



NEWSLETTER DECEMBER 2013

Summer has come early this year with a very dry November and high temperatures. There is an air of cautious optimism in the country with businesses seeing increasing turnover, building consents increasing, and the farming sector looking at brighter prospects. It is still very important that clients make considered decisions about their financial affairs and continue to keep in mind the lessons of the past few years.

We wish you and your families all a happy festive season, and hope that you are able to take a break to enjoy time away from work and recharge the batteries. We thank you for choosing us as your accounting and tax advisors and hope that 2014 will be a successful productive and profitable year for you. Have a safe and happy holiday season.

Merry Christmas

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Holiday Office Closure:

Our office will close at 2pm on Friday 20 December 2013 and reopen at 8.30am on Monday 13 January 2014. Arrangements will be made with individual clients who require any regular services during this time.

October/November GST Returns:

With our Christmas closedown all GST returns prepared by our firm will need to be done before we close on 20 December 2013. Please make a special effort to bring your papers in early and answer any queries as soon as possible.

Cloud Accounting:

We have seen a trend in the last 12 months of clients preferring that we adopt a more 'hands-on' approach when it comes to their/your financial data. This is a change from where we act more as 'financial historians'. A cost effective way of achieving this is with cloud-based accounting solutions. Packages (such as Xero) give you, as the client, up to date financial information, while we access the same information and provide advice as you need it. Give Matthew a call if you would like to discuss this or other options for your business.

Don't Forget To Visit

www.robertsonfulton.co.nz

from time to time.

You will see copies

of newsletters,

questionnaires,

services we offer,

keep up to date

with important

dates and see the

staff's latest photo gallery. Also please let us

know if you change your postal or physical

address, email Kathryn at

kathryn@robertsonfulton.co.nz, so she can

update your client details.



Note:

The information contained in this newsletter is of a general nature only and readers are cautioned not to act or rely on it without first consulting a senior representative of this firm for specific advice relative to individual circumstances.

Staff News:

This year has seen some changes in the ranks. With several staff moving on for personal reasons, we have been fortunate to find high calibre replacements. During the year **Kathryn Alexander** joined us as our new receptionist/secretary. She has worked in a variety of banking and administrative roles and has taken over our front desk role.

Neilen Govender, a Management Studies graduate from Waikato University, has joined us as an Accounting Technician and has settled in very quickly. **Avinesh Ratnam**, 'Avi' as he likes to be known, has wide Chartered Accounting experience and has joined us recently after returning to Hamilton from working in Morrinsville. This is a good time of the year to pay tribute to our staff who work extremely hard to ensure that we as a firm can provide you with top service and always look after your best interests.

ACC Workplace Safety Discount Programme (WSD):

This programme has been available to those undertaking certain business activities as a trial and has now been opened up to all types of business activity. ACC Workplace Safety Discount rewards the self-employed and small to medium businesses that implement sound health and safety practices. You can save 10% on the work component of your ACC levy. The discount is valid for three years from the date the application is accepted.

To be eligible you must be either:

- Self employed
- Running a small to medium business that has a total annual payroll of \$537,000 (or less) or have 10 (or fewer) full-time employees.

To qualify, clients need to:

- Have had appropriate experience in workplace health and safety
- Complete an application form which includes a self assessment of your health and safety management systems
- Provide evidence of your health and safety experience and the systems implemented in your business.

If you are interested in more information, we can help. Give Sue a call at our office.



Vehicle Logbooks:

If you are self-employed please check if you need to update this. You need to record business km's travelled for 3 months every 3 years, or more often if your business travel changes significantly.

Buying and or Building Houses and Selling Often?

It is not only builders who can be caught with taxation of profits where a pattern of buying and or building homes and selling them is established. A recent Taxation Review Authority ruling has seen a family trust liable for Income Tax and GST on all the 11 transactions which occurred over 12 years. The family home exemption was not applied as the Judge held that the Trustees/Beneficiaries, although living in the homes, had not occupied them 'primarily and principally' as a residence. The regular pattern of transactions were sufficient to mean that the exemption did not apply.

