

## CHARTERED ACCOUNTANTS

### YRW - YOUR KEY PARTNERS

As another year draws to a close we always reflect back to what has gone before and start to plan for what lies ahead.

Our office will re-open in January with a change to our software platform and we know that this enhanced functionality will be of huge benefit to both our team and our clients.

At YRW we are proud of our philosophy of continuous improvement that has seen our practice keep pace with rapidly changing times while steadfastly maintaining the client and community relationships that are the foundation of a successful independent provincial accountancy practice.

*Steve Read*

Steve Read  
Principal

*Eric Woudberg*

Eric Woudberg  
Principal

*Raimarie Pointon*

Raimarie Pointon  
Principal

### CONTACT US:

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*"The celebration of success overshadows the challenges that were encountered along the way."*  
Jeffrey Benjamin

*The Principals and Staff of  
Young Read Woudberg wish  
you a Merry Christmas and  
Happy New Year*



**Our offices will be closing at  
5.00pm Friday 21st December  
2012 and re-opening at 8.00am  
Tuesday 15th January 2013.**

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

Eric 027 448 0983

Raimarie 027 576 6076

Steve 027 570 1172

## SOFTWARE SYSTEMS

YRW HAS THE EXPERTISE TO ASSIST WHATEVER YOUR REQUIREMENTS!

With a wide array of accounting software available it's comforting to know that YRW can assist with all of them. In particular we have expertise in dealing with Xero, Banklink and MYOB, and can help with everything from set-up to bookkeeping advice and technical queries.

YRW is up to date with the growing field of cloud computing solutions, and we are a Xero Certified Accountant. Cloud accounting solutions give you the flexibility to do your bookkeeping from anywhere in the world on any online device and gives us, as your

accountant, immediate real-time access to your financial data under password. This type of collaboration is unlike anything that has been available in the past, and these cloud solutions are proving extremely popular.

And remember, if you prefer to have someone else take care of the day to day financial management of your business, YRW is staffed to provide the appropriate expertise within our office.

To see how YRW can help you streamline your business processes by utilizing the latest in software developments, please phone Eric on ext 708.

# COMMERCIAL PROPERTY UPDATE

## Lease Inducement Payments

In July of this year, Inland Revenue announced proposals to change a long-standing Privy Council decision. In the past the New Zealand Courts have accepted that lease inducement payments received by tenants were generally non-taxable. IRD were seeking to change this and make the receipt of lease inducement payments taxable. Furthermore, this proposed tax change was to become effective from July 2012.

Following a consultation period, Revenue Minister Peter Dunne in September released details of the Government's decision on lease inducement payments. Importantly, the announcement included a number of changes to the IRD's issues paper released in July.

The IRD's issues paper proposed retrospective application of the tax legislation from July, which created significant uncertainty for parties currently negotiating leases. The Government's announcement that the new treatment will only apply to leases entered into after 1 April 2013 has removed this uncertainty. It also creates extra impetus for tenants to conclude negotiations for leases that include cash incentive payments before that date.

The change will now also equally apply to lease surrender payments made by tenants to exit a lease early. Currently, these are taxable to the landlord but non-deductible to the tenant. After 1 April 2013, these become tax-deductible to the payer.

Cash incentive payments have traditionally been attractive to tenants due to their non-taxable nature. From 1 April 2013, the preference is likely to shift to fit-out contributions, particularly where leases are for short duration as the taxable impact of these contributions may be spread over 10 years.

The reforms will not affect residential tenants.

The table below summarises the tax treatment of common lease incentives :

	Currently	From 1 April 2013
<b>Landlords</b>		
Lease inducement payment	Tax-deductible upfront	Tax-deductible spread over lease
Lease surrender receipt	Taxable	Taxable
<b>Tenant</b>		
Lease inducement receipt	Non-taxable	Taxable spread over lease
Lease surrender payment	Non-deductible	Tax-deductible

Given the potential for substantial income tax consequences arising from the changes that are taking place in this area, landlords and tenants should monitor the evolution of the proposals into legislation and obtain expert independent advice before entering into lease inducement or surrender arrangements.

