

**CHARTERED
ACCOUNTANTS**

CONGRATULATIONS

YRW - YOUR KEY PARTNERS

A new regime comes into effect on 30 June 2013 which will add substantial compliance cost to many businesses.

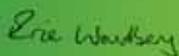
Some commentators are calling the new Anti-Money Laundering and Countering Financing of Terrorism Act 2009 the most significant legislation to impact on New Zealand business since the introduction of GST.

The new rules are intended to enhance public confidence in the financial system and New Zealand's international reputation, consistent with our trading partners and international treaty obligations.

For further detail please go to page 2.



Steve Read
Principal



Eric Woudberg
Principal



Raimarie Pointon
Principal

CONTACT US:

Young Read Woudberg Limited

13 McLean Street
PO Box 948
Tauranga 3140

Phone 07 578 0069
Fax 07 578 8725
Email accountants@yrw.co.nz
Website www.yrw.co.nz

We're delighted to announce the appointment of Natalie Milne as an Associate at YRW.

Natalie has a wide range of expertise and specialist experience in Foreign Investments, Farm Accounting and Business Solutions such as Xero.

So, if you are looking for a smart, savvy accountant with a fresh approach, give Natalie a call on 07 578 0069 extn 712.



BUDGET 2013

THE GOVERNMENT'S PLAN TO RETURN TO SURPLUS THROUGH REDUCTIONS IN PUBLIC SPENDING AND THE COLLECTION OF MORE REVENUE CONTINUES TO BE THE FOCUS OF THIS YEAR'S BUDGET.

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

- **Additional funding for increasing the collection of Income Tax**

An allocation to the IRD of an additional \$6.65m in annual funding from the 2014/15 year specifically for audit in relation to property investment tax compliance (please refer to page 2 for further detail).

- **ACC Levies**

There is to be a reduction in ACC levies of around \$300m in 2014 increasing to \$1b from the 2015/16 year. These combine to equate to a reduction of around 40% in levy rates.

- **Research & Development Expenditure & Tax Losses**

Subject to a public consultation as to the detail and limitations of claims, there are to be tax refunds for small start-up companies investing in R & D if that expenditure results in tax losses.

- **Black Hole Expenditure**

Changes are proposed to allow deductibility of some business expenditure which is currently neither deductible nor depreciable effective from the 2014/15 tax year (please refer to page 5 for further detail).

- **Timing Clarification**

There is a proposal to clarify the date of acquisition of land with regard to taxpayers who acquire land to re-sell it.

- **Student Loan Scheme**

Changes will adjust the overseas-based borrower repayment thresholds and make it an offence for such borrowers to default on repayments.

- **Thin Capitalisation Rules**

These will be extended to apply when a group of non-resident taxpayers are acting together and collectively own 50% or more of a NZ investment. Also shareholder debt will be excluded from a company's worldwide safe harbour debt calculations.

▶ INLAND REVENUE'S FOCUS

The IRD is able to use increasingly sophisticated information and intelligence capabilities to identify and target areas where they believe there is unacceptable tax behaviour, whether it be aggressive tax planning, fraud, under-reporting or activity outside of the tax system. Compliance priorities and risk areas identified are:

- **Diverting Personal Income**, including where it is related to Working for Families Tax Credits, Child Support or business/trust structures which may be impacted by the Penny & Hooper decision (refer earlier newsletters or telephone Steve Read on extn 713 for further information).
- **Loss Generation**, including entities with 'perpetual' losses and mis-calculation of loss continuity.
- **Misuse of Charities**, with specialist investigators being employed to identify abusive practices.
- **Offshore and International Issues**, including use of schemes and bank accounts to evade tax.
- **Fraud and Identity Theft**, targeting taxpayers who fraudulently claim refunds for GST, Income Tax, Working for Families Tax Credits and Donation rebates.
- **The Hidden Economy**, which covers cash jobs to avoid GST and income tax, skimming takings from the till, not declaring offshore income and undeclared property trading income. Online trading is a particular target area, as is the hospitality industry.
- **Transfer Pricing and Thin Capitalisation**, checking that company losses are not resulting from incorrect compliance in these areas.
- **Getting It Right At The Source**, continuing review of areas where errors frequently occur such as:
 - Employer monthly schedules
 - RWT deduction rates and inclusion of interest income in tax returns or personal tax summaries
 - Non-resident contractors, with increased relevance during the Christchurch rebuild
 - Filing returns and paying on time
- **Income from Property**, with some of the common discrepancies identified for investigation by the IRD including:
 - Buying with the intention to sell
 - Pattern of transactions over a 5 year period
 - Claiming the purchase price of revenue account property in the wrong year
 - Shareholders living in property owned by LAQC/LTC
 - GST change of use claims
 - Buying and selling of property prior to settlement
 - Obtaining information from Councils on zoning changes as these may give rise to taxable gains but are often over-looked.