Further to this please note that the Independent Trustee was deemed to have joint and several liability for the entire Income Tax and GST levied for the periods he was a Trustee. Make sure if you are an Independent Trustee you are involved in all aspects of the Trust's activities and decision making and understand your responsibilities and liabilities.



Provisional Tax Payments 15/01/14

Tax Payment Notices will be sent out mid December for payment by 15 January 2014. **DO NOT FORGET THEM!** If you have any query regarding the amount you are asked to pay please contact us before Christmas so we can resolve this.

Employment Agreements:

Employment agreements form the basis of positive employment relationships and exist to benefit employers and employees. They are compulsory.

It is important to remember that:

- Every employee must have a written employment agreement – regardless of the number of hours they work or the duties they perform.
- Employers are required to retain a signed copy of the employment agreement or the current signed terms and conditions of employment. Employees are entitled to a copy on request.
- Employment agreements can be either an individual agreement (between an individual and employer) or a collective agreement (negotiated by a union on behalf of their members).

There are a number of mandatory clauses that must feature in any agreement and as well as

the usual hours, duties, and pay rates, employers are required to cover processes for resolving employment relationship problems and how to deal with restructuring.

A good way to check whether your agreements are up to scratch or to build new ones is to use the Employment Agreement Builder tool offered by The Ministry of Business, Innovation and Employment (MBIE) at <http://www.dol.govt.nz/er/starting/relationships/agreements/builder.asp>. Once you have built your agreement by selecting clauses, you can print and save your agreement and then edit as required.

The website of the Department of Labour www.dol.govt.nz should be in your favourites as it is a mine of information about minimum wage rates, health and safety, employment rights, payment rules for public holidays and much more.

The Traps of Personal Guarantees (Know What You Are Signing Up For):

Before you agree to give a personal guarantee, be sure you understand what your liability may be and for how long you will be tied to the guarantee. A Personal Guarantee will be in writing and in the case of the default on a lease for example, will require the guarantor (you) to cover the rent payable for the term of the lease, outgoing expenses attributable to that tenancy on a regular basis for the term of the lease and other expenses incurred by the landlord such as legal fees, penalties, agents fees and financial inducements to secure a replacement tenant. If the premises are sublet at a lower rental rate you may be required to 'top up' the rental paid for the term of the original lease. In the worst case scenario the landlord could apply to the court to have the guarantors' assets sold up to recover monies due under the personal guarantee.

Always seek legal advice if a guarantee is discussed. As a good rule we would not recommend giving a guarantee, mortgaging your home for others, or putting yourself at financial risk for others – we know it is nice to help family, but if something goes wrong it can strain family relationships to say the least.....

Motor Vehicle Allowance Payments:

Where a business requires an employee to use their private vehicle for business travel, it is necessary to consider the amount and method of reimbursement to determine the tax status of the arrangement. The start point is that an allowance paid by an employer to an employee is employment income to



the employee, and is subject to PAYE. However payments may be tax free if, and to the extent that, it reimburses the employee for business use of their private motor vehicle.

Reimbursement Allowances can be based on:

- Actual expenditure incurred;
- A reasonable estimate of actual expenditure;
- Published mileage rates, as long as they represent a reasonable estimate; or
- Rates published by the Inland Revenue (77c/km for the 2013 income year).

Whichever option is chosen, **the employee should keep a log book** so the business use/private use of the vehicle can be determined and be available to Inland Revenue. Where reimbursement at the 77c/km rate is used employers must be mindful of whether the mileage rate is still a reasonable estimate of the employee's expenditure.

Generally a lump sum monthly allowance paid will be taxable as it will not be based on actual usage or fair and reasonable actual cost to the employee. PAYE should be deducted from such an allowance.

If you are contemplating providing or reviewing allowances, talk to us for some useful advice about your particular circumstances before you make any arrangement.

Mixed Use Assets – eg Renting Out The Family Bach:

A timely reminder that the rules have changed about what expenses can be claimed against income you, a Trust or Company earn from renting out an asset also used privately. These rules also apply to what GST is payable/claimable. Please call to have a chat about your specific circumstance.

