



Newsletter March 2011

2011 QUESTIONNAIRES:

Enclosed with this newsletter are the 2011 questionnaires and checklists. Please be sure to go through these to ascertain which records you need to bring in with your work and to make sure that you have taken any action at year end that is required, for example, counted stock, and noted lists of debtors and creditors as at balance date. If a question doesn't apply please put "N/A". **It is very important that the completed and signed questionnaires accompany your records into the office.**

EXEMPTIONS FOR STOCK:

There is an exemption from having to count trading stock (inventory) at year end, if you have less than \$10,000 worth in value. If your stock is likely to have a value of more than \$10,000 (using cost price exclusive of GST, not selling price), then you must conduct a full stock take, and ensure you have records to support the closing stock figure included in your financial statements.

WORKING FOR FAMILIES TAX CREDITS:

Inland Revenue have announced **far-reaching changes** to the Working For Families Tax Credits Scheme, mainly in relation to what constitutes "Family Income". The effect of changes will be that many people will find their entitlement is reduced, with some finding they have no entitlement.

The changes commence from 1 April 2011 and will be embodied in the square-up for the year ended 31/03/12. It is important that those who receive WFFTC payments regularly throughout the year review their Family Income when they receive their **Notice of Entitlement for the period 01/04/11 to 31/03/12**, (this is the purple form being issued now) and advise IRD if there are any changes. It is **very important that you contact us to help you check what is applicable** in your situation. The new rules are quite far-reaching.

Please see the attachment from the IRD for a summary of the changes. If you do not get your estimation of earnings correct at the beginning of the year you will have to repay any overpayment. "Family Income" now extends far wider than your taxable business or salary income. It could include tax-free payouts from trusts or families, or maybe even having an interest in a trust or company where you could have taken money.

CLAIMS FOR DONATIONS, CHILDCARE OR HOUSEKEEPER PAYMENTS:

Clients who normally claim rebates for the above themselves, and are IR3 return filers, will find for the 2011 year that refunds will not be paid out until your IR3 tax return has been filed with Inland Revenue. This is because IRD need your IR3 to check that your claim is not more than your taxable income for the year. Previously there has been a set upper limit to donation claims, but now you are able to claim up to the level of your taxable income for donations made.

This may mean a delay to the receipt of your rebate claim.

If you do not file an IR3 (that means you will be a wage and salary earner or all your income is taxed at source), the process will not change from previous years.

GST ADJUSTMENTS FOR PRIVATE USE OF ASSETS:

Currently where a business asset has an element of private use an adjustment for private use has to be made each period or annually in the GST return. This will change from 1/4/11.

Adjustments for private use for goods and services already in use are being phased out:

- Where the asset has a book value at 01/04/11 of \$5,000 or less no further GST adjustments are necessary after 31/03/11.
- If the book value at 1/4/11 is between \$5,000 and \$10,000 no further adjustments are required after 01/04/13.

- If the book value at 01/04/11 is greater than \$10,000 no further adjustments are required after 01/04/16.
- However, the phasing out of adjustments **does not** extend to land.

Adjustments for private use for goods and services purchased on 01/04/11 or after:

When goods or services used partly for business and partly for private use are purchased on or after 01/04/11 a GST claim for the business portion of the asset cost can be made up front. This means that the GST is not claimed on the full purchase price upon purchase, only the appropriate business percentage, therefore negating the need for ongoing period by period adjustments.

CASHFLOW:

We are still in very tough times. The media is now reporting New Zealand may have just entered a double dip recession. Trading will continue to be difficult in many sectors and commercial, residential and farming property values still appear to be on a downward slide.

It is extremely important to reduce debt and to control spending. Businesses should be working to budgets and business plans, marketing is a key tool to maintain and increase market share in shrinking market environments. Households should also have a budget, many families who have previously been receiving large Family Assistance funding will find that this is reduced and will need to allow for this in their family spending.

The Reserve Bank is not expecting growth in the economy in any major way for 2 – 3 years and as such unemployment is expected to continue to rise. The positive effects of the Christchurch rebuild will only partially be felt in the Waikato and are many months away. We foresee a continuation of challenging times for many of our clients. We are able to provide advice and assistance with helping you to weather the current financial storm, don't hesitate to get in touch to see how we can help.

PROVISIONAL TAXPAYERS:

Where clients are experiencing changes (up or down) in their business incomes it is important to be paying the right amount of provisional tax. As the amount payable is usually based on the previous year's income, this may well be too much or conversely not enough. 2012 provisional tax payments start on 28/08/11 and will be based on the 2011 results if these have been completed, or on the 2010 results if not.

Where you believe the 2012 year will produce very different results please get in touch with us and we can do some estimation. Many of our farming clients will be aware that this happens on an ongoing basis in this sector.

Where you think you have paid too much 2011 provisional tax get your records into us as soon as possible so the returns can be filed and overpayments refunded to you to assist with cash flow.

MOTOR VEHICLE LOGBOOKS:

A reminder for those of you driving vehicles that have both personal and business use: You are required to keep a logbook for 3 months, at 3-yearly intervals. If you haven't kept a logbook in the last three years, please ensure you start keeping one now, recording all business and personal usage in detail for a period of 3 months. You will need to send this logbook to us when it has been completed. (Note that logbooks are not required for company vehicles).

BANKLINK:

Have you considered using Banklink? It's a secure and easy to use system that provides us with electronic copies of your bank statements, dairy company statements and credit card statements. It ensures faster processing of transactions and allows us to provide you with more regular and comprehensive reports. It also allows for more efficient processing, and solves the hassle of you sending us bank statements. Ask us about signing up for Banklink, many clients are already using this system.

Banklink's new product, Banklink Online, is another alternative available where access to a copy of your Banklink data is available through the Internet to further reduce paper handling.

Note: The information contained in this newsletter is of a general nature only and readers are cautioned to seek specific advice from a senior member of our firm if they are unsure about their circumstances.