

**CHARTERED
ACCOUNTANTS**

**Welcome to our first edition
of NUMBERS.**

These are challenging economic times we find ourselves in! It is important that we all refocus our attention and look for ways to rejuvenate our businesses. Our new look newsletter is one way that we, at YRW, are setting about doing just that.

Throughout our newsletter you will learn of other activities we have undertaken to stimulate business interest. Community involvement is also important and you will read about our continued contributions to the business and wider community.

And we're not stopping there. We will be investing in further technology advances, upgrading our web interface and increasing our staff training. These are investments that will strengthen our service delivery to assist you, our clients.

We hope you will enjoy the new look and feel of our newsletter and find it both interesting and informative. We look forward to your feedback.

Raimarie Pointon

Raimarie Pointon
Principal

Eric Woudberg

Eric Woudberg
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Steve Read

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Icebridge Growth Seminar

AT YRW, WE ARE COMMITTED TO HELPING OUR CLIENTS STRIVE FOR BUSINESS SUCCESS.

In conjunction with the Bank of New Zealand, we were delighted to sponsor an Icebridge Growth Seminar at the Sebel, Trinity Wharf. A number of our clients attended an excellent presentation by Leith Oliver, focusing on all the ways that business can grow and prosper despite the current economic environment. We hope that many of the attendees will now participate in the two day Icehouse workshop which follows on from the seminar.

If you would like to have the opportunity to attend future events of this nature, please contact one of the Principals at YRW.



One of the key slides from the handout which was given to participants.

CRM = Customer Relationship Management

NVA = Non Value Added

Rocket Young Professionals Ball & Awards

150 OF TAURANGA'S YOUNG PROFESSIONALS ATTENDED THE ROCKET YOUNG PROFESSIONALS BALL AT MILLS REEF ON 10 OCTOBER 2009.

Designed to celebrate and encourage the younger business people of the Bay, we believe that our sponsorship of the YRW Young Employee of the Year and YRW Young Business Owner of the Year awards added a significant aspect to the event. Unfortunately with our own Eric Woudberg being on the judging panel, none of the outstanding YRW employees were eligible to enter the awards.



Guest speaker Moss Burmester, who is himself a previous recipient of YRW sponsorship, provided inspirational words of wisdom and determination. And the party was great too!

We are really excited about the future of this event and feel fortunate to be able to contribute towards recognizing and promoting young professionals succeeding in Tauranga.

Seasons Greetings

The Principals and the team at YRW would like to take this opportunity to wish our clients and business associates a very Merry Christmas and a prosperous New Year.

Our office hours over the holiday season will be –

- Closure from 3 p.m. on **Wednesday 23rd December 2009**
- Re-opening for normal business hours, but with skeleton staffing only, for the week commencing **Monday 11 January 2010.**
- And ready for business as usual with all staff returning from **Monday 18 January 2010.**

If you have a situation that requires our immediate attention while the office is closed, you can call Raimarie on 027 576 6076, Eric on 027 448 0983 or Steve on 027 570 1172.

Associated Persons Rules

SOME FAR-REACHING CHANGES HAVE NOW BEEN LEGISLATED.

The enactment date in respect of land transactions (including commencement of improvements) is 6 October 2009.

The changes are particularly relevant for builders, developers and property dealers who will no longer be able to rely on the use of other entities to allow them to own property on capital (investment) account without the gains on sale of those properties becoming taxable because of tainting from other property based activities.

The main thrust of the new legislation includes:

- Provision of tests for association between trustees, settlors and beneficiaries of Trusts.
- Introduction of a 'tripartite' test which covers the situation where two persons are already associated to a third person under different associated persons tests.
- New aggregation rules for companies allowing the ability to look through interests held by close associates.



The rules do incorporate some softening compared with the original drafting of the legislation including:

- The scope of the 'relatives' definition to within two degrees of blood relationship.
- An exemption to the rule associating relatives with each other which will not apply if the person cannot be reasonably expected to know of the other's existence!
- In a partnership, a partner will not be automatically associated with the partners of their partner in another partnership.

The various Associated Persons Rules have widespread application and it is an extremely complex area of tax legislation. The changes have the potential to substantially impact on re-structuring of business activities and property transactions.

If you would like more detailed information in this area, or wish to discuss how you may be impacted by the new legislation, please contact Eric.



