expect serious consequences if caught with their hand in the till!!!

Emissions Trading Scheme (ETS)



Those of you who have forestry on your properties seem to be well aware of your ability to trade carbon credits.

Reminder:-

Pre: 1990 Forest Land:

- | You have until 30 September 2011 to apply for a deforestation exemption – you must apply for this exemption or when you cut the trees down you may get a penalty.
- | You have until 30 November 2011 to apply for compensation
- | There are some exemptions that apply to the above requirement

Post 1989 Forest Land:

- | You must register by 31 December 2012
- | If you are unsure what you need to do or how these rules apply to you - you may find your answers on the MAF website.

Sale of Carbon Credits:

- | If you sell Carbon Credits these are treated as taxable income and are zero-rated for GST purposes with the exception of pre-1990 forests.
- | Be careful if you have sold your credits and you are selling your property.

When the world of business, risk and tax gets you down, contemplate these facts:

According to the new Global Peace Index (GPI), New Zealand tops the list of countries that are the safest in the world.

According to the just released Human Development Report released by the UN, New Zealand is the third best country to live in the world, climbing 17 places in this year's index.

According to the IFC and World Bank, among 183 economies, New Zealand is in the top 3 for ease of doing business for local firms.

Australia and New Zealand shared first place, in a first-of-its-kind survey ranking 153 nations on the willingness of their citizens to donate time and money to charity. China ranked near the bottom, barely higher than last-place Madagascar.

And if that doesn't put a smile on your face, the world recession has created an oversupply of bubbly from France. Retailers are waging a 'champagne war', with prices for Moët slumping by almost 30%!



TAX CALENDAR

July 28

3rd instalment 2011
Provisional Tax
(June balance date)

August 28

1st instalment 2012
Provisional Tax
(March balance date)

Use a credit card to pay tax?

IRD is looking at accepting tax payments by credit card. You will, of course, still have to pay the credit card charges. Those who have a very short-term cash shortage could find the service helpful. It may be better than paying penalties. Though the interest rate on your credit card may mean that the costs outweigh the benefits here. Contact us for your options if you have a cash shortfall at tax time.

HOAX Alert

If you receive a phone call from anyone from "Microsoft" or "Windows" telling you that you have issues with your computer that need fixing **HANG UP!** These people are quite believable but all they are after is your credit card details. They will be quite forceful and will have an accent which will make them hard to understand. Our technology service provider has said many people have been caught by this scam and their perfectly good computer ends up with a virus as a result.

Fringe Benefit Tax and your GST Returns

When you complete your FBT return you account for the GST then. When you code an FBT payment in your accounting system or when you are calculating GST for your GST return these payments should be GST ex-empt. The full amount of the payment is deductible for income tax purposes.

The Tip for the Month

"watch your tax **year** when paying your tax online"

A number of you now pay your tax online which is great BUT many of you are getting the tax year wrong which is causing a great deal of extra work for us.

When making your payment please ensure you check that the tax **year** you are putting in is correct.

This is what you are looking for

	Year	OFFICE USE ONLY Code	Amount paid
End-of year tax INC	2010	900	\$
Provisional tax INC	2011	900	\$
Other			\$

OFFICE NEWS

Baby on the way

Nicole recently announced that she is having a baby due early November. We would like to congratulate Nicole and Dan on their exciting news.

Allan Newman

Allan is now on sabbatical for two months and David is at the helm in his absence.

Customer Service

We encourage your feedback.

We all recently attended a webinar about Customer Service. We encourage our staff to provide excellent customer service. We encourage you our clients to give us feedback good or bad so that we can monitor how well we are doing.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.