A NEW COMPLIANCE REGIME

THE ANTI-MONEY LAUNDERING AND COUNTERING FINANCING OF TERRORISM ACT 2009 BECOMES LAW EFFECTIVE 30 JUNE 2013

This legislation has come about through international collaboration and treaty and it will have a very significant impact on any business that:

- imports or exports
- makes or receives payments internationally
- holds money on another's behalf
- handles cash in excess of \$9,999 per transaction
- manages businesses/assets on behalf of third parties
- and more...

Affected businesses will have to carry out a risk assessment process to understand whether the new rules apply. If they are subject to the regime, a strict compliance process will need to be put in place. This will include following a prescribed process of verifying and recording the identity of parties, beneficial ownership and business relationships, keeping transaction records and creating annual reports which may be audited. Suspicious transactions will have to be reported.

A temporary exemption for compliance with the regime has been granted to some professional services businesses, including estate agents, lawyers and accountants, until a later date (indicated as 2014). However there is a risk that lack of correct processes or appropriate structures may void this exemption.

Note that the legislation overrides contractual obligations, and penalties for non-compliance include imprisonment and fines up to \$5m.

Our practice has already had clients subjected to a full identity due diligence check by lenders in anticipation of the legislation coming into force.

For more information please telephone Raimarie Pointon on extn 711.



YRW CONTINUES ITS SUBSTANTIAL COMMITMENT TO SUPPORTING OUR LOCAL COMMUNITY

The Tauranga Chamber of Commerce 10th Regional Business Women's Conference was held at Trinity Wharf on 24 – 25 May

The title of the conference this year was 'Catalyst 2013 - Channelling Change'. YRW was delighted to again sponsor this event which is a bi-annual initiative of the Business Women's Network. The quality of the speaker line up was exceptional and provided a fantastic learning experience for the attendees from business, professional and personal perspectives.

Our congratulations go to the organising committee which includes our very own Natalie Milne!

Chamber of Commerce

Dave Ensor continues to play a key role as a Board Member in this vitally important local organisation. To find out how membership of the Chamber of Commerce can benefit your business, phone Dave on extn 716.

Rocket!

Rocket! provides a vibrant networking opportunity for the younger business and professional community and YRW will again be sponsoring the Young Read Woudberg Young Employee of the Year and Young Business Owners of the Year awards.

YRW's Amanda Sutcliffe is Chairperson of the Committee, so for further information on Rocket! events please contact her at Amanda@yrw.co.nz.

Supporting Tauranga's Future

YRW gives generously of its accounting resources to a number of community charitable and sporting organisations. Recipients of our commitment in this area currently include the Aims Games Trust, Swimming BOP and Tauranga Water Polo.

A new role for Steve Read

Steve has taken up the position of Treasurer of the Bay of Plenty Racing Club from October 2012 after previously serving on the Committee. Steve is excited about being involved with the Club which is one of New Zealand's most progressive Clubs outside of the metropolitan areas.



“ Culture Eats Strategy For Breakfast.”

(attributed to Peter Drucker and popularised in 2006 by Mark Fields, president of Ford Motor Company)

Westpac Tauranga Business Awards 2013

This year's search for outstanding local business launches this month. YRW is continuing its involvement in this important celebration of our business community with Raimarie Pointon again being appointed to the judging panel.

Organisations entering the Awards benefit substantially from the application process. It is an opportunity for rigorous self-assessment and increasing team morale, while the Awards Ceremony and associated publicity provide the best possible public recognition for your business.

It is never too early to consider entering your business and we encourage all our business clients to discuss this opportunity with their professional adviser at YRW.

Have you joined the 200 Club? YRW Has!

This is a long term project to help Tauranga's Breast Cancer Support which is a local service whereby survivors help those newly diagnosed. The annual payment of \$200 will give you an invitation to the "Legacy Long Lunch" with guest speaker Dame Rosie Horton, but more importantly, it will provide funding to ensure that this valuable work is able to continue in our local community. For more information visit www.the200club.co.nz or phone Debbie Read on extn 725.

EMPLOYER CORNER

Employing students and casual workers in the holidays?

School Children Wages

Following the repeal of the tax credit for children, from 1 March 2013 children are required to complete a tax code declaration (IR 330) and give it to their employer so that tax can be deducted from their wages.

KiwiSaver and Temporary Workers

Anyone employed on a temporary contract for less than 28 days does not have to be enrolled in KiwiSaver. However if they are already KiwiSaver members and wish to continue with their contributions, they must give the employer a KiwiSaver deduction notice (KS 2).

Cashing in that extra week's annual leave?

If the employer and employee agree that one week's annual leave can be cashed in, it must be treated as an extra pay or unexpected bonus and taxed accordingly.

What about Employee allowances?

An Issues Paper was released late last year and submissions closed in February 2013. It is expected that there will be some further clarification needed in some areