

Summer 2013

Volume 13, Issue 2

Best Wishes and Seasons Greetings to all

Our office will be closed from 3pm
Friday 20th December and reopen on
14th January 2014



Russell Turner has a new partner

Introducing Barbara Gailey

We are pleased to announce that Barbara Gailey will become a partner on 1 January next year.

Barbara has been an associate at the firm for the last 8 years, working closely with Nigel. She will be the firm's very first female partner in its 65 years of existence.

Barbara is a local girl, raised on a farm in Waikiekie, south of Whangarei. She attended Tauraroa Area School where she was dux and head girl. She became a full member of the New Zealand Institute of Chartered Accountants in 1995.

Barbara has served as co-convenor of the Auckland Young Accountant's Group, as treasurer of the Manawatu Homebirth Association and served on the Board of Trustees and finance subcommittee of Tauraroa Area School. She has two sons, the last of which recently flew the coop.

Barbara's experience is in business services - specifically small to medium sized businesses and farms. She has enjoyed getting to know Nigel's clients over the last few years and will continue working closely with Nigel. She is also looking forward to developing her own client base and helping clients grow and improve their business, and achieve efficient tax outcomes.

Shareholders' and partners' agreements

If you're in business with other people, including friends and relatives, you should have an agreement to cover what will happen if someone wants to get out.

If you're confident you could handle that amicably, consider what happens if a partner dies.

Are you equally confident you could handle the situation with that person's spouse?

Often people take out life insurance to provide a sum of money to buy out the other person in the event of death.



Children's IRD Number Application

From 1 July 2013, parents can now apply for their child's IRD number at the same time as they register the baby's birth. This joint service is provided by the IRD and Department of Internal Affairs, and allows parents to apply for the IRD number by simply ticking an additional box on the birth registration form.

The advantage of this change is that once the parents have an IRD number for the child, they can immediately apply for Working for Families tax credits, KiwiSaver or open a bank account for the child.

The process also provides a cost saving for parents, as they are no longer required to buy a birth certificate as part of the process of getting an IRD number.

Changes to parental leave and the minimum wage

On 1 July 2013, the rate for Parental Leave and Employment Protection increased. The change has been made in line with the alteration to the average weekly wage.

The maximum amount available to eligible employees and the self-employed increased from \$475.16 to \$488.17 gross a week.

The minimum parental leave payment for self-employed persons increased from \$135 to \$137.50 gross a week.

Each rate is calculated based on the employee's average weekly earnings and those eligible for the scheme are entitled to 14 weeks.



Invest in your business - invest in your staff

Your staff can often be one of the most valuable assets in your business. By investing in training, and taking the time to develop their skills, you will find that they not only feel valued as team members but it can also improve know how and the ability to adapt in unknown or new situations.

Although up-skilling is not always a low cost solution, it's important that it's viewed as an investment in your business. Some of the benefits to up-skilling include:

- Staff retention - employees who are given ongoing training feel valued and tend to remain loyal
- Improved quality and productivity - providing staff with the skills to deal with more challenging and potentially unexpected tasks
- The flow on effect - motivated employees have a more positive attitude and this can influence other members within your team
- Staying competitive - with a great team behind you, you have the potential to become the best in your market

There are many organisations now providing staff training programs throughout New Zealand. Before embarking on a training initiative, do your research. Ask yourself what you think would benefit your team and start from there. Take the time to invest in your staff and you will not be disappointed.



Stick to the rules for bad debt claims

If you want to claim for a bad debt, you have to obey the rules.

These are:

1. It must be written off by the last day of the financial year. We will explain below what "written off" means.
2. You must have made reasonable efforts to collect the money. A typical reasonable effort might be several follow-up calls and written threats to take action if a debt is not repaid.
3. You must have reasonable grounds for considering you may not be paid. A typical situation would be a failed business or a business which has ceased trading or in a dispute.

What does "write off" mean?

