

In this Issue

Set SMART goals.

Do you have your head in the clouds?

A place in the country - a kiwi dream or the potential for a nightmare?

Capital gains tax is alive and well.

Have more time to do the things you love in 2013.

Social media and employment relations.

Business plan.

Tax changes from 1 April 2013.

Minimum wage increase.

Family trusts still the safest option.

Set SMART goals

SMART is an acronym. A client, new in business, has set himself a goal to achieve a sales total of \$500,000 within five years. If this target is to be workable, it should conform with the SMART acronym which is :

Specific

You know exactly what the goal is - \$500,000 of sales.

Measurable

The goal is not vague. It can be measured and therefore achieved.

Attainable

Is \$500,000 of sales realistic? It should be reasonably hard to get, but not impossible.

Relevant

Is it aimed at producing results? The object is to increase income by achieving the sales. The client who provides services, will achieve an increased income.

Time-bound

It's no good setting a goal of \$500,000 of sales, which you might achieve at any time. The target is five years. This helps focus the mind regularly on making changes to get there on time.



Whenever we meet this client, we find out how he is going towards his target. Since he is providing services, he has run out of personal working hours. If he could produce 2000 chargeable hours per year through his own efforts, (a near impossibility when you have to allow for marketing and admin time) at \$150 per hour, he would hit a ceiling at \$300,000 income per annum. He must now employ staff or contractors. We monitor the profitability of the business to ensure these people are adding to the bottom line, not taking away from it.

Do you have your head in the clouds?

Inland Revenue is getting agitated about businesses which use "cloud computing" to keep their accounting records.

"Cloud computing is an internet-based computing service where users are provided with access to servers, software, applications, storage and networking, or any other aspects of computing, all of which are delivered over the internet," it says.

It points out that data centres can be located anywhere in the world. New Zealand law requires you to keep your accounting records in New Zealand and you can be fined for not doing so.

If you use a cloud computing service, it would help if the supplier's clouds are over New Zealand - in other words, use a New Zealand-based company.

If you use an overseas supplier, make sure you can save sufficient information on your own computer to keep IRD happy. If this is not practical, you can apply to the department for permission to keep your records offshore. Each request will be considered on its merits. The IRD looks at how readily available the records are and whether having your records offshore is likely to impede the IRD's compliance activities. If your supplier's business fails, you could be in trouble if you do not have that IRD approval.

NB: The IRD is still looking at the legislation but at the time of printing, no further information was available.





A place in the country – a kiwi dream or the potential for a nightmare?

New Zealanders' material aspirations have often revolved around property, whether it's the traditional kiwi quarter acre, the bach or a place in the country – also known as a lifestyle property. There can be, however, all sorts of issues associated with lifestyle properties; this article highlights some issues when you're considering either the purchase or creation of a place in the country.

The general concept of a lifestyle property is that of 'a bit of land' in the country, but obtaining a more precise definition than that is not so simple. While there's general agreement between property professionals that the land should be in the country, have a dwelling and 'curtilage' (the surrounding 4,500m² site) and be at least around one hectare in size, there's some division over whether there needs to be a taxable activity carried out. This last area contains some fish hooks.

A Taxing Aspect

The potential for income tax and GST implications on a lifestyle block can cause worries for both a landowner looking to create such a block, as well as the eventual purchaser. A landowner creating a lifestyle block faces tax issues, as well as the risk of being classed as a developer by the IRD.

GST can cause potential pitfalls. Where a landowner claimed GST on the purchase and made taxable supplies from the property, then GST must also be accounted for on the sale of that land. GST, however, will be zero if the land is sold as a going concern to a purchaser, also registered for GST.

In addition, recent changes to the GST Act have also allowed the transaction to be zero-rated where:

- Both parties are registered for GST
- The purchaser will be using the land for the purpose of making taxable supplies, and

- Will not be using the land as a principal place of residence.

The latter point can cause uncertainty, but generally the dwelling and curtilage will be treated as a 'separate supply' to the rest of the land, and that separate supply will be exempt from GST. That means that the rest of the land, which would not ordinarily be used as a principal place of residence, can then help qualify the transaction for zero-rated status.

Rights (and Wrongs)

It's not uncommon for a lifestyle property to have easements registered against it. These either contain restrictive land covenants protecting the rights of the adjoining land owner, or supply easements for power and water in favour of the property.