Refinancing, Restructuring and Gifting:

With changes to tax and gifting rules in recent years, it is increasingly important to consider the ramifications of changes you make to debt, deductible expenses, restructuring of ownership, and

decisions to gift or make capital distributions to Beneficiaries from a Trust. Often there are several ways the necessary changes can be structured and all with different results. Please contact us to discuss what you are contemplating before you commence, so we can review and advise on the transaction to achieve the best outcome for you.



Foreign Pension Schemes:

New rules will apply from 1 April 2014 for those who have a foreign superannuation scheme outside Australia.

- Pensions or annuities will continue to be taxable in NZ on receipt subject to the terms of any double tax agreements in place with various countries.
- Lump Sum amounts will be partly or wholly taxed in NZ unless the person has previously applied Foreign Investment Fund (FIF) rules for the foreign superannuation scheme – those persons can continue to apply the FIF rules if they choose.
- If the foreign superannuation scheme is transferred to NZ prior to 1 April 2014 they can elect to pay income tax on just 15% of the amount received. This includes amounts transferred in earlier years but previously ignored for tax purposes.
- Lump sum transfers after 31 March 2014 will be taxed in NZ on a sliding scale; the longer you have been resident in NZ, the more of your fund you will pay tax on.
- There is a transitional residents exemption where no tax is payable if the resident has been in NZ for less than 4 years. If you have lived in NZ for 7 years you will pay tax on 18.6% of the funds transferred and between 8 and 25 years you will pay on 18.6% + an additional 4% for each year after that to 25 years. If you have resided here for 25 years or more you will have to pay tax on the whole amount.
- UK pension schemes must be transferred into the likes of a NZ KiwiSaver scheme, and if there is no UK cost then you should consider bringing the UK Scheme into a KiwiSaver scheme by 31 March 2014, pay tax on 15% of the amount transferred, and then have certainty that future withdrawals are free from tax in both countries.

Trusts (Especially Where We Are your Independent Trustee):

Keith will be putting out a special paper on Trusts in the new year for those of you who have a trust with either Matthew, Keith or Robertson Fulton Trustees Ltd as an independent Trustee.

In a Trust remember that Trustees hold the Trust assets jointly – normally this is 'Mum, Dad and us'. Decisions regarding buying, selling and retaining assets need to be made collectively, the same as decisions regarding Trust income and its allocation. We have seen some scary things happen this year which are a big no no. We have had land agents arrive at our front desk with signed agreements for the sale of Trust property requiring us to sign as a Trustee (the third owner). Wow! – have we talked about selling, is the price right, what is going to happen with the proceeds?

We have had banks send us documents to sign to top up debt! What is this for, who wants the money?

All these situations should be discussed and minuted before action is taken.

It is very important that Trust buildings are fully insured for replacement value... part of a Trustee's obligation is to preserve the value of the Trust's assets. We remind you that as independent Trustees we require a copy of the relevant insurance policy documentation at each renewal please. The paper we will send will also discuss what is to happen at the end of the Trust – whenever this may be.

Farm Consultants:

The days of farming like our parents did are well gone. Costs of owning land, paying wages and meeting all the compliance issues are 'through the roof'. If you are not getting 1100 kgms per hectare and making lots of money it may be time to call in the experts. A good farm advisor is worth his/her weight in gold and can boost your bottom line, or at least question the way you do things. We have happy clients that have found good advisors who are now part of their business team. Call Keith to talk about this.

New Zealand Institute of Chartered Accountants to Merge:

Chartered Accountants on both sides of the Tasman have been in discussions throughout the last two years regarding a merger to become a single entity across the two countries. The proposal was voted through by members in both Australia and New Zealand in October. Work is underway to have the governing bodies amalgamated. We are told that this will produce many benefits to members and the profession in both countries with a higher standard of education and professional development, more clout on the international stage, better communication and marketing systems, and better value for money for members. More news as it becomes available.

A Laugh!

How much did Santa pay for his sleigh?

Nothing, it was on the house!

What did Mrs Clause say when she looked in the sky?

'Looks like rain, dear.'

What Christmas carol is a favourite of parents?

Silent Night



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