

CHARTERED ACCOUNTANTS

SEASONS GREETINGS

The Principals and team at YRW extend their best wishes for the festive season to our clients and business associates.

As 2011 draws to a close, our thoughts are with all who have been affected by the various tragedies that have befallen our community and our country this year.

Our office hours over the holiday period will be as follows:

Closing: **Thursday
22 December at 5pm**

Opening: **Wednesday
11 January** (skeleton staff)
Monday 16 January (all staff)

If you have a situation arise during our closure period that needs our immediate attention, please phone

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Raimarie 027 5766076
Steve 027 5701172

Steve Read

Steve Read
Principal

Eric Woudberg

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RUGBY WORLD CUP NZ WON!

AND SO DID JIM WYATT WHO WON OUR CLIENT RWC SWEEPSTAKE AND AMANDA SUTCLIFFE WHO WON OUR STAFF RWC SWEEPSTAKE!

The competitions engendered fierce competition and the results of each round were keenly scrutinised for accuracy and tactical advantage!

The competition prizes were tickets for two to the semi-final between Australia and NZ – as luck would have it, arguably the game of the tournament! The experience was certainly enjoyed by the YRW winners!

**“ Thanks to
Eric Woudberg,
Annabelle Woodward
and Tania Hartley for
their input in devising
and managing the
complexities of the
competition!”**



TRUSTS UNDER REVIEW

THERE HAS BEEN A LOT OF COMMENTARY IN THE MEDIA IN RECENT DAYS CONCERNING THE NEED TO ADMINISTER FAMILY TRUSTS RESPONSIBLY (REFER OUR NEWSLETTER ARTICLE DECEMBER 2010, WHICH IS AVAILABLE ON OUR WEBSITE).

At YRW we place a strong emphasis on the correct management of Family Trusts, and to ensure this proper level of care is maintained, we are commencing a thorough Trust Risk and Administration Review procedure for our clients.

To discuss any concerns you may have with the governance of your Family Trust, phone Debbie Read on Ext 725.

THE ABOLITION OF GIFT DUTY

LEGISLATION HAS NOW BEEN PASSED WHICH ABOLISHES GIFT DUTY FROM 1 OCTOBER 2011 AND FROM THIS DATE GIFT STATEMENTS ARE NO LONGER TO BE FILED WITH THE INLAND REVENUE DEPARTMENT. ANY GIFTS MADE PRIOR TO THIS DATE WILL STILL BE SUBJECT TO GIFT DUTY IF THEY EXCEED THE GIFT DUTY THRESHOLD.

