

Summer 2012

December wind-down checklist

Consider what must be done before you pop the Christmas bubbles - it might save you a hangover and boost New Year celebrations!

1. If your business experiences a seasonal influx, make sure to plan the necessary marketing and increased staff measures. When will your staff be taking their holidays?
2. Follow up outstanding debtors: people (and businesses) are more cash strapped in the New Year so politely encourage payment prior to Christmas - it will help your cash flow, which may be light if you shut down over Christmas and New Year.
3. Are you sending emails, Christmas cards, or corporate gifts to top clients? What about presents or bonuses for your staff? Consider the rules around claiming entertainment expenses.
4. Have lots of business cards and other marketing collateral on hand - unexpected networking can occur anywhere you're on holiday. Magnetic car signs attract welcome custom also.
5. Have you correctly calculated, set up and approved holiday pay for payroll to occur while you're on holiday?

Risk and Reward



6. Need guidance or support from us, your lawyer or other business advisor? Engage them well before Christmas - most offices shut down for a minimum of two weeks.
7. Have you performed a year end computer detox, updated your virus software and backed up your server offsite?
8. If your business is shutting down, make sure your voicemail message and website mention closing date info and emergency contact details. Also, who will be responding to work related emails?

Christmas closing period

Our offices will close from **3pm Friday 21 December**, until **Thursday 10 January**.

To all of our fabulous clients, business associates and supporters, we wish you a great Christmas and a successful 2013.

From the team at:



'High' cost employee dismissal

A recent employment case shows the need for perfect process - even if your employee breaks the law. Mr O was employed as a full-time builder by Consortium Construction Ltd for 4 years until he was dismissed without notice for using drugs in the workplace. He denied the accusation and complained that there was no investigation.

What happened: Mr O and his colleagues were working at a demolition site high up on scaffolding when cannabis was smelt and identified as coming from Mr O. He was told to put it out and did so. A manager was later informed of the event, and that Mr O had grinned when confronted, admitting it was something left over from the night before. The manager told Mr O that his employment would immediately end due to his behaviour.

The Employment Relations Authority noted that, as part of the duty of good faith, an employer proposing to end an employee's employment must give that employee access to relevant information and the opportunity to comment on that information before making the decision. In this case, Mr O had no chance to mitigate his conduct as accidental or make reference to his employment history.

Despite Mr O having smoked marijuana - potentially putting himself and his co-workers at risk - his former employers were ordered to pay compensation for lost income and distress as well as a penalty for an illegal deduction on the final pay - totalling over \$12,000.

Moral of the story: seek advice immediately from an employment specialist and make sure proper process is followed and documented. Even when it seems a complete no-brainer.

Employment court costs (and others) to rise

For the first time since 2001, the Ministry of Justice plans to raise the fees it charges court users to help minimize costs to the taxpayer.

Significant (and varied) increases will apply to the Employment Court, District Court, High Court, Court of Appeal and the Environment Court due to low cost recovery levels in these specific courts.

When it comes to employment law, this highlights the need to follow correct process as you'll soon be paying even more for your mistakes. Final changes are likely to be implemented in the first half of 2013.

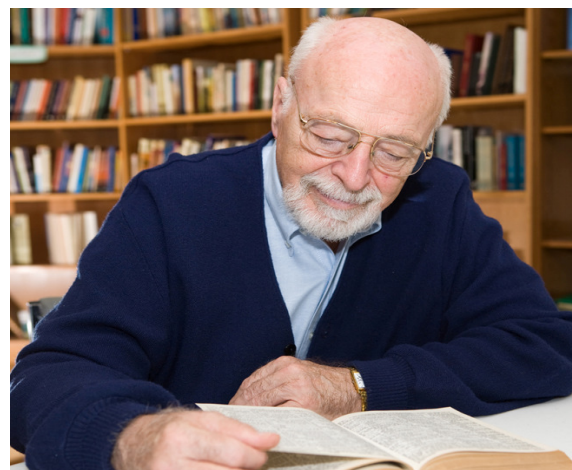
Changes to student loans and allowances

The following changes will come into effect on **1 January 2013**:

- Student Allowances will no longer be available for postgraduate study commencing from 1 Jan (except for Bachelor degrees with honours)
- All exemptions to the 200-week limit for Student Allowance will be removed from 1 Jan 2013 (except for special circumstances)
- Borrowers making significant under-deductions will be forced to make a compulsory extra student loan deduction - IRD will arrange directly with their employer to recover the outstanding amount
- Those 55 and over will no longer be eligible to borrow living or course-related costs (with exceptions, depending on when you were enrolled)

Timely reminders

- Provisional tax payment due Jan 15 for March, July or November balance dates, or Jan 28 if you have a December balance date
- Your GST return and payment may also be due Jan 15
- Interim student loan payments due Jan 15
- Employer PAYE payments due Jan 20
- Quarterly FBT return and payment due Jan 28



Let us entertain you

Let's look at the tax treatment of saying thanks to customers and staff typically with gifts, wining and dining.

Inland Revenue's IR268 guide gives the following examples of where entertainment expenses are 50% deductible:

- Taking customers, suppliers and business associates out for dinner or putting on a function for them
- The traditional Christmas party for staff
- Shouting customers, suppliers and staff to an event, e.g. a rugby game or a show
- Taking them on a jaunt in your launch (running/hireage costs and food and alcohol)
- Giving them the use of your bach or time share apartment as a thank you gesture (the occupancy costs)

We've been asked 'why only 50% deductible?' Apparently it's because we get some personal enjoyment or benefit from quaffing a wine and tucking into a steak (too right!).

