

NEWSLETTER

December 2010

WHO IS WATCHING?

It has been reported by the media that some employees are making unfavourable comments about employers and fellow employees on the internet. Sites like Face Book, Twitter and Bebo are a forum to post comments that are sometimes unfavourable with no thought who the audience may be or the effect on that person or business.

If you don't have an effective employment policy you cannot enforce anything. Policies should be developed by employers to cover the use of social networking sites by employees including blogging outside of work hours on matters that may affect the business both on private and work computers.

When the policy is put in place, all employees must be advised together with an explanation on why it has been made.

INSURANCE

The recent earthquake in Christchurch is a timely reminder how important it is to ensure the all the appropriate insurance cover is in place. An annual review of insurance when there is a change of circumstances will assist you and your business.

Insurance cover is not just for physical assets. The business should consider whether it has sufficient cover in the event of business not being able to operate from whatever cause such as an earthquake. Consideration should also be given to insurance over key employees and directors of the company.

CHRISTMAS HOLIDAYS

Our office will close on Thursday 23 December, and re-open on Monday 17 January 2011. If you have any Income Tax or GST queries for the

payments due 15 January, please give either Ian (021 262 9308) or Maree (021 279 7440) a call.

We wish you a very Merry Christmas and a safe and relaxing holiday break. We look forward to assisting you in 2011.

We have room for a few more customers so if a discussion comes up about tax and accountants, we appreciate referrals.



PROVISIONAL TAX DUE

15 JANUARY 2011

Letters and payment notices have been mailed in December for payments due 15 January 2011. If you think the payment is too much because of a drop in expected taxable income for the year ending 31 March 2011, please give us a call as soon as possible.

GIFT DUTY ABOLITION?

The Government has signalled the abolition of gift duty legislation. The date being considered is 1 October 2011. We recommend that any gifting program in your family trust be continued until the law has been decided. Any entitlement for residential care subsidies cannot be improved through gifting assets away as a five year claw back and sometimes longer is applicable. There is a two year window a liquidator or the Official Assignee can claw back gifts and Working for Family rules have been tightened up to avoid abuse. Please seek your lawyer's advice.

WELL DONE

Give yourselves a big pat on the back. 2010 has been a tough year, but you made it. While the newspapers and politicians were generally talking up the improvement, our clients are telling us the good times have not yet returned and the recession continues to linger. Cash flow is still the most vital part of your business. Keep your overhead expenses as tight as possible and renegotiate with suppliers and banks wherever possible for a better deal. Keeping up your client database marketing and contact is also very important. Don't forget to revitalize your website because so much business starts from there now.

CALCULATING GST AT 15%

The IRD publications make these calculations complex where in fact they are very simple.

1. Times the exclusive amount by 1.15 to get the inclusive amount.
2. Divide the inclusive amount by 1.15 to get the exclusive amount.
3. To get the GST amount either
 - Take the difference of the above two calculations or
 - Times the inclusive amount by 3/23 or
 - Times the net amount by 0.15 (15%)

Partners:
Ian Waters Accounting Limited
Pauling Limited

HEWITT SCALETTI WATERS
CHARTERED ACCOUNTANTS

PO Box 76-270, Manukau City, Manukau 2241
611 Great South Road, Manukau City, Manukau
Email hsw@hswtax.co.nz • Web www.hswtax.co.nz
Telephone 09-262 0874 • Facsimile 09-262 0852

LAQC'S NO LONGER AFTER

1 APRIL 2011

DON'T panic. If you operate an LAQC (loss attributing qualifying company) you will still get your tax losses provided you switch your business to another entity. The government's proposal is to create a new animal called a Look Through Company (LTC).

It will still provide the protection a company offers except the losses and profits will automatically flow through to the shareholders' taxable income.

LAQC company shareholders will be required to choose if they want to become LTC, remain as a LAQC which defaults to just a QC or change to a partnership or sole trader.

LAQCs will be allowed to transfer to other entities such as LTCs without adverse tax consequences.

We will be reviewing all of our clients closely held companies in the new year for the impact of this change of legislation and will contact you (where applicable) regarding our recommendations for your particular circumstances.

The new rules will start from 1 April 2011.

FISHING LETTER FROM IRD

It has come to our attention that some clients have received direct contact from the IRD either in a letter format or an officer on their doorstep.

The letters have been worded with an inference of non compliance but have no relevance to the company's circumstances and therefore seem to be just Fishing for information or 'rattling the client's cage'.

One client had a payroll inspector turn up on their doorstep on a Saturday (their busiest day) and request access to carry out a payroll audit.

If you have appointed us as your tax agent for these tax types the IRD's first point of contact should be with us. You are fully in your rights to require the IRD officer to go away and contact us to arrange a suitable time for an audit. They should not be turning up at your premises unarranged and requiring access to your information while you cannot give them your undivided attention.

Any letters you receive from the IRD should be forwarded to us before you make contact with the so we can determine the ramifications.

TAXED ON WORLD WIDE INCOME

With new immigrants arriving into the country and NZ residents returning from extended travel or work overseas, any assets or investments held off shore can form part of your New Zealand income.

For example –

- If you hold shares in USA, there are generally little or no dividends paid on them. However, you will be taxed on the movements in the value of those shares.
- Life insurance policies and superannuation funds held overseas can also be classed as a source of income, even though you might not receive any money from them.
- Be sure to tell us if you have any of these. If a policy is taken out in New Zealand with an overseas insurance company, there is no tax problem.

For overseas persons coming to live in NZ, there can be special transitional tax rules that may apply for four years. So they need to make contact with a NZ accountant as soon as they enter NZ and ideally before they shift here permanently.

ACCIDENT COMPENSATION LEVIES – COVER PLUS EXTRA

The ACC's new product Cover Plus Extra has been further refined for companies to allow you to nominate the industry category which reflects the job you do as opposed to the default category the company you work for does. For example, a husband and wife electrical business allows the husband to be on the electrical services rate while the wife who is only in the office to be on the office administration rate.

This can be quite a saving each year in premiums for the same level of earnings cover. Please contact us if you wish to discuss this further.