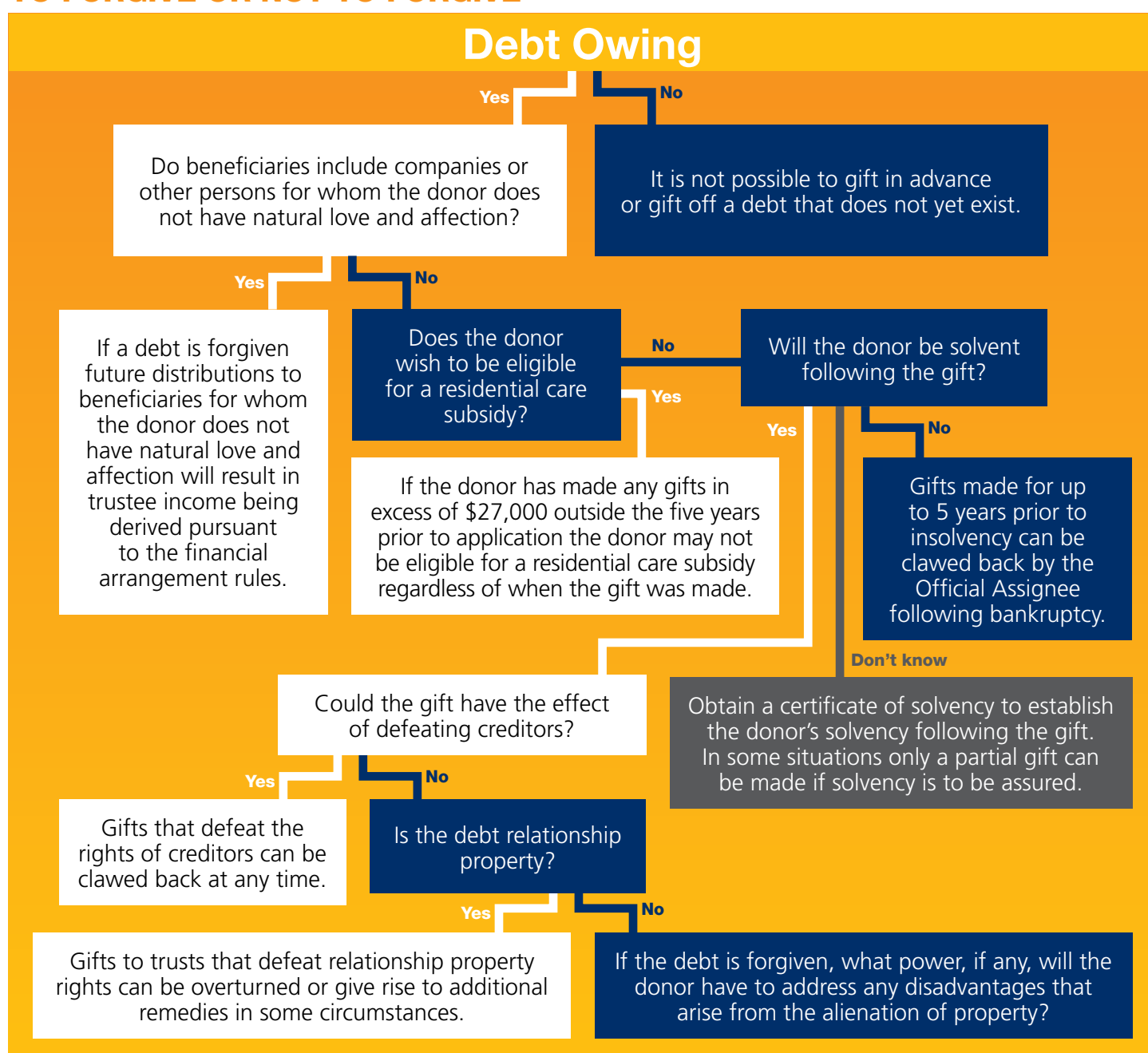
While gifts of land will be evidenced by registration records transferring title into the donee's name, and chattels will be physically passed over, debt releases will still need to be validated by deed.

Government officials and Inland Revenue officers have made it clear that current legislation, primarily the Insolvency Act, the Property Law Act and Social Security regulations, will increasingly be used in future to prevent individuals from divesting themselves of assets overnight to defeat creditors, relationship partners and Government agencies providing social assistance (for example, rest home fee subsidies and student loans).

The removal of the gift duty regime will radically change the nature of asset and estate planning. The decision as to whether or not to forgive outstanding debts, or to make other gifts, will depend on individual circumstances.

The flowchart below illustrates the wide-ranging considerations that need to be taken into account by both clients and professional advisers when reviewing existing, or entering into new, gifting programmes. For further information please phone your adviser at YRW or contact Raimarie Pounton on Ext 711.

TO FORGIVE OR NOT TO FORGIVE



Consider whether it may be appropriate to leave all or part of the debt owing to preserve the donor's rights. This consideration must be balanced against creditor protection and other considerations raised above.

DEPRECIATION OF COMMERCIAL PROPERTY FITOUT

The 2010 budget announced changes to the depreciation rules, specifically that with effect from the 2011/12 income year the depreciation rate for buildings (with an estimated useful life of 50 years or more) would be set at 0%. The definition of "building" has been amended and a definition of "commercial fit-out" introduced to clarify that commercial fit-out will continue to be depreciable.

For commercial property owners it is now essential that commercial fit-out is separately valued when properties are acquired in order to ensure the maximum depreciation claim available.

The IRD introduced a transitional rule for those who acquired their commercial building in the 2010/11 income years or earlier and had not identified and depreciated fit-out separately from the building. In effect this rule allowed the taxpayer to establish the fit-out component as 15% of the building's adjusted tax book value and depreciate this at 2% straight line from the start of the 2011/12 year.

Many commercial property owners were advised that there was a better option, which was to obtain a valuation and use this to re-characterise the commercial building into fit-out components. In this way, a depreciation claim could be established going forward on those items formerly identified as being part of the building.

IRD has just issued an Exposure Draft "ED 0140: Depreciation of Commercial Fit-Out" which states the following:

.. once an item of depreciable property has been identified and a deduction for depreciation on that item has been claimed, a taxpayer cannot later change their mind and split that item into multiple depreciable items.

The IRD Exposure Draft also puts taxpayers on notice that those who have retrospectively split out commercial property fit-out after the building has been depreciated as one single asset previously should make a voluntary disclosure to the Commissioner.

Many tax advisors do not necessarily agree with the IRD's view and point out that the depreciation rules allow a taxpayer to decide which depreciation method they wish to use annually. That being the case, the method would include the applicable depreciation rate. On this basis, a taxpayer (they argue) should be able to re-characterise the building into fit-out components and then apply a new depreciation rate from that point.

Submissions on the Exposure draft are due by 18 November 2011 and we won't know if IRD change their position based on the submissions until well after this date. In the meantime, we suggest that if you are in the situation where you have retrospectively split out commercial fit-out or are considering a split out now you would be wise to obtain a fully researched tax opinion.

For further information please phone your adviser at YRW or contact Kirsty Shaw on Ext 722.



PENNY & HOOPER CASE

In August the Supreme Court released the long awaited decision in a landmark tax case. The Court decided in favour of the Inland Revenue Department and there are widespread implications for many small businesses whose structures include the use of Companies and Family Trusts.

Central to the issue is the level of Company salary paid to shareholder employees, and their access to further funds via their Family Trusts.

There is currently a suggestion from IRD that where the income is substantially derived from personal services, a salary of around 80% of profits should be paid to the shareholder employee.

Where a business comprises multiple owners all providing personal services, there will need to be a common approach to establishing market salaries. This may present some difficulty where there is a desire for confidentiality between parties, each of whom may be working with a different professional adviser.

At YRW, we do not agree with the IRD's approach. Instead we have always maintained that salaries need to be paid at market rates unless other circumstances precluded this (for example during start up phase).

To have your particular circumstances reviewed, phone Eric Woudberg on Ext 708.

AND CHANGES AHEAD FOR THE FARMING SECTOR

Government has announced an intention to make changes to the livestock valuation election process. This is a result of IRD concerns that farmers are gaining undue tax advantage through the ability to switch back and forth between the Herd Scheme and the National Standard Cost Scheme.

We expect to see a tightening of the rules however it is not expected that either of the schemes themselves will be removed.

We will be keeping our farming clients fully informed as new information comes to light.

To discuss in the meantime, please telephone YRW's farming expert, Steve Read on Ext 713.

SOME MORE DETAIL ON BUDGET 2011 CHANGES

Kiwisaver

The member tax credit (MTC) is halved for member contributions made from 1 July 2011 and will be paid after the end of the next MTC year ended 30 June 2012. The change means the Government will now contribute 50cents for each \$1 contributed by individual Kiwisaver members up to a maximum of \$521.43 per year; equivalent to \$10 per week. To maximise the new annual entitlement a member is required to contribute \$1,042.86 from 1 July to 30 June.

The employer superannuation contribution tax (ESCT) exemption has been removed effective 1 April 2012. All employer contributions from thereon will be subject to ESCT which will be applied at a rate equivalent to an employee's marginal tax rate.

The following changes announced to employee and employer contribution rates will be included in a Bill to be introduced later this year:

- The minimum employee contribution rate will rise from 2% to 3% for all members (both new and existing), from 1 April 2013. The default rate will also be 3% from that date.
- Compulsory employer contributions will similarly rise from 2% to 3% from 1 April 2013.

Reducing Working for Families Tax Credits effective 1 April 2012

- The abatement rate is to increase by 1.25 cents every inflation adjustment round from 1 April 2012 until it reaches 25cents in \$.
- The current abatement threshold of \$36,827 is to be lowered by approximately \$450 every inflation adjustment round from 1 April 2012 until it reaches \$35,000.
- The inflation adjustment of family tax credit amounts is to be removed for children 16 and over from 1 April 2012.