Eric Woudberg
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Investment Building Projects and the Deductibility of 'Holding Costs'

The ability to claim insurance, rates and interest costs, often referred to as 'holding costs', as tax deductible expenses in the period leading up to the tenancing of a newly built investment property is not necessarily automatic.

There are different rules depending on whether the property is owned by an investor entity other than a company, by a company, or by a developer entity other than a company.

To determine the correct approach, it is also necessary to segment the timeline of the development project into various stages: land purchase; finalising plans & permits; commencement of building; completion of building; commencement of tenancy.

This is a surprisingly complex area of legislation.

To discuss a specific instance where this may be of importance in the planning of a development project, or for more general information, please contact Steve.



Steve Read
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The Government has legislated changes in relation to interest income and Resident Withholding Tax (RWT) rates as well as Portfolio Investment Entity (PIE) tax rates.

Tax Rates

The personal income tax cuts planned for 1 April 2010 and 1 April 2011 have been delayed and the increase in the independent earner tax credit expected from 1 April 2010 has been cancelled.

Tax cuts that came into effect on 1 April 2009 remain and the rates that currently apply are:

Up to \$14,000	12.5%
\$14,001 to \$48,000	21%
\$48,001 to \$70,000	33%
\$70,001 and over	38%
No notification rate for employees	45%
Companies	30% (plus additional 3% withholding tax to be attached to dividends)
Trusts	33%

Use of Money Interest Rates (UOMI)

UOMI rates for unpaid and overpaid tax have fallen, effective from 29 June 2009. The rate for unpaid tax has dropped to 8.91% while the rate for overpaid tax has fallen to 1.82%.

The overpayment rate is the 90 day bill rate minus 100 bps (1%) which was the existing method, however the underpayment rate is now based on floating 1st home mortgage new customer housing rate of 6.41% plus 250bps (2.5%)

Careers Expo

Dave Ensor and Amanda Sutcliffe had the opportunity to speak at the Tauranga Rotary Careers Expo held for high school students interested in learning about a career in the accounting industry.

Dave and Amanda gave a detailed presentation on the accounting industry, the educational requirements involved in becoming an accountant and the increasing opportunities available to qualified accountants.



Changes in Tax Rates for Investment Income

The Government has legislated changes in relation to interest income and Resident Withholding Tax (RWT) rates as well as Portfolio Investment Entity (PIE) tax rates as a result of changes made to the individual and company income tax rates. These changes do not incorporate any change to the RWT rate on dividends.

The RWT rates have been amended and will generally apply from 1 April 2010. For individuals the RWT rates will be 12.5%, 21%, 33% and 38%. The default rate for those individuals that do not elect a tax rate will rise from 19.5% to 38%. The default rate for not supplying an IRD number will be 38%. However, for existing accounts the default rate will be 21% until 1 April 2011 when the default rate will rise to 38%.

There will be a new RWT rate of 30% for interest derived by companies. This rate will apply from 1 April 2011 but can be adopted from 1 April 2010 at the payer's option.

PIE tax rates will also be amended with rates ranging from 12.5% to 30%.

Currently for individuals there are two rates, 19.5% and 30%. The default rate is 30%. The rate of 19.5% can be used if in the preceding two years your taxable income (excluding PIE income) did not exceed \$38,000 and when aggregated with PIE income, does not exceed \$60,000.

From 1 April 2010 the following will apply:

Taxable Income	Taxable + PIE Income (added together)	PIE Tax Rate
\$0 - \$14,000	\$0 - \$48,000	12.5%
\$0 - \$14,000	\$48,001 - \$70,000	21%
\$14,001 - \$48,000	\$0 - \$70,000	21%
\$48,001 and over	-	30%
-	\$70,001 and over	30%

These changes ensure that PIE investment is on the same footing as direct investment by individuals and thus PIE investment is not disadvantaged.

Looking for a Tax Refund?

You need to be aware that using the online and shopping mall tax refund 'booths' will mean that you are de-linked from your accountant's Agent List.

If you are entitled to a refund, and are a client of this firm, any refunds due will be claimed as a result of our preparing your annual tax return.

If you would like to discuss any issues raised in this article please contact Raimarie.



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Income Tax Compliance Reminders & Updates



Experiencing Financial Hardship?

You should still ensure that you file all your GST Returns and PAYE tax/ Employee schedules with the IRD by their due date. This will save late filing penalties and you can enter into a payment arrangement with the IRD to meet the liabilities as funds become available.