In lieu of a Christmas party you may give your employees restaurant vouchers to use at their discretion. This cost is fully deductible but is subject to fringe benefit tax (FBT), although there is an exemption of \$300 per employee per quarter (a maximum exemption can apply).

The same treatment applies to staff gifts, again fully deductible but subject to FBT under the 'other benefits' category.

As a thank you gesture many firms give their customers gifts during the festive season. The cost of the gifts is fully tax deductible as marketing and promotion expenditure.

Many firms pay their staff a Christmas cash bonus. These payments are classed as 'extra emoluments' and are fully deductible but have PAYE deducted at the employee's marginal tax rate e.g. 33% if earning over \$70,000 per annum.

If in doubt about where you stand tax deductibility-wise with your generosity to customers and staff, check with us and we'll help you get it right.



Accounting for mistakes

With IRD taking a stance on outstanding tax we need to be proactive if an error is made - for whatever reason.

The IRD have a guide to *'Putting your tax returns right (IR280)'* explaining the required action for minor, genuine mistakes - it also outlines how to make a voluntary disclosure.

If you are concerned about a potential error please contact us as it might be easier to fix than you imagine and it won't go away on its own.

Introducing the starting-out wage

The starting-out wage is the latest government initiative designed to help get more young kiwis into jobs by giving employers incentive to take them on.

The starting-out wage will be simple for employers to implement and should provide more 16- to 19-year-olds with the opportunity to earn money, gain skills and the work experience they need in this tough labour market.

Those who'll qualify for the starting-out wage are:

- 16 and 17-year-olds in their first six months of work with a new employer
- 18 and 19-year-olds entering the workforce after more than six months on a benefit
- 16 to 19-year-old workers in a recognised industry training course involving at least 40 credits a year

Expected to be effective from 1 April 2013, the starting-out wage will ensure 16- to 19-year-olds are paid no less than 80 per cent of the minimum wage for the first 6 months with a new employer. After the first 6 months, they'll be eligible for the minimum wage.

Workers between 16 and 19 years of age who fill training or supervisory roles must at least be paid the minimum wage.

Mixed use assets - gearing up for change

With summer set to sizzle no doubt you'll have serviced the motor home and prepped the launch or bach to reap the seasonally high rents.... Let's consider the proposed new rules around mixed-use assets and how they could affect you from 1 April 2013.

As previously signalled:

- You'll be required to apportion deductions based on actual income earned and private use of the asset, instead of based on the availability to produce income
- Expenses relating to the asset (power, rates, insurance), maintenance and interest on debt will also be apportioned to the number of days it was actually rented
- If annual rent received for assets exceeds \$60,000 then the owning entity is required to be GST registered - this may affect the tariffs you charge and if you sell the asset you may have to account for GST

It's complicated and we suggest you get into the habit of diarizing the days you (plus family and friends) use assets. If you're concerned, do call us to discuss your situation.



CONGRATULATIONS...

To Robin Thompson and his team at **Action Forest Management Limited** for winning the **Service Excellence Award** at the NZ Chamber of Commerce Westpac Business Awards last month.

Business Perspective

Business New Year resolutions

Generally, we want to indulge less, exercise more and be better people.... However it's time to ponder some specific (and accomplishable) new year's resolutions for your business.

1. **Nurture your most loyal and profitable clients.** Chances are they'll sing your praises and refer more business to you.
2. **Give something back to your community.** Help a cause that matters to you and you'll potentially give your team new purpose whilst boosting your reputation.
3. **Promote your business effectively.** Join a networking or business group and get your business in the public arena. Consider the benefits of social networking and marketing.
4. **Read a business book every month.** Keep up with the changing world, enhance your knowledge and leadership skills.
5. **Get professional education and development.** As a leader you must continue evolving, extend your education to remain engaged and focused on the future of your business.
6. **Learn to listen more.** Be available and engage your team daily to see how they're tracking. You'll diffuse potential problems before they arise and witness valuable raw idea creation.
7. **Empower your team.** Only your team can grow your business - they need to share your vision and have the necessary drive or incentive to achieve the goals that you set.
8. **If it's not working, get rid of it.** Whether it be a product offering, a machine, a supplier or even an employee, don't waste time and energy squeezing a round peg through a square hole. Trim the fat and invest in new muscle.
9. **Prioritise and leverage your time.** Implement efficient systems to allow effective delegation. Employees with greater responsibility often have greater job satisfaction. Work more **on** the future direction of your business rather than in the everyday running of your business.
10. **Take time for yourself!** Be a good role model - don't skip lunch or work endless overtime. It could lead to burnout. Enjoy breaks for exercise or a new hobby and achieve a healthy work-life balance.

Importing goods? New GST risk

The administrative penalty regime for NZ Customs has been amended to include GST errors - affecting incorrect import entries, from June 4, 2012.

The minimum penalty has increased to \$200 per import entry for goods subject only to GST on importation.

Incorrect entries for goods subject to both duty and GST on importation will now carry a maximum penalty of \$50,000 per entry - up from \$10,000.

Businesses importing goods into NZ should review procedures for valuing and classifying goods for Customs purposes, taking into account tariff classification, royalties, transportation and insurance costs.

If an error results in the underpayment of excise duty or GST, it's likely customs will seek to impose an administrative penalty which could cost your business dearly.

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Disclaimer:

This publication has been carefully prepared, but has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation

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