



NEWSLETTER DECEMBER 2010

Christmas is nearly here and it's a good time to reflect. It's been another challenging year for our clients and their businesses. Other factors, not merely financial, have brought about major obstacles for many: a very wet winter, followed by, for some, the fourth drought; major earthquakes in the Christchurch area; the Pike River Mine explosion; and the list goes on. It just reinforces that nothing is certain, we have to be adaptable and accept changes, appreciate the good while we have it, and see the bad as an opportunity to overcome.

A piece of advice to come out of the tough times in business is to concentrate on your core business and do the small things very well. Engage with your customers, know them well. Don't be afraid to change the way you do things, but consider the changes carefully from all angles to see how they will help improve the result. Don't just make changes for changes sake.

We hope you all have a well-deserved summer break and you and your families stay safe over the holiday period. We look forward to another productive year and to working alongside you in 2011.

*Have a Safe and
Happy Christmas*

In this Issue:

Holiday Office Closure
October November GST Returns
Robertson Fulton Celebrates
Staff News
Email Refund Scam
Provisional Tax Payments 15 January 2011
Current Personal Tax Rates
GST Rate Change
Changes to LAQC and QC's from 1 April 2011
Depreciation on Buildings
Making Combination Tax Payments to IRD
Removal of Gift Duty
ACC Invoices - Paying The Correct Amount
Family Income Definition
Unclaimed Money
Christmas Functions and Gifts

Holiday Office Closure:

The office will be closed from 1pm on Thursday 23 December 2010 and will reopen at 8.30am on Monday 17 January 2011. Arrangements will be made with individual clients who require any regular services during this time, as has happened in the past.

October/November GST Returns:

With our Christmas closedown all GST returns completed by our firm will need to be done before we close on 23 December. Please make a special effort to bring your papers in early and answer any queries as soon as possible.

Robertson Fulton Celebrates:

50 *Years of Business*
1960-2010

We're very proud to say the business is 50 years old!

The firm we are today began life in October 1960 when Barry Smith set up practice on his own account in the Mutual Life Building in Garden Place, Hamilton. Paul Sutcliffe originally commenced practice in Frankton on 1 December 1960 and joined Barry in partnership on 1 April 1962, forming Smith Sutcliffe & Co. The firm moved to its current premises in July 1975. Over the years there have been several other partners come and go, with the name remaining the same.

Barry Smith retired from the practice in 1990 and Keith joined in partnership with Paul. This partnership continued until the end of November 1998, when Paul retired. The practice began trading as a company known as Smith Sutcliffe & Associates Limited in 2000, and on 1 April 2006 Matthew Fulton, who had been a senior staff member for 3 years, became a Director/Partner. In

December 2007 the name of the firm was changed to Robertson Fulton Limited to reflect the names of the current owners. The business has continued to grow and it is a testament to a great team of staff over the years, and the loyalty of our much valued clients, that the firm has reached this great milestone. Thank you all for your part in the 50 year journey. We look forward to providing for your accounting and taxation needs and of course giving *'sound financial advice when you need it'* for a long time to come.

Staff News:

- During the year Afzer and Shiroza Zameer welcomed their second daughter, Daania.
- Anjum completed 10 years service with the firm, joining Margaret who had her 10 year anniversary last year. They have both made an outstanding contribution to the firm over this long period and we are grateful for this.
- Paul got an offer he couldn't refuse, to play rugby in Spain, and left us at the end of August. Unfortunately we just couldn't convince him to stay.
- Sarah-Jane McLennan joined us in October. Sarah-Jane has a degree in Business Studies (majoring in Accounting) from Massey University and has previously worked in both chartered accounting and commercial business firms. She is keen to work towards becoming a Chartered Accountant. Sarah-Jane is married to Glen and has a four-year-old daughter, Grace.



Email Tax Refund Scam:

If you receive an email or a phone call advising that you have a tax refund due, unfortunately it is most likely a scam. Two of these have done the rounds recently, one offering a \$583.20 refund and another, \$609.30. The emails look very authentic, and links take you through to a website where personal details and bank and credit card details are requested. Do not click on these links or provide any information. This is a scam. These scams are called phishing and IRD want to hear about them. If you are unsure about a contact made please call our office or Inland Revenue immediately. As you are on our Tax Agency list, you should not have any direct contacts regarding your taxes from third parties.



Provisional Tax Payments 15/01/11

Tax Payment Notices will be sent out mid December for payment by 15 January 2011. **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.

Current Personal Tax Rates:

Taxable Income \$	Current Rate from 01.10.10
0 - \$14,000	10.5%
14,001-48,000	17.5%
48,001-70,000	30.0%
70,001- onwards	33.0%

These are the lowest rates we have seen for many years (ever). Don't forget, the above rates are end rates and not affected by secondary rates, overtime tax rates, or special unearned income rates. At the end of the year this is what you pay, irrespective of how and when the money was earned.

GST Rate Change:

For most the GST rate change went smoothly, however the proof of the pudding will be when we are doing the GST reconciliations in your 2011 financial statements. Some of these could be interesting with the many one-off exceptions and different interpretations people have had which we are already aware of. Please make sure you have kept all your workings and copies of your returns, and the adjustment schedule, and bring them in with your papers next year.

You May Still Have GST Adjustments To Make:

There may still be income and payments coming through that have GST at 12.5% attached to them which were not included in your September 2010 period adjustment. These should be dealt with at 12.5% and shown as adjustments in the relevant part of your GST return.

Removal of Gift Duty:

Gift Duty will be abolished from 1 October 2011. This means that the annual practice of gifting off loans to Trusts will need to be reviewed. It may be that some settlors will forgive the balance of loans owed by their trusts after 1 October 2011. Please don't do this before you have reviewed the implications with us and your solicitor, as a one-off forgiveness may not be in your best interests. This applies to all gifting, not just in relation to trusts.

Changes to Loss Attributing Qualifying Companies (LAQC's) and Qualifying Companies (QC's) from 1 April 2011:

Draft legislation proposes to abolish LAQC companies, retain QC's and introduce a new structure called a 'Look Through Company' (LTC). An LTC is very similar to a partnership where all the income, expenses, tax credits, rebates, gains and losses are passed onto its owners, in accordance with each owner's effective interest in the company. This look through aspect applies for income tax only and the company will still remain a separate legal entity in a legal sense and have limited liability status.

One of the benefits of the QC regime is that the company can distribute capital gains tax free. In an ordinary company this can only happen when the company is liquidated.

We will be looking at all client LAQC and QC companies early in the New Year to assess how they should transition once the law changes are finalised. It is a good chance to review the current structure and see what will work best. Electing to move into the LTC regime is not the only option – a partnership, limited partnership, sole trader or regular company structure may work better. If you currently have an LAQC or QC you will be hearing from us.

Many LAQC Companies were 'marketed' to be able to claim tax losses, primarily on rental properties. In many cases they were set up when they were not really needed, and at the end of the day, who wants to make a loss anyway? If you lose \$10,000 on your rental you might get back \$1,750 – but you still end up actually losing \$8,250.



Depreciation on Buildings:

For those who have investments in rental properties, please be aware that no depreciation claim on buildings will be allowed for the 2012 tax year. This may have a significant effect on taxable income for many of you, especially for those with commercial properties of considerable value. You will inevitably have either more taxable income or a smaller loss to offset. Ultimately this means more tax to pay for the 2012 year income and onwards.

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.

Making Combination Tax Payments To Inland Revenue:

Now that the due dates have been aligned, many people are making a combined tax payment. Please **make sure** you use the correct codes.

- GAP for combined GST and Provisional Tax payments (when filing a GST 103 return)
- DED for combinations of PAY, CSE, SLE, KSE, KSR, or ESCT (SSC code) payments
- ARR for paying off debt arrears

Examples of single tax payment codes are:

- GST for a GST only payment (when filing a GST 101 return)
- INC for Income Tax (including Provisional Tax) payment
- PAY for a PAYE only payment.



For a list of all the tax codes go to www.ird.govt.nz (keywords: allocation codes).

ACC Invoices – Make Sure You Are Paying The Correct Amount:

It is important to check the Employment Status on your ACC invoices prior to payment, ie whether you are levied as full time (working 30 hours a week or more) or part time (less than 30 hours per week). ACC have automatically switched many of those who have earned between a loss of \$1000 up to a profit of \$26,000 to part time, and those above this to full time. This has implications on the cover you have if you have an accident. It seems ACC are re-setting this indicator each year. You should also check the ACC Classification to ensure that you are being charged under the correct business activity. If any details are incorrect or you are unsure, contact us, or ACC direct on 0508 426 837, to have the details corrected and a reassessed levy invoice issued.

Changes are afoot next year to introduce Experience Rating in the calculation of levies for all employers, self-employed people and non PAYE shareholder employees who pay levies to cover work related injuries.

The objectives of Experience Rating are to:

- Provide a financial incentive to prevent injuries
- Encourage appropriate return-to-work programmes
- Make levies fairer for businesses by ensuring that low-risk employers do not subsidise high-risk employers.

It is proposed that a No-Claims Discount programme will apply to businesses whose current portion of the work levy in each year of the 'experience period' is less than \$10,000. It is expected that the discount will be 10%. There is also expected to be a 10%

high claims' loading where a number of claims have been made.

An Experience Rating Programme will apply to business groups whose current portion of the work levy in each year of the 'experience period' is greater than or equal to \$10,000 pa.

For the 2011/12 levy year the 'experience period' will be 1 April 2007 to 31 March 2010.

We will advise you of further details when the legislation is amended and final details are available.

'Family Income' Definition:

The government is currently looking to change the definition of Family Income from 1 April 2011. This will affect entitlements to Working For Families (WFF) tax credits, Student Allowances and Community Services Cards. Currently family income is taken from what parents include on their personal tax returns, but changes could see:

- The add-back of investment losses and business losses
- Trustee income where the WFF recipient is the settlor (which will include profits of companies owned by the trust and/or the parents)
- Fringe benefits provided to a shareholder employee who has substantial control of the business.
- The income of children (in some circumstances)
- Some regular recurring receipts eg monetary gifts or family loans
- Income from PIE's where funds are not 'locked in' until retirement, eg KiwiSaver accounts.

These changes will reduce many clients' entitlements to WFF tax credits.

Unclaimed Money:

Did you know that Inland Revenue administers a fund currently worth \$17,310,553 which is made up of unclaimed money (deposits left in banks and other financial institutions). It includes insurance proceeds, cheques and wages. Under the Unclaimed Money Act 1971 funds left untouched for more than six years are required to be paid to Inland Revenue.

If you think you may be entitled to any of this unclaimed money view the list at www.ird.govt.nz (keywords: unclaimed money) and look for your name, then follow the process outlined – Good Luck.



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Christmas Functions & Gifts:

A Christmas function held for your employees and/or clients and business associates at a specific date and time either at your place of business or anywhere else is classed as an entertainment expense. The food, drink and any other expenses like music, hireage etc is only 50% deductible for Income Tax and GST purposes. As such it is not liable for FBT.

Gifts to clients and associates, even if food or drink or restaurant vouchers (where you are not having dinner with them), are fully deductible and can be charged as advertising and Promotional Expenses.

Gifts to staff at any time of the year are subject to fringe benefit rules (FBT), eg food, wine, or gift vouchers and are not part of the Entertainment Tax Regime.

FBT Impacts:

If you pay FBT quarterly, or are not registered with IRD for FBT at all, and provide gifts and/or other benefits to employees, the general exemption is \$300 per employee per quarter, with a maximum employer exemption of \$22,500 for all employees for the current quarter and the three preceding quarters. For annual FBT filers the exemption is \$1,200 per employee with a maximum employer exemption for all employees of \$22,500 per year.

If the benefits provided exceed these levels, FBT is payable on the full value of the benefits provided in the period. The exemption is not deducted first. The exemptions apply to all employees including shareholder employees. The gifts in the FBT regime will generally be fully deductible for Income Tax purposes and for GST, provided a tax invoice is held.

The Top Ten Worst Christmas Cracker Jokes:

1. What is Santa's favourite Pizza? One that is deep pan, crisp and even.
2. On which side do chickens have most feathers? On the outside.
3. What kind of paper likes music? (W)rapping paper.
4. What's white and goes up? A confused snowflake.
5. What do you call a woman who stands between two goal posts? Annette.
6. Did you hear about the man who bought a paper shop? It blew away.
7. What's furry and minty? A polo bear.
8. How do snowmen get around? They ride an icicle.
9. Who hides in the bakery at Christmas? A mince spy.
10. What do you call a penguin in the Sahara desert? Lost.