*If you would like further information on this topic, please telephone Raimarie on Extn 711.*



## INCREASE YOUR ONLINE SALES

### Improve your traffic. To make sales you need visitors!

Is your website actively in the public domain? Using flyers, advertising, supporting an event or charity, giving out business cards, using smart packaging, referral sites, and business directories are some simple ways to put your brand and website address out there for potential customers to see.

The next step is encouraging your site visitors to linger and engage. To do this your site must load quickly, without flashy loading pages and the content should direct people throughout the site.

Are your contact details visible on every page? Some people prefer to pick up the phone and talk to a person while others are happy delving into your site.

### Is your content easy to read and helpful?

Highlight benefits in your headlines. Identify a problem and show how your product or service can resolve it.

Less is generally more. Pages of paragraph text are hard on the eye so use bold, italics and highlighting sparingly with subheadings. Vary the length of your paragraphs and experiment with layout to convey messages efficiently.

Use photos, images and videos to boost your product or service's desirability. A picture paints a thousand words, a video paints a thousand pictures!

Have a clear call to action and tell your customers to purchase now.

### Do your systems make it easy to purchase?

- Do you offer a variety of payment methods?
- Is the order/delivery process clear and efficient?
- Does your follow-up process strengthen customer relations and therefore produce testimonials?
- Does your purchase process encourage repeat business?



## USEFUL WEBSITE

The Companies Office has now merged with a number of other agencies into the Ministry of Business, Innovation & Employment.

Visit [business.govt.nz](http://business.govt.nz) for a centralised introduction to a range of agencies providing useful business information as well as direct links to many online services including those related to intellectual property, taxation, ACC and employment legislation.

If you have a business issue or question, you can also call the biz service free on 0800 42 49 46.

# YOUNG READ WOUDBERG PROUDLY INVOLVED IN SUPPORTING OUR COMMUNITY

## Rocket!

Rocket! is a networking forum for young professionals of Tauranga. This year they gathered at Bella Vista Lodge on 6 October 2012 to celebrate the annual Rocket! Young Read Woudberg Awards and Ball.

The amazing winners announced on the night include:

- **Matt Cowley –Young Read Woudberg Young Employee of the Year**
- **Venture Developments Ltd – Young Read Woudberg Young Business Owners of the Year**
- **4Good Charitable Trust – Ballance Young Innovator of Year**

This is an absolutely stand out event so make sure you look for opportunities to identify and nominate worthy candidates for the awards next year!

In other Rocket! news our own Amanda Sutcliffe has been announced as the new Chairman of Rocket! So if you would like any information or to get involved in Rocket! please contact Amanda at [Amanda@yrw.co.nz](mailto:Amanda@yrw.co.nz).

Coming up is the annual Rocket! Christmas Party being held on Thursday 13 December (venue to be announced). This is a free event so if the Rocket! concept interests you, ask for the details from Amanda so you can go along and check them out.

*Pictured below: Matt Cowley – Young Read Woudberg Young Employee of the Year and Dave Ensor – Associate, Young Read Woudberg*



*Image supplied by Bay of Plenty Times*

## Westpac Tauranga Business Awards

Our practice continues to support this celebration of local business success with Raimarie Pointon replacing Steve Read on the judging panel and it was our pleasure to again host a table at the awards ceremony.

We congratulate all this year's winners and urge our business clients to commit to entering next year! YRW has the resources to assist you in all aspects of your entry pack including your Business Plan.

To find out more about what is required to prepare your business to enter these prestigious awards, phone Raimarie right now on Ext 711 or alternatively email her on [raimarie@yrw.co.nz](mailto:raimarie@yrw.co.nz).

## Chamber of Commerce Business Womens Network

We are delighted to have Natalie Milne representing YRW on the committee of the Tauranga Business Women's Network (BWN).

