

REBRANDING

Hewitt Scaletti Waters are pleased to announce that we have rebranded the firm after 16 years. We will now be known as Waters & Pauling from 1/12/11. This is a new trading name for the separate practicing companies of Ian Waters Accounting Ltd and Pauling Ltd. This was to reflect the remaining principals of the firm and provide a new modern look going forward. Please note our email addresses will be "wptax" instead of hswtax.

OWN A HOLIDAY HOME & RENT IT OUT?

If you own a Holiday Home or Bach and rent it out during the year on a casual basis then the rent could be GSTable depending on who owns the property and whether you are in business and are GST registered.

While under normal circumstances the rent received from residential accommodation is exempt from GST, the law has been changed regarding holiday homes which are let to people who would not normally reside in the property or treat it as their home. This means that if you casually let your holiday home throughout the year and you are also GST registered for some other business activity then your holiday home could be caught up in the GST net. If this is you or you think it may be you please give us a call to clarify the situation.



EMPLOYING STUDENTS OR CASUAL STAFF OVER THE HOLIDAY PERIOD

With the Christmas break approaching we thought it timely to remind you about your obligations as an employer, if you employ students or casual staff over this period, and when a Tax Code Declaration (IR330) must be completed.

School Students – when employing a student you may not need to deduct PAYE. Discuss with the student if they feel they earn \$2,340 (\$45 a week) for the full year from all sources of income. If their full year earnings are likely to be less than this figure they do not need to complete and give you an IR330 and you do not need to deduct PAYE

If they are likely to earn more than this figure they will need to complete the IR330 and you will need to deduct PAYE. If you are not sure what their full year earnings are likely to be get them to complete the IR330 and deduct PAYE. If need be they can claim a tax credit at the end of the year.

Tertiary Students – when employing University, Polytechnic or any other type of student they must complete an IR330 and you must deduct PAYE.

KiwiSaver – check with the temporary employee whether they are currently a KiwiSaver member. If so, you will need to make deductions. If not, check the criteria for automatically enrolling new employees in KiwiSaver and enrol them if required. Eg: if the employee is employed for 28 continuous days or less you do not have to enrol them for KiwiSaver.

BEING A GOOD TRUSTEE FOR YOUR TRUST AND OTHER PEOPLES TRUSTS

To ensure you have fulfilled your duties as a trustee you should have a record of the following for all trusts you act as a trustee for:

1. Nominate or be aware of replacement trustees should one or two of your fellow trustees die or be unable to act.
2. Urge the Settlor to draft up a Statement of Wishes to guide you when they are no longer capable.
3. Make sure the Settlor has a current valid will and be aware of the executors and any bequests to the trust under the will.
4. Ensure the Settlor/Trustee has both enduring power of attorneys documented – one for health and welfare the other for personal property.

KEY INDICATORS FOR YOUR BUSINESS – PICK THREE

Ask yourself what measurement means I've had a good month, it could be sales against last month or against that month last year, debtor collections, debtor days (aging), cost control, average sale value per customer, what time of day you have broken even, return on your capital invested, value of your business, operating cashflow, profit per employee, eg: for a pharmacy – prescription numbers per week, for a motor vehicle dealer – finance written.

Once you have identified three key measures set about collecting them in the most cost efficient and timely manner. As well as comparing to last year or last month, you should be setting your team realistic targets or budgets to achieve and then celebrate when these are met. Please let us know if you would like our help to systemise the collection of this data.



November 2011

POTENTIAL TAX LIABILITY ON FOREIGN CURRENCY GAINS

With the strengthening of our dollar against other currencies there is a increased potential for tax payers to be liable for tax on unrealised currency gains. If you have funds in bank accounts, on term deposit or loans and mortgages denominated in foreign currencies please advise us. There are certain minimum thresholds where you can return gains on a cash basis.

90 DAY TRIAL PERIOD FOR EMPLOYEES

From 1 April 2011 all employers can use the 90 day trial for new employees. The trial period must be specified in a written employment agreement and signed by both employer and employee before starting work. It cannot be offered to any employee that has worked for the employer previously. Notice of dismissal must be given within the trial period even if it is effective after the trial period ends. Employers need to act fairly and are only protected from dismissal personal grievances, not from any other kinds of personal grievance like discrimination etc.

PENNY & HOOPER

VOLUNTARY DISCLOSURE

If you feel your circumstances may be close to those publicised in the above case please contact us to discuss. If you wish to make a voluntary disclosure to amend past years the IRD have given a concession to only open the last two years of returns filed rather than the four years for non disclosure open.

ACCOUNTING SOFTWARE

MYOB have recently announced their cloud accounting product, Xero has been operational in the cloud for a while now, if you are considering changing or upgrading your current accounting software please give us a call to discuss which product would be suitable for your circumstances.

TAX PAYERS RIGHTS & IRD REQUESTS

We have become aware of the increased activity of the IRD with regard to audits and request for information for risk review. In some circumstances they have been turning up at businesses at the busiest time and requesting access to the payroll records. Below we have attempted to summarise your rights with regard to the IRD in these circumstances but this does not replace legal advice at the time.

- Ensure you ask for identification from the IRD officers.
- The IRD are able to enter and access any business premises at any time to inspect any document (including computers) or property that they consider relevant to the collection of tax without a warrant or warning. They can remove such documents for the purpose of making copies, you are entitled to ask for a receipt of documents taken and the time frame for their return.
- You can ask the IRD to wait in reception or outside on the basis that you are getting legal advice.
- You are entitled to ask the IRD to wait until you have had a chance to peruse (in private) and cull files of any documents that are subject to privilege or non disclosure right. These documents should be placed in a sealed envelope and held with your solicitor who then confirms their status.

- You should not sign anything prepared by the IRD until your advisor reads the documents and gives their approval.
- You can insist the IRD identify exactly what they are looking for and they cannot refuse to specify this. If they do not, arguably you can refuse to let them in. IRD policy is not to force their way in but sometimes they are accompanied by a policeman to, officially 'keep the peace' but in reality, to intimidate you.
- You can ask why no warning was given and can request the IRD wait until close of business to minimise disruption to your customers – but this right is untested.
- The IRD may want to clone your computer, even if they offer to keep your privilege documents separate you should not agree to this. Have your IT specialist handy so they can remove from your hard drive the privilege documents and non business emails.
- If the business is at a dwelling the IRD need a warrant. If the business is all contained within a home study situation they may not need a warrant.

Even if you think you have nothing to hide the old adage of "you don't know what you don't know" can be very applicable and dangerous here and innocent comments can be construed by the IRD much differently than intended by you.

ACC CHANGES

On 1 April 2011 ACC introduced Experienced Rating, a system for adjusting business and self employed people's ACC work levies based on their claims history. For those paying annual levies of less than \$10,000 a discount or a loading (premium) of 10% may be applied to your work levy based on any claims within the past 3 years. If your annual levy exceeds \$10,000 per year then a discount or loading of up to 50% may apply. There is no discount or loading if you are a low income earner (\$26,520 or less). In short if you have no claims with ACC either as a self employed person or an employer of other workers, then you are likely to receive a discount to the invoice.

The ACC Board is currently considering a proposed change to reduce the average Work Account down by around 22% and the average Earners Account (which covers injuries outside of the workplace) down by 17%. These proposed changes are yet to get the final approval.

HOLIDAY DATES

We feel we have earned a break this year so will be closing at 12 noon on 22 December 2011 and reopen on 16 January 2012.

Please ensure all GST workings for payments due 16/1/12 are provided to us with ample time for us to complete before we finish on the 22/12/11.

Provisional tax notices for payments due 16/1/12 will be sent to you mid December, should you wish to re-estimate these please contact us as soon as possible on receipt.