Nil Returns?

GST, PAYE, FBT, RWT....

You must still file the Returns with the IRD by their due date, even if no payment is due. Late filing penalties can soon accumulate to a sizeable amount and remission is unlikely.

Other areas specifically covered for attention by the IRD in the report include a range of compliance issues relating to Small and Medium Enterprises (SMEs); Employer responsibilities; Working for Families and Child Support programmes along with high wealth individuals, large enterprises, non-profit groups, donation rebate claims and tax agents.

Online Tools

The internet is making available a wide range of tools to help small to medium size enterprises. It is well worth looking at the following -

- **Department of Labour – dol.govt.nz/onlinetools/**
The online self help tools include employment agreement builder, holidays calculators, parental leave calculator and a productivity snapshot tool.
- **Department of Immigration – immigration.govt.nz**
This site provides information about offshore recruitment and migrant settlement.
- **Coping with financial stress**
The Ministry of Health have published a brochure providing practical advice and information about support services for New Zealanders who are suffering from stress because of the tougher economic times. Copies of the brochure called "Coping with Financial Stress: Looking after yourself and your family/ whanau during tough economic times" will be distributed nationwide for use in Work and Income service centres and general practices. The brochure can also be downloaded or ordered from the Ministry of Health website moh.govt.nz/moh.nsf/indexmh/coping-with-financial-stress

And....

ACC – Online Pilot Scheme

YRW has been asked to participate in a planned rollout of online services to Agents. We are hopeful that these new initiatives will enable us to more easily and efficiently help our clients with their ACC compliance.

Minimum Wage Increases

As of 1 April 2009 the adult minimum wage has increased to \$12.50 an hour before tax. That's \$100 per 8 hour day, or \$500 for a 40 hour week. The adult minimum wage applies to all employees 16 years and over, except for new entrants, trainees and those with a minimum wage exemption.

The new entrants' minimum wage has also increased to \$10.00 an hour before tax. That's \$80 for an 8 hour day, or \$400 for a 40 hour week. 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 they are supervising or training other workers OR they are subject to the training minimum wage.

The training minimum wage has risen to \$10.00 an hour before tax. The training minimum wage applies to people doing recognized industry training involving at least 60 credits a year.

There is no statutory minimum wage for payment to school children aged under 16 years.

“The internet is making available a wide range of tools to help small to medium size enterprises”

IRD Lays its Cards on Table

The IRD has released a report that sets out the areas of its compliance focus for the 2009-10 year. The report reflects the IRD's intention to be open and transparent about the compliance matters that are of concern to the Department. The IRD believes this will enable people and businesses to better understand areas that will be targeted and hence result in better overall compliance by taxpayers.

It is not surprising that given the current economic times the IRD intends to focus on helping businesses avoid getting into debt with the IRD, and if they do, intervene earlier with direct contact.

- **IRD – ird.govt.nz**
Click on "Need help with business?" and then "Find out about our tools for business."
- **Tool for Business**
This has a number of links to relevant topics such as record keeping, what to do when becoming an employer and whether GST registration is required.
- **GST demonstration tool**
This is designed to encourage GST registered businesses to file online.
And remember, there is a wide range of forms and guides now easily accessible from the website.

If you would like to discuss any issues raised in this article please contact Catherine.



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Chamber of Commerce – Business Women's Conference

YRW was again an associate sponsor of this annual conference, and we were very pleased that a number of our team and clients were able to participate in this inspirational two day event.

Raimarie Pointon was one of the guest speakers and judging from the number of people who attended her presentation, its topic of "Survive & Thrive" had hit the right chord.

REGIONAL
Business
Women's
CONFERENCE 09



A reminder to all – It is important that you have a clear understanding of all of your insurance covers and that these are reviewed on an annual basis. **We are happy to help.**



Income Protection Insurance – the Deductibility is in the Detail

IT IS WELL KNOWN THAT PREMIUMS ON INCOME PROTECTION INSURANCE POLICIES ARE A DEDUCTIBLE EXPENSE. HOWEVER, THE SCOPE OF WHAT IS CONSIDERED INCOME PROTECTION INSURANCE IS NARROWER THAN MOST PEOPLE THINK, AND THE DECISION TO CLAIM THE PREMIUM PAID IS OFTEN MISTAKEN.