In a nutshell, a covenant is a restriction placed on the land by a previous owner in favour of an adjoining owner. It may prevent the property owner from, amongst other things, complaining about noise or smell from an adjoining farm or restrict the location/type of house to be erected.

Thought must be given about access for essential utilities, and whether that access is legally recorded as being in place for the property's benefit. For example, as lifestyle properties are often not on town supply there will need to be a right to source water which should be contained in an easement registered against the property's title.

So to answer the original question – yes, buying a lifestyle property can fulfil part of the kiwi dream but care must be taken to ensure that it doesn't become a nightmare. As is always the case when dealing with property, talk with us at the start of the process and before you sign any contract.

Source : NZ LAW

Capital gains tax is alive and well

There is no formula for determining when you have bought and sold enough properties to have reached a point where profits on those sales have become taxable.

The following is a rough guide as to when the sale of land and buildings could be taxed:

- The property is bought with the intention of sale. Compare this with buying a property with the intention of deriving rental income.
- You subdivide the property within 10 years of buying it and the work involved is more than minor. These rules do not apply to residential homes or building premises.
- You do a major subdivision on the property 10 years after buying it and the work is significant.
- The purchaser or an associated entity to the purchaser is in the building business and buying to carry out building improvements. Rental properties he owns can also get caught in the tax net if building improvements are carried out and the property is sold within 10 years of the improvements being completed.
- You are closely related to someone involved in property development and you sell property (including rentals) within 10



years of acquisition. The relationship is specifically defined in the law.

- You are making windfall profits as a result of a rezoning, which has taken place within the past 10 years.

The law relating to taxation of profits on sale of property is tricky. If in doubt, consult us. Sale of your home is not generally taxable so long as you do not make a habit of doing this. If you are a developer and you regularly change homes, be careful.

Have more time to do the things you love in 2013

BankLink makes your accounting simpler, faster, and more efficient.

Are you currently struggling with having to manually enter your transactions each month, collect piles of paperwork or use complex software packages?

BankLink lets you spend less time on your accounting and more time on your business. BankLink will save you time and effort by automating your accounting. The service works by providing an electronic copy of your bank transactions direct to our practice.

This means...

- You do not have to enter transactions
- You do not have to reconcile your accounts
- You do not have to code all of the transactions manually

This significantly reduces the effort involved when it comes to processing your GST and annual accounts.

The service is completely secure - it is not connected to internet banking and you will never be asked to disclose your bank passwords.

BankLink is only available through your accountant and means that you are working to the same system as they are.

If you want to be in control of your own bookwork and GST filing, then BankLink Books is the solution for you. As well as minimising the amount of labour required, it also includes management reporting functionality (like cash flow and budgeting) which means that you will quickly be able to have the information you need at your fingertips so you can make better business decisions.

About The BankLink Service

BankLink is a New Zealand owned and operated company that has grown over the last 26 years to become a premium solution for the local and global accounting industry. It is a trusted and secure solution which is used by over 250,000 business owners and more than 4,500 accounting practices across New Zealand, Australia and the United Kingdom. As well as all the main banking institutions BankLink works with 100 institutions including all the major rural institutions like Fonterra, RD1, PGG Wrightson, CRT and many more.

Contact your accountant for further information.

Social media and employment relations



The use of social media in the workplace can increase brand awareness, interaction between customers and businesses, lead generation, website traffic and sales activity. However, inappropriate usage during work hours and beyond can have an adverse impact on the company in areas such as productivity and reputation.

According to the Department of Labour, there has been a major increase in the number of dismissals relating to the use of social networking. Some of the cases include the private use of social networking during work hours and the posting of inappropriate comments regarding fellow colleagues and the employer.

In most cases, the Authority has found that while social network posts/comments may be used as part of the investigation process, the comments alone are insufficient to justify dismissal because of the difficulty in establishing a connection between the impairment of trust and confidence among parties or how it brings the employer into disrepute.

One case involving social networking is Dickinson v Chief Executive Ministry of Social Development. Ms Dickinson was dismissed as the relationship between employer and employee had reached a point where trust and confidence no longer existed.

The Employment Relations Authority concluded that the dismissal was justified based on the fact that Ms Dickinson had breached the trust and confidence of her employer when she was convicted of arson charges. The Facebook comments criticising the Ministry and fellow public servants, as well as relating her political views to her position supported the dismissal but would not have been the sole determinant of her dismissal as there was insufficient evidence that her comments on Facebook undermined the need for neutrality in the public services.

