

CHARTERED ACCOUNTANTS

WIN RUGBY WORLD CUP TICKETS!

With the Rugby World Cup almost upon us, the Principals and the team at YRW wish our Men in Black all the best for this important event.

In conjunction with the launch of our new website, YRW will be hosting a scoreline competition.

At stake are two tickets to semi-finals.

Want to join the fun?
Email your interest to competition@yrw.co.nz.

Entry is free and limited to YRW clients only.

Steve Read

Steve Read
Principal

Eric Woudberg

Eric Woudberg
Principal

Raimarie Pointon

Raimarie Pointon
Principal

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NEW APPOINTMENTS

THE PRINCIPALS AT YRW ARE DELIGHTED TO ANNOUNCE THE APPOINTMENT OF KIRSTY SHAW AND DAVID ENSOR AS ASSOCIATES OF OUR PRACTICE.

Many of our clients and business associates will already have had the opportunity of meeting and working with Dave since he joined our firm as a Manager in 2007. Dave is married to Charlie and they are the proud parents of toddler Lachie and baby Ruby. Dave is now in his second term serving on the Board of the Tauranga Chamber of Commerce.

Kirsty returned to take up a Manager's role with YRW at the end of 2011 after an extended period working overseas. Kirsty has worked previously in the CA industry in Tauranga, and is now bringing her substantial professional experience to the senior management team at YRW.

“We look forward to Kirsty and Dave becoming key players in the Tauranga business community and are proud to have them representing Young Read Woudberg.”



BUDGET 2011

IT WAS NO SURPRISE THAT DESPITE IT BEING AN ELECTION YEAR, THE FOCUS WAS ON REDUCING EXPENDITURE AND LIMITING GOVERNMENT DEBT.

Increased spending is pledged to Communications, Health and Christchurch with cuts to the State sector, ACC, Kiwisaver and Working for Families.

Some of the key points of interest from a taxation perspective are –

- Changes to Kiwisaver, including;
 - Halving the Kiwisaver Member Tax Credit to \$521 per year in 2012 but no change to the \$1000 Kickstart payment
 - Member and Employer minimum contributions to be raised from 2% to 3% in 2013
 - Removing the exemption from tax on Employer contributions
 - Government Agencies to fund their own Kiwisaver contributions
- Government to review taxation on investments.
- Working for Families changes to be introduced reducing entitlements over a four year period.
- A move to tighten livestock valuation rules.

AT LAST – SOME GST SIMPLIFICATION (OR IS IT?)

Sales of land now zero rated

In the past, whether GST should be added or not to the sale of land, has sometimes been a complex matter. From 1 April 2011 these transactions should be zero rated, as long as the following apply:

- The purchaser declares in writing that the property is to be used for a GST activity, and
- Both parties are GST registered.

There are still some complications with transactions for land which has a mixed use (property used partially for a GST activity and also for residential purposes which is an exempt supply) so care is still needed.

Standard Agreements for Sale & Purchase now contain updated clauses and parties need to be sure that the latest version is being used when the documentation is prepared.

“As always, we strongly recommend that you still speak with a Principal at YRW to review income tax and GST implications before entering into any contract for the sale or purchase of property.”

WORKING FOR FAMILIES TAX CREDITS INCOME NET WIDENED

As of 1 April 2011 clients will no longer be able to use investment losses such as from rental properties, to reduce their income for Working For Families (WFF) Tax Credit.

The definition of income will also include an extra nine types of income:

1. Attributable trustee income
2. Attributable fringe benefits
3. PIE income other than registered superannuation schemes such as Kiwisaver and retirement benefit schemes
4. Passive income earned by children (includes interest, dividends and rent). Amounts over \$500 per child will be included as family income
5. Worldwide income received by a non-resident spouse
6. Tax exempt salary or wages under specific international agreements
7. Income equalisation deposits made by you, your trust, or a company controlled by you or your trust
8. Certain pensions and annuities – includes 50% of payments from life insurance policies or a superannuation fund (excludes NZ super)
9. Other payments received from any sources that are used for your family's day-to-day living expenses (but only if the total amount from those sources is more than \$5,000). An example of this might be board received.

GST claim on mixed-use assets

As of 1 April the rules for calculating private use adjustments on vehicles (or other assets) for sole traders and partnerships have been simplified... sort of.

By way of example, if you expect business usage to be 80%, then you simply claim 80% of the GST on the cost of the asset. Sounds logical, some would say obvious (accountants have been suggesting this to Government for years).

That was the simple bit. To complicate matters, an annual year-end review of private usage is required and if the GST estimation has moved beyond certain parameters, an adjustment (not so simple) has to be made.

But wait... there's more. There's a wash up calculation when you sell the car and it's complicated.

As with any changes in legislation, we will be reviewing our clients' circumstances as a matter of course but to talk through your situation, phone Eric Woudberg on Extn 708 to discuss.

“There are still some complications with transactions for land which has a mixed use ... so care is still needed.”



In future, when you apply for WFF tax credits, you'll need to let IRD know about amounts from any of the above sources and this applies now to anyone receiving their entitlement on a fortnightly basis.

For those clients entitled to WFF tax credits, we will also need to request this information when preparing your 2012 Tax Returns. Good communication will be essential.

If you have concerns as to how these changes may impact on your personal circumstances, please phone Kirsty Shaw on Extn 722 to discuss.

TAX TALK

COMPANY TAX RATES DROPPING

The company tax rate has reduced from 30% to 28% from the 2011/2012 income year (for most companies, 1 April 2011).

Dividends issued after the new rate takes effect can be imputed at the existing 30% rate (plus 3% withholding tax) for up to two years if company tax has been paid at the 30% rate.

LAQC REVIEWS UNDERWAY

Over the past few months we've been communicating directly with clients affected by the far reaching LAQC reforms that came into play on 1 April 2011 this year. We have carried out a personalised review of each client LAQC and have advised each of you on the best way forward.

Rest assured that we have the whole issue well under control. In the meantime, if you do have any concerns please give us a call or drop us an email.

BUILDING DEPRECIATION GONE

Depreciation deductions on buildings with an estimated useful life of 50 years or more disappear from the start of the 2011/2012 year (for most of you 1 April 2011). We will be forecasting the taxation impact of this change for our clients when preparing their 2011 work.

New rules have been introduced to ensure some fit-out of commercial and industrial buildings continues to be depreciable.

NEW USE-OF-MONEY INTEREST RATES

Use-of-money interest rates on underpaid and overpaid tax have changed.

The rates are reviewed regularly to reflect current market interest rates.

The following new rates came into effect on 16 January 2011:

- Underpayment rate – 8.89% (down from 8.91%)
- Overpayment rate – 2.18% (up from 1.82%)

REMINDER ABOUT NEW FBT RATES

The personal tax cuts on 1 October 2010 also changed the single and alternate FBT rates.

These new rates apply for both quarterly return filers, as well as annual or income year return filers.

Quarterly Filers for Quarters ending 31 December 2010 onwards:

- 49.25% for the single rate
- 43% for the alternate rate

Annual and income year filers for 2011/12 year:

- 49.25%

FORESTRY

DO YOU HAVE ANY FORESTRY ON YOUR PROPERTY OR HOLD AN INTEREST IN FORESTRY?

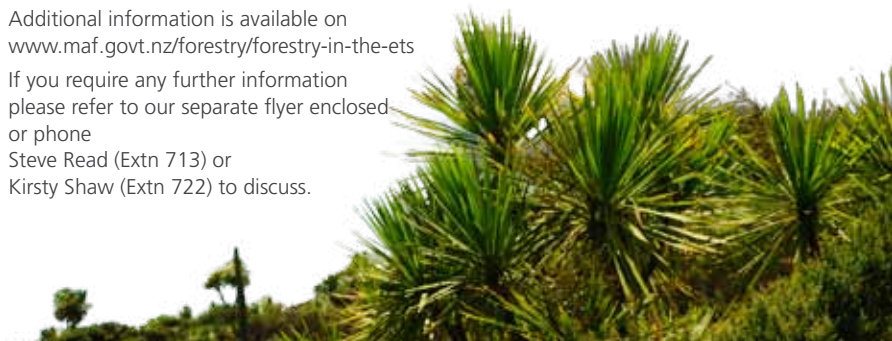
There are some important dates coming up which you must be aware of.

Key dates for Forestry in the Emissions Trading Scheme (ETS)	
30 September 2011	Final date for applications for less than 50 hectare exemptions. (Applies to Pre-1990 Forest)
30 November 2011	Final date for applications for an allocation of NZU's (Carbon units) under the Forestry Allocation Plan. (Applies to Pre-1990 Forest).
31 December 2012	Final date for applications to join the ETS and become eligible to claim units for 2008-2012. (Applies to Post-1989 Forest)

Additional information is available on www.maf.govt.nz/forestry/forestry-in-the-ets

If you require any further information please refer to our separate flyer enclosed or phone

Steve Read (Extn 713) or
Kirsty Shaw (Extn 722) to discuss.



EMPLOYMENT LAW CHANGES 1 APRIL 2011

Changes to both the Holidays Act and the Employment Relations Act have come into force on 1 April 2011. These changes are intended to reduce compliance costs, increase business confidence in recruiting new staff as well as speed up the resolution of workplace disputes. The main changes include:

- Employees will be able to cash in one week of their four weeks' leave
- Employees who have irregular working hours and pay will now have their holiday, sick and bereavement leave calculated on an average daily pay basis
- Employers and employees will be able to agree to transfer taking a public holiday to another working day.
- The minimum wage will increase from \$12.75 to \$13.00 from 1 April 2011, while the training and new entrants' minimum wage will rise from \$10.20 to \$10.40, effective as of the same date
- The 90-day trial period is being extended to all employers (currently limited to those with less than 20 employees). From 1 April 2011 employers and employees can enter into an employment agreement which provides for a trial period of 90 days or less. During the trial period the employer can dismiss the employee without risking a personal grievance
- Employers will have to keep detailed personal files for each employee. These files must contain signed copies of employment agreements, other terms and conditions, handbooks, as well as any intended agreements (even where these have not been agreed to by the employee). These documents must be available to employees on request. **Employers have until 1 July 2011 to get their files up to the new standard. We estimate that a good number of our clients will have some work to do here!**
- Union representatives will need an employer's permission to enter the workplace
- Employers will be able to communicate with employees during collective bargaining
- Minimum requirements establishing a fair and reasonable dismissal process will be set out in the Act and employers will have a much clearer process to follow. This is great news for our employer clients, who can be fearful of dismissal processes being scrutinised for minor defects



ACC LEVIES, NO-CLAIMS DISCOUNTS AND EXPERIENCE RATING

GOVERNMENT IS INTRODUCING EXPERIENCE RATING INTO THE ACC LEVY SYSTEM ON 1 APRIL 2011. HERE'S HOW IT IS EXPECTED TO WORK:

Small employers (paying less than \$10,000 per year in work related levies) will be entitled to a no-claims discount.

Larger employers (paying more than or equal to \$10,000 per year) will be part of an experience rating programme. This programme will reflect both the employer's and its industry's performance in preventing injuries and claims and could create an increase or reduction in levies of up to 50%!

Clearly Government is trying to provide employers with a financial incentive to prevent injuries as well as make levies fairer by ensuring low-risk employers aren't paying for high-risk ones. Having said that, we have reservations that a claims discount or loading of minus or plus 10% (the majority of employers will fall into the 'small employer' category) is really going to incentivise employers to get serious about workplace safety.



VISAVIEW MAKES EMPLOYMENT CHECKS EASY

IMMIGRATION NEW ZEALAND IS REMINDING EMPLOYERS ABOUT THE IMPORTANCE OF CHECKING THAT JOB APPLICANTS ARE ENTITLED TO WORK FOR THEM.

Employers can use a free online tool VisaView to check information such as a passport number and surname against Immigration's database for (in most cases) a quick online "yes" or "no" as to whether a person is entitled to work here, together with any specific work conditions that may apply to the individual.

Registered employers can also confirm a jobseeker's New Zealand passport information and their entitlement to work in any job.

"...businesses must not employ a non-New Zealander who isn't entitled to work for them."

The Immigration Act 2009, which came into effect from 29 November 2010, continues the principle that businesses must not employ a non-New Zealander who isn't entitled to work for them.

Employer's obligations essentially remain the same as under the previous Act but there is a key change to the "reasonable excuse" provisions. A Tax code declaration (IR330) form is no longer a reasonable excuse for employing someone who isn't entitled to work for you.

For more information about VisaView, go to www.immigration.govt.nz/visaview

MINIMISING SHAREHOLDER EMPLOYEE ACC LEVIES

UNDER NORMAL ACC COVER THE INVOICE IS ISSUED TO THE COMPANY AND IS IN RELATION TO THE COMPANY'S BUSINESS ACTIVITIES SO IF ONE OWNER WORKS IN THE OFFICE THEY STILL HAVE TO PAY ACC BASED ON THE COMPANY INDUSTRY CATEGORY (E.G. BUILDING).

However, if the owner elects into Coverplus XTRA then ACC is effectively insuring that particular role and an administration rate can be used. This may result in substantial savings.

There are a number of circumstances where Coverplus XTRA may give advantages over standard ACC cover. For a review of your ACC cover, phone Dave Ensor on Extn 716 to discuss.

ARE YOU THINKING OF BUYING A BUSINESS?