The BWN organises monthly Business Behind the Scenes events and a speaker programme, which provide excellent development and networking opportunities for professional women and women in business.

The committee is currently planning its biennial conference to be held on the 24th to 25th May 2013. This promises to be an event not to be missed given the high calibre of keynote speakers already confirmed.

If you would like to find out more about the BWN's upcoming events please go to [Tauranga.org.nz/events-training.html](http://Tauranga.org.nz/events-training.html) or telephone Natalie on ext 712.

# WITHHOLDING TAX WARNING

THIS CONTINUES TO BE AN AREA OF IRD FOCUS, PARTICULARLY IN RELATION TO THE FOLLOWING SPECIFIC CATEGORIES OF SCHEDULAR PAYMENTS.

Remember, if you are employing contractors for labour only work in relation to prescribed schedular activities, you must:

- Sign a withholding tax exemption certificate and retain a copy of this with your wages records, or
- Deduct withholding tax at the prescribed tax rate.

Activity	Normal tax rate	Rate if no tax code declared
Agricultural contracts for maintenance, development or other work on farming or agricultural land	15c	30c
Agricultural, horticultural or viticultural contracts by any type ( <u>individual, partnership, trust or company</u> ) of contractor for work or services rendered under contract or arrangement for the supply of labour, or substantially for the supply of labour on land in connection with fruit crops, orchards, vegetables or vineyards	15c	30c
Labour only building work which is exclusively or substantially for the supply of labour in connection with a building or a construction	20c	35c

For more information on this topic, please telephone Dave on Extn 716 or Debbie on Extn 725.

## ▶ ARE YOUR AFFAIRS IN ORDER?

- Do you have a Succession Plan for your business or farm?
- Do you have enduring Powers of Attorney?
- When was the last time you reviewed your Will?
- Is your Memorandum of Wishes up to date?
- Do you have a Shareholders Agreement?
- Do you have a complete file of personal and business legal documents?

***Eric, Raimarie and Steve have the expertise to assist in all areas of asset protection and estate planning. Phone now to book your appointment.***

# TAX BRIEFS

## Extension of time to disclose Penny and Hooper type arrangements

In our December 2011 newsletter we alerted you to the Supreme Court decision in favour of the Inland Revenue Department in this landmark case which dealt with the allocation of taxable income substantially derived from personal services. This case has implications for any business which may be paying an owner's salary which the IRD deems to be below market level.

As a result of the Penny and Hooper decision, Inland Revenue agreed to accept settlement for those who make voluntary disclosures (with similar income diversion arrangements to Penny and Hooper) for the most recent two years, instead of four.

Inland Revenue have now extended the two year limit to ....

**“ those who disclose an incorrect tax position before 31 March next year. Full four year audits may be commenced however at any time for taxpayers who have received risk review letters but who do not make a voluntary disclosure.”**

To review your circumstances, telephone Steve on Ext 713.

## Updated mileage rate for business use of motor vehicles

This has now been set at 77 cents per kilometer, up from 74 cents in 2011.

The mileage rate applies in respect of –

- Self-employed taxpayers
- Up to a maximum of 5,000 kilometres of work-related travel each year, and
- Motor vehicles irrespective of engine size and whether they are powered by petrol or diesel (it does not apply to motor cycles).

Employers may use the 2012 vehicle mileage rate as a reasonable estimate of costs when they reimburse employees for the use of their private vehicle for business-related travel. However employers may also use an alternative estimate such as motor vehicle running cost data published by other reputable sources such as the New Zealand Automobile Association Inc.

## Paid parental leave maximum entitlement rate increase

From 1 July 2012 the weekly maximum entitlement rate increased to \$475.16 a week before tax (up from \$458.82). This applies to employee and self-employed recipients who are entitled to receive the maximum rate.

# MIXED USE ASSETS

STARTING FROM THE 2014 YEAR, WHICH FOR MOST TAXPAYERS COMMENCES 1 APRIL 2013, THE IRD IS PROPOSING NEW RULES TO APPLY TO MIXED USE ASSETS. NOTE THAT THE PROPOSAL ONLY APPLIES AT THE MOMENT TO CLOSE COMPANIES AND NOT PARTNERSHIPS OR OTHER ENTITIES.