Student Loans

- Repayment holidays for overseas-based borrowers will be shortened to one year and borrowers will need to apply for a repayment holiday before leaving NZ from 1 April 2012.
- Students won't be able to offset losses against their income to reduce their student loan repayment obligations from 1 April 2012.
- Students with an overdue repayment obligation of \$500, that's been overdue for a year or more, will not be eligible for new lending from 7 February 2013.
- The repayment threshold will be held at \$19,084 until 31 March 2015.

Paid Parental Leave

The maximum entitlement rate increased from \$441.62 to \$458.82 a week (before tax) on 1 July 2011. This rate applies to employee and self-employed PPL recipients entitled to receive the maximum rate.

To discuss how any of these changes may affect you, telephone Dave Ensor on Ext 716.



FROM THE IRD

Reminder

If you are registered for GST and have changed your name, address, constitution, or nature of taxable activity including your trading name, you are required to advise the IRD of the new details within 21 days of the change.

IRD detecting non-compliance

The IRD advise they are continuing to focus on the hospitality, scrap metal, fishing and aquaculture, tourism, agriculture and horticulture industries. Other industries of particular interest this year are ACC providers and the construction industry as well as online traders.

Tax Deductibility of failed software developments

The Government has announced that businesses will be able to claim tax deductions on failed software developments. The Bill confirming this change is expected to be introduced later this year and will provide for backdating.

Use of Money Interest (UOMI)

Among the provisions of the Taxation (Tax Administration and Remedial Matters) Act 2011 enacted in August 2011 was a change to allow UOMI to be claimed as an expense in the year UOMI is paid, regardless of whether or not you have business income. This is effective from the 1997-1998 and later income years, subject to certain rules.

GOVERNMENT DEPARTMENT CHANGES

New Regulator

A new Crown entity, the Financial Markets Authority (FMA) was established on 1 May 2011. The FMA regulates NZ's financial markets and it has taken over the function of the Securities Commission and the Government Actuary, both of which have been disestablished.

The FMA will oversee the registration and administration of KiwiSaver and superannuation schemes, as well as monitoring the practices of financial advisers. For further information: www.fma.govt.nz

Charities Commission Disestablishment

Changes are afoot for 2012 with the Government confirming a plan to disestablish the Charities Commission and transfer its core functions to the Department of Internal Affairs. A three person statutory board with decision making powers concerning the registration and de-registration function will be created.

Charities should continue to comply with the Charities Act and there will be more information available when the Reform Bill has been processed.

TRAUMATIC TIMES FOR OUR COMMUNITY

Rena Business Recovery Package

A subsidy was put in place to assist businesses who are unable to pay employees due to the impact of the Rena stranding. The package was not intended to help businesses that are only experiencing loss of trade.

To be eligible:

- You must have had no other way to pay employees, including insurance cover.
- You must operate your business in or nearby the exclusion zone.
- You must be unable to transfer or relocate your business to another location.
- You must be a sole trader or small business (generally fewer than 20 employees).

Subsidy Details:

- Paid for a maximum period of six weeks from 7 November 2011.
- Paid at a rate of \$500 gross per week (including GST) for full-time employees and \$300 gross per week (including GST) for part-time employees.

- The employer remains responsible for paying GST, ACC, PAYE Tax and holiday pay, and any other employment related expenses in respect of the employee(s).
- Payment by lump sum for a period of up to three weeks and after this, businesses must verify they still meet eligibility criteria to receive a further payment for up to another three weeks.
- Period for applications to be made was from 7 November to 20 November 2011.

The Tauranga Chamber of Commerce is also actively involved in assisting affected business by providing mentoring, training courses in crisis recovery and general business advice.

For further information: www.workandincome.govt.nz/business/forms-and-brochures/rena-support-subsidy.html

KIWIFRUIT INDUSTRY

We are hearing daily of the further spread of PSA and the scale of the disaster is now becoming apparent. The impact on our community will clearly be significant.

We urge people affected to keep in contact with their professional advisers and to take advantage of the support networks that are being established.

CREDIT CARD FRAUD IT COULD AFFECT YOUR ONLINE BUSINESS



WITH ONLINE SHOPPING ON THE RISE, SO IS CREDIT CARD FRAUD. FRAUDSTERS CAN SOMETIMES ILLEGALLY ACCESS CUSTOMER CARD DATA THROUGH COMPUTERS USED TO PROCESS TRANSACTIONS AND UNSECURED DATA.

Credit card fraud is a serious risk to your business and your customers. Be aware of the risks to avoid damaging your business' reputation and bottom line.

Some helpful tips to avoid credit card fraud:

Make sure your anti-virus software is up to date.

Make sure you have effective passwords. Use passwords with letters and numbers and both upper and lower cases - passwords that cannot be easily guessed. And change them on a regular basis.

Dispose of customer card information. If you have permission to retain this then make sure information is password protected. Hard copies of information should be locked up. Shred any such information when no longer required.

Limit staff access to this area of your business. It is important that your computer, associated equipment (e.g. servers) and website passwords are protected from unauthorised users.

Make sure your website online payment system is secure. Use secure online payment gateways such as DPS and payment express. This takes much of the hassle out of online payments and is safest for your customers.

When it comes to online shopping, your customers will appreciate the extra mile you go to provide a trustworthy and secure website. Advertise the systems you have implemented to shelter them from credit card fraud.

Most banks are very proactive when it comes to credit card fraud, if you have concerns about your credit card systems then have a look online at your bank's safety recommendations.

HANDY WEBSITES

To find out what your vehicle is worth, try

<http://www.turners.co.nz/pricecheck/Pages/ValHome.aspx>



To manage your entitlement to Working For Families Tax Credits online

<http://www.ird.govt.nz/online-services/service-name/services-m/online-mfdi-check-update.html>



Staff Notice Board

YRW Bean Bouncers Team continues to dominate in competition!

The 2011 year was the best winter season yet for our winter volleyball team. Although we had two staff members crippled with torn calf muscle injuries, which ruled them out for a few weeks, we still managed a fantastic 75% win success rate! With another summer beach volleyball season now upon us, we are grateful that the beach clean-up has ensured the competition remains on the sand where it belongs. We are two games into the season with a good start!

YRW in the Community

Our practice is proud to be associated with the Tauranga Riding for the Disabled Arena Charitable Trust (TRACT), providing general accounting support and ably represented on the Board by Debbie Read holding office as Treasurer. TRACT has successfully fundraised to build an all weather riding arena for the Tauranga Riding for the Disabled Association. The building project is now nearing completion which is an enormous credit to the generosity of the Tauranga community.

YRW Supporting Business

Our practice continues its close involvement with the Tauranga Chamber of Commerce, and we are delighted to have Dave Ensor re-elected to the Board. YRW has an ongoing commitment to support young business in the Bay of Plenty in 2011, and again sponsored the YRW Young Employee of the Year and the YRW Young Business Owner of the Year awards made at the annual Rocket Young Professionals Ball. Unfortunately because of our involvement on the judging panel, none of our own outstanding young employees were eligible for consideration. This did not prevent them though from thoroughly enjoying the evening's festivities!

Westpac Business Excellence Awards

Steve Read has continued his involvement as one of the judges for this valuable celebration of local business success and YRW again hosted a table at the Awards ceremony. We take pleasure in congratulating all the winners and acknowledging the high standard of all finalists.



Our congratulations to Natalie Milne and Amanda Sutcliffe, pictured below at the NZICA graduation ceremony where they were formally welcomed into the College of Chartered Accountants.

And our congratulations also go to a number of our team who have continued to achieve academic success with further examination passes this year.



Have you visited our new website?

yrw.co.nz



CONTACTS

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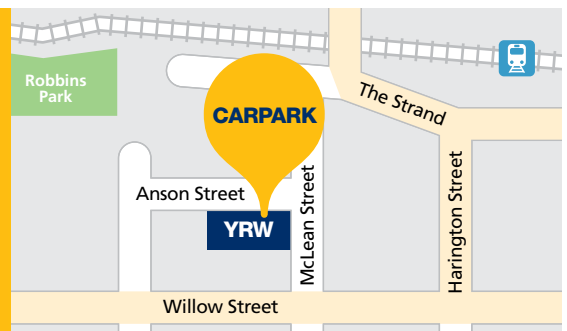
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VISIT US:

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.