IF YOU ARE CONTEMPLATING BUYING A BUSINESS, THERE ARE NUMEROUS MATTERS TO BE CONSIDERED AND IT IS IMPORTANT THAT YOU GET AS MUCH INFORMATION AS POSSIBLE. SOME ITEMS YOU NEED TO RECEIVE FROM THE VENDOR WILL BE:

Who you deal with

- Customer's list
- Suppliers' list

The numbers

- Copies of financial statements for the last three years (minimum)
- Schedule of sales, on a monthly basis, for the last three years
- Trading terms for the business
- Recent Debtors' Aged analysis

Intellectual Property

- Details of patents, trademarks, trade secrets and intellectual property systems

People and Systems

- If you are taking over employees, obtain:
 - An organisation chart and all position statements
 - All employment agreements
 - A schedule of employees' entitlements
- Is there a systems manual for the business? Is it current?

What and Where

- Methodology for valuing stock
- A copy of the lease agreement. Check:
 - Option period
 - Reinstatement conditions (painting, new carpets etc.)
 - Business uses permitted
- Can the lease be assigned?
- Is the location satisfactory for your business?

Other issues to be aware of

- Never sign a contract until you have had legal and accounting advice
- Make sure you are buying the business in the appropriate entity
- Keep full records of everything that is said or given to you by the vendor or vendor's representative
- Do your own due diligence and check all the information supplied to you

At YRW we have considerable expertise in assisting with the due diligence process. To discuss your requirements, please telephone Raimarie Pointon on 5780069 Extn 711.

GOVERNMENT FUNDING FOR BUSINESS – ANNOUNCING THE REGIONAL BUSINESS PARTNERSHIP

BAY OF PLENTY REGIONAL PARTNERSHIP HAS BEEN CREATED TO BE THE FIRST POINT OF CONTACT FOR BUSINESSES WISHING TO ACCESS GOVERNMENT FUNDED BUSINESS ASSISTANCE. THE PRIMARY AIM OF THIS NEW INITIATIVE IS TO SUPPORT THOSE SMALL TO MEDIUM SIZED ENTERPRISES THAT HAVE THE **ASPIRATION, OPPORTUNITY AND ABILITY TO CONSIDERABLY GROW THEIR BUSINESS CAPABILITY.**

The scheme is funded by New Zealand Trade and Enterprise (NZTE) and the Ministry of Science and Innovation (MSI). In the Bay of Plenty the Tauranga Chamber of Commerce, Eastern Bay Chamber of Commerce, Rotorua Chamber of Commerce, TOI EDA, Destination Rotorua, Export New Zealand (BOP Region) and the Employers and Manufacturing Association (EMA) have come together to form the Bay of Plenty Regional Partnership. It is accessible to businesses which have:

- A desire to grow, or
- Export capability, or
- A focus on innovation, or
- New start ups

NZTE Capability Development Vouchers

Registered training providers are available to work with owner/managers to develop skills and knowledge in key areas of management responsibility. Programmes include:

- Marketing strategies
- Business systems
- Business sustainability
- Governance
- Lean manufacturing/business operations
- Business planning
- Finance
- Managing resources
- Exporting

Where a management capability need has been identified then you may qualify for a training subsidy for up to 50% of the cost of the registered programme as an outcome of a business assessment.

To find out if the Regional Business Partnership can help your business, you can email Paul Rowell at paul@tauranga.org.nz

Staff Notice Board

The Stork continues to visit

Is there a new generation of accountants on the horizon? Eric and Judith Woudberg are the proud grandparents of baby Charlie, born to son Simon and partner Leah. And which of the grandparents knitted the jersey being worn?

Community Involvement

Westpac Business Excellence Awards

Steve Read is again involved as one of the judges for the 2011 Awards. The search for outstanding local business has been launched and we look forward to the results of this keenly contested recognition of success later in the year.

Tauranga Chamber of Commerce Business Womens Conference 'Agility 2011'

YRW continued its involvement as a sponsor of this exceptional event held in May at the Windermere campus. The focus this year was on the resilience and flexibility required for success in both business and personal life as a new economic environment requires a fresh approach and increased ability to adapt to change.



Social Sports News

Our Volleyball team is showing incredible promise with a majority of winning games in the competition so far...

We have high hopes...

CONTACTS

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CONTACT US:

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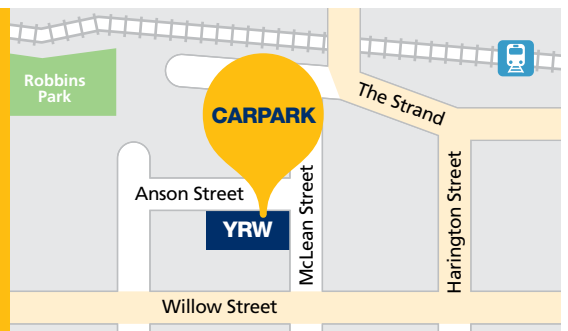
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VISIT US:

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.