## Income Tax

### Limit to mixed use asset rules

The rules apply if the asset –

- is being used by an owner or associate
- generates income
- is not used for at least 62 days (62 working days if the asset is typically only used on work days) in an income year
- costs more than \$50,000 or is land

The new rules do not apply where other rules are already in place, such as for motor vehicles or where expenditure is apportioned on an area basis. However the rules will apply regardless of whether or not the owners pay market value for the use of the assets.

### Debt Stacking rule and mixed use asset

This will be applied if a close company owns an asset which is used partly for business and partly for private (such as a yacht or holiday home). The calculation is –

- If the total of the company's interest bearing loans are equal to or less than the cost of the asset (or rateable value for land currently owned) then the interest is applied to the mixed use asset and subject to apportionment.
- If the loans are greater than the cost of the mixed use asset, the interest is averaged.
- To the extent the loans exceed the cost of the asset, the interest is claimed under normal rules.
- Having determined the interest applicable to the cost of the mixed use asset, apportion this between private and business use.

The IRD has supplied these examples:

- Company A holds a mixed use asset with a cost of \$100,000. The company has a total interest-bearing debt of \$75,000. The company is required to apportion the interest expenditure on the \$75,000 of debt.

- Company B holds a mixed use asset with a cost of \$100,000. The company has a total interest-bearing debt of \$150,000. The company must apportion the average interest expenditure on the \$100,000 of debt. Interest on the remaining \$50,000 is subject to existing interest deductibility rules.

There will be special rules for groups of companies and interest on money borrowed to buy shares in a group company might also count as part of company loans.

### Ring-fencing small losses

Income for a mixed use asset has to exceed 2% of its cost or, for a holiday home, 2% of its rateable value. If this threshold is not exceeded, the loss cannot be set off against other income. It has to be carried forward and offset against future profits made from that asset.

### Opting out

If the mixed use asset generates less than \$1,000 gross income, the taxpayer can opt out. However in the case of a close company, the debt stacking rule will still apply.

## GST

Changes are also proposed to the Goods and Services Tax Act consistent with those being made in the Income Tax Act 2007 for mixed-use assets.

These changes will ensure that asset owners that are registered for GST will be able to claim input tax deductions in a similar way as they would be able to claim income tax deductions for the same item. Again it is proposed that the amendments apply to taxable periods starting from 1 April 2013.





## DEALING WITH A DISSATISFIED CUSTOMER

A complaint is an opportunity to turn a disgruntled customer into a loyal customer.

- Act FAST, don't stew over the complaint
- Be a good listener and keep your cool
- Be positive in your response, the tone of your voice or correspondence must always remain fair and professional
- Offer several solutions and resolve the problem to THEIR Satisfaction, not yours

Your brand can easily be damaged by one dissatisfied customer. A happy customer tells one friend. An unhappy customer tells everybody! A complaint that is resolved effectively can result in a loyal customer with revived trust in your brand and fresh confidence to buy again, knowing that complaints will be dealt with promptly.

Remember, the customer is always right. When you receive a complaint, make sure to review the necessary processes - one small change could avoid a recurrence of the situation.

# GOVERNMENT REFORM

## Customer Rights

The Consumer Law Reform Bill has been reported back to Parliament by the Commerce Select Committee. This legislation will have major implications for business once it passes into law which is expected to be in 2013.

Significant changes are proposed to the Fair Trading Act, Consumer Guarantees Act and the Door to Door Sales Act, Unsolicited Goods and Services Act and Layby Sales Act are to be incorporated into the Fair Trading Act.

Other legislation to be updated includes the Auctioneers Act and Weights and Measures Act, largely to reflect new technology and business practices such as internet trading.