The most common error is mistaking the type of policy. There are specific Personal Accident and Illness (P&I) policies that are not based on pre-disability income at any point and there are Income Protection (IP or P&I) policies that are based on pre-disability income at the application but then don't refer to pre-disability income to assess a total disability claim – these are known as agreed value policies. And then there are indemnity IP policies that refer to both pre-disability to determine the allowable insurable benefit and pre-disability income to determine what will actually be paid at the claim. Different tax treatment is needed for each.

Indemnity IP insurance policies are subject to tax in the sense that the premiums are deductible and

receipts are assessable. Premiums paid under agreed value policies are likely to be not deductible and receipts not assessable. The specific details of the policy must be analysed before the decision in relation to deduction is made.

If the benefit payable under an insurance policy is tied to a person's pre-disability income it is likely the policy will qualify as an income protection policy. There may be a minimum or maximum benefit payable; this will not affect the policy being classed as income protection insurance.

However, if a policy provides that the recipient will receive a fixed amount upon injury, whilst still a policy in the nature of income protection, the premium is unlikely to qualify as a deductible expense

and the payout in the event of a claim is likely to be non-assessable.

For example, a self-employed person earns \$60,000 per year and, to protect his income in the event of injury, acquires insurance for that fixed amount. This will not qualify as income protection insurance as the benefit is not calculated with reference to earnings or profits lost as a result of the injury. It is not enough that at the time the policy was drafted the payment was based on the insured person's earnings, or that the payment will change in line with the Consumer Price Index (CPI).

A common error is for a policy to be referred to as income protection (even by insurance companies) although it does not meet the requirement above. This leads to the annual premiums being incorrectly

claimed for tax and could result in payouts being subject to tax where they should actually have been exempt.

To rely on the title of the policy alone is not sufficient to determine if the premiums are deductible. It is the detail within the policy that determines the nature of the insurance. If you are claiming deductions for income protection insurance it may be worth checking that the policy benefit rises and falls in line with changes in your income.

If you would like to discuss any issues raised in this article please contact Raimarie.



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Westpac Business Excellence Awards

We are delighted that we have had the opportunity to again be associated with this celebration of local business success via Steve Read's presence on the judging panel. YRW continues to host a table at the Awards ceremony and takes great pleasure in acknowledging all the finalists, with our sincere congratulations to the winners.



Jocelyn, Roslyn & Debbie

Jodie & Anne

The pink ladies

Taking part in the October Breast Cancer Walk

Mid-Winter Festivities

Two mini vans of YRW staff and partners were seen braving the Waikato fog to cheer on the Chiefs as they battled their way into the final. The result was good and so was the mid-winter social club outing!

Social Sports Teams

YRW has proudly entered very competitive teams in the following events -

Beach Volley Ball - 'The Bean Bouncers'

Omanu Business House Golf - 'The Hack Attacks'

Details on how these teams fare may (or may not) be published in our next newsletter!



The stork has made a return appearance at YRW! We are delighted to announce that Debbie Savill is the proud mother of not one but two babies, and she cleverly managed one of each - Alexis and Kodie. Debbie will be taking maternity leave from her role as a senior accountant at YRW, and we know that our clients will join with us in wishing her well as she and husband Kelvin embark on the great adventure of parenthood x two.

After spending 2 years at YRW, initially as Raimarie Pinton's locum and then subsequently as a Manager/Associate, it is with regret that we announce that John Smith is no longer with our practice. We wish John well for the future and thank him for his superb efforts while at YRW.

Exam Results

Several team members passed their PCE1 examinations during the year. Our congratulations go to Lisa Scott, Amanda Sutcliffe and Rachel Shannon as they progress their membership of NZICA.

Other team members successfully completed various mid-year exams and are now embarking on the final stages of their second semester papers. We continue to be proud of the high level of qualification amongst our team members.

Building Upgrade

The scaffolding is down, new cladding and joinery installed and replacement roofing in place. Our landlord has provided us with a very smart (and weathertight) building. We are delighted with the result and would like to record our thanks to our primary contractors: Aladina Harunani Principal Architect from Opus Rotorua and Elton Verran from Watts & Hughes Construction.

Contacts

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Visit us:

Carparking

We have six client carparks available underneath our building with entry from Anson Street. Please feel free to use them when visiting our office.



IMPORTANT:

This newsletter is intended to be of a general nature only and should not be relied on in making business or personal decisions without first seeking advice from this office.