The answer depends on how sophisticated your record keeping is. If you have a proper debtors ledger, it is easier to write off the bad debt. You put it through a process, which gets it off your debtor's ledger. Be sure to record the date you did this. Some clients just send out their invoices and keep copies. These act like a debtor's ledger. If you're one of these people, the best thing to do is to move your copy invoice into another folder and write on it "written off as a bad debt" – put the date and then sign it.

It's perfectly permissible to continue to pursue your bad debts after they are written off. If you're fortunate and get some money later, treat it as taxable income.



Renting your beach house out?

As previously signalled in earlier On Balance issues, new rules on claiming expenses for mixed-used assets such as holiday homes (assets being used both privately and for earning income) have been passed in to law.

Previously expenses have been subject to a private to business ratio (including when the asset was available for use even if it wasn't being used). The new rules restrict the deductibility of this expenditure by limiting the expenditure allowed for the period that the asset is available for use and not used.

Even though these rules have just been enacted, they actually apply from 1 April 2013. If you own any assets such as a holiday bach or a boat and rent these out during the year, please come and talk to us. The government has publicly stated they are expecting an extra \$50m in revenue from these new rules, so they will be enforced.

A leader is a dealer in hope. - Napoleon Bonaparte

Ruakaka Outpost

We have a new office open in Ruakaka on Wednesdays! Ruakaka is a hotbed of economic development with an exciting future and we want to be part of that by supporting our clients and helping new business grow and change.

Our Ruakaka office will be attended on Wednesdays by partner Barbara Gailey, who has a particular interest in new and growing businesses and in seeing the Ruakaka area reach its promised potential.

The Ruakaka office is tucked away in the Bream Bay Coatings building on 7 Kapa Road, next to Seniornet. Call in, make an appointment, email or send Barbara a text on 022 308 0044.

Romalpa Clause redundant

Many business people include a Romalpa clause in their terms of trade. This is a clause which says they still own the goods until such time as their bill has been paid. The Romalpa clause on its own no longer works. You need to register any security you have on the personal property securities register



Take time to be sure, but be sure not to take too much time. - Kushandwizdom



It's all about tax

Claim for interest deduction disallowed

A taxpayer bought a piece of equipment for his company. He arranged finance. The agreement was with him and not with his company, so the interest on the borrowed money was not tax deductible.

If you have fallen into this trap, see us. There's a way out but don't delay.

Charitable Organisations

If you are involved in the administration of a charitable organisation, you should know the new rules.

If an employee is given vouchers for petrol or groceries etc, the charity can be liable for Fringe Benefits Tax. FBT has to be paid if the benefit, per employee, exceeds 5% of the salary or \$300 per quarter or \$1200 per annum, whichever ever is the least. This is subject to the upper limit for fringe benefits for total staff not being exceeded.

PAYE and IRD

Never hold back PAYE payments, particularly if you have a company. Recently a taxpayer knowingly failed to pay PAYE. The court held he was personally guilty of tax evasion. Now he not only faced the company PAYE debt as his personal liability but also the resulting penalties.



TAX CALENDAR

15 January 2014

2nd instalment of 2014 Provisional Tax
(March Balance date except for those who pay provisional tax twice a year)

Pay GST for period ended 30 November 2013

28 February 2014

2nd instalment of 2014 Provisional Tax (May Balance date)

7 April 2014

Terminal Tax for 2013 (March April, May and June Balance dates)

BEWARE JANUARY 15

The date for payment of the second instalment of provisional tax for 31 March taxpayers should have been 28 December.

However, as most people are on holiday at that time, it was changed to 15 January. If you're taking a summer holiday break and have tax to pay while you're away, don't forget to set up the payment before you go.

We notice several clients were late last year. We also notice the IRD does not send out statements but allows penalties to accumulate. So, beware 15 January.

Don't pay your tax late.



**Neil
Ruddell**
Partner



**Nigel
Breerton**
Partner



**Ed
Roberts**
Partner



**Gavin
Buckingham**
Partner



**Barbara
Gailey**
Partner



**Brian
Moyle**
Consultant



**Bill
Roberts**
Consultant

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