## Social Security

The Social Security (Benefit Categories and Work Focus) Amendment Bill (67-1) has been introduced to Parliament. This is part of a package of reforms aimed at shifting the focus of the benefit system towards encouraging and supporting beneficiaries to move into paid work as a result of the review undertaken by the Welfare Working Group in 2010.

Central to the reforms is the introduction of three new benefits to replace the seven current categories of main benefit as follows:

- **Jobseeker support:**  
This will include all people currently receiving unemployment or sickness benefits; domestic purposes benefit for solo parents whose youngest child is 14 years old or older; widows benefit whose youngest child is 14 years old or older or who have no children; domestic purposes benefit for women alone.
- **Sole parent support:**  
Available to sole parents and widows with a child younger than 14 years old, with part-time work expectations if their youngest child is 5 years old or older, and work preparation expectations if their youngest child is under the age of 5 years.

- **Supported living payment:**

This is for people currently receiving invalids benefit or domestic purposes benefit for care of sick or infirm. Eligibility for this group does not change and there are no work availability expectations. Where capacity allows, work preparation expectations can be applied.

The changes will generally come into effect on 15 July 2013.

## Student Loans

More of the changes announced in the 2011 and 2012 Budgets are about to take effect. For more information go to: [www.studylink.govt.nz](http://www.studylink.govt.nz).

### From 1 January 2013

Postgraduate study will no longer qualify for the student allowance (except Bachelor degrees with honours) and borrowing will be limited to two EFTS (equivalent full-time student) of study each year. Those aged over 55 will only be eligible for the compulsory fees component of the student loan and will no longer be eligible for living costs or course related costs. Pilot training students will have limits on what they can borrow and the exemptions to the 200-week lifetime limit for a student allowance will be removed except for special circumstances.

### New Applications from 7 February 2013

Students won't be able to borrow more if they're \$500 or more in default including late payment interest, penalties and amounts under instalment arrangement.

### From 1 April 2013

The repayment rate increases to 12 cents in every dollar earned over the repayment threshold of \$367 a week or \$19,084 a year. The voluntary repayment bonus will also no longer be available after this date.



## Staff Notice Board

### **Congratulations to Steve on a very successful result in the Round Lake Taupo bike ride in November.**

His time was a new personal best so all the training was clearly worthwhile. (And he tells us that the fuel in his drink bottles wasn't on the banned substance list!)

### **Two keen YRW golfers, Chris Doms and James Shearson,**

took part in the Otumotai Rotary Club's Charity Golf Tournament at the Omokoroa Golf Club in support of the Child Cancer Foundation. Excellent weather framed a great day on the course for this event which was held on the 4th November.

YRW was delighted to be one of the sponsors of this event, and as always our yellow, blue and white jellybeans proved very popular.



Chris and partner Jill enjoying the Rocket Ball

## Exam Passes

YRW is an Approved Training Organisation and we are thrilled to see our team members continue to achieve success as they move towards full membership of NZICA.

Our congratulations to Chris Doms on becoming an Associate Chartered Accountant - Well done Chris!

This year Annabelle Woodward, James Sherson and Rebecca Maulder have all passed the Foundations exam giving them provisional membership of NZICA.

**Would you prefer to receive our newsletter electronically?**  
**Please email us your comments**  
**accounts@yrw.co.nz**

Have you visited our website?

**yrw.co.nz**



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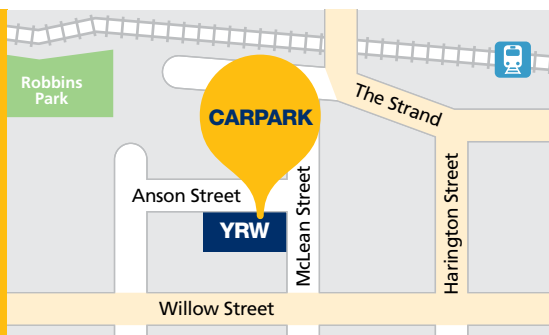
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## VISIT US:

### Carparking

We have six client car parks 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.