In order to minimise the impact social media has on productivity in your workplace, we recommend that a policy on the use of social media form part of the Company Policy and Procedures Manual.

Knowhow has developed various policies and clauses to manage the use of social media and smart phones in the workplace.

Source : Knowhow Limited

Business plan

Have you got one? How long since it was reviewed? If you do not have a business plan, or if yours is out of date, it may be time to consider drafting a new business plan.

Benefits of Business Planning:

- The process focuses the team on looking at future developments.
- The process focuses the team on enhancing services to customers, which often results in profit improvement.
- Staff involvement results in more effective implementation as they "own the ideas" and are therefore more willing to implement the plan. Morale often lifts due to this teamwork.
- The process enables clear communication of business development direction and focus.
- The process makes you stop and review the whole business (the 'big picture' in its entirety), rather than a 'piece-meal' approach of decision making forced by crisis.
- A plan based on who will do what and by when creates an action orientation in the business.

Some practical suggestions regarding the preparation of a Business Plan:

- Go through the process annually.
- Involve staff.
- Treat yourself to somewhere special to do it away from work (the 'retreat' concept).
- Have staff and management put their thoughts down on paper before the meeting so that people are prepared.
- Use a business plan questionnaire as a guide.

April/May is a good time to undertake a Business Planning Review.

Budget/financial projections

Incorporated in the business plan will be financial budgets (Budgeted Profit and Loss, Cash Flow and Balance Sheet). These budgets will usually be for a one year period with a longer 5 year plan available as a supplement. It is essential that all businesses have at least this component of the business plan. Now is the time to be preparing your 2013 Budget.

Tax changes from 1 April 2013

There have been several tax changes that will come into force from 1 April 2013. These are as follows:

KiwiSaver Changes

From 1 April 2013 there are several changes to the KiwiSaver contribution rate.

- The minimum contribution rates for employees increases from 2% to 3%.
- The minimum compulsory employer's contribution rate increases from 2% to 3%.

Employment of Primary/Secondary School Children

From 1 April 2013 you must deduct PAYE from salary or wages or deduct tax from scheduler payments made to school children. The details will need to be included on your Employer monthly schedule (IR 348).

ML and ML SL tax codes no longer used

Employees earning less than \$9,880 can no longer claim the under \$9,880 tax credit during the year by using the 'ML' or 'ML SL' tax code. If any of your employees are using these codes, you must now deduct PAYE using the 'M' or 'M SL' from 1 April 2013, unless your employees have given you a new IR 330.

Student Loan

From 1 April 2013 the rate for standard student loan repayments increases from 10% to 12%.

Source: RSM Prince

Minimum wage increase

From 1 April 2013 the minimum wage will increase from \$13.50 to \$13.75 an hour and the training and new entrants' wage will increase from \$10.80 to \$11.00 an hour.

A new entrant is an employee who is 16 or 17 years old except if they have :

- Completed 3 months or 200 hours of employment, whichever is shorter, or
- Been supervising or training other employees; or who are trainees.

Source: RSM Prince

Family trusts still the safest option

We saw this headline in a lawyer's advertisement for a seminar: Protect your Estate from your Children's Partners.

The seminar was about family trusts, and we've done articles about them before, but it's an important issue. Briefly, protection works like this:

When you die, you don't need to leave your wealth directly to your spouse or children. You may leave it in a trust set up for their benefit. What if that dear charming marriage partner your offspring has chosen, turns out to be a louse? He/she will usually get half of what you left to that child. If you've put everything in a trust, it's not your child's asset, so the partner will have difficulty making a claim on it.

Also, if your youngster does own the asset, look at the embarrassment for them of having to tell a potential partner: "I'm worth a little fortune. I love you and trust you, but just in case, I want a pre-nuptial agreement, which means I don't really trust you".

How much nicer to smile and say : "Yes I do" and if the relationship turns to custard, no worries. The trust owns everything and the separating partner gets none of your estate.

You don't have to wait until you are dead.
Commonly people move their assets
into a trust years before
they pass on.

"I, not events, have
the power to make me happy or
unhappy today. I can choose which it shall be.
Yesterday is dead, tomorrow hasn't arrived yet.
I have just one day, today, and I'm going to be happy in it".

Groucho Marx



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Changes in Particulars

Please remember to let us know of any changes in:

* Physical address * E-mail address * Phone and/or fax numbers *
Shareholdings * Directorships * Trustees

Or anything else that may be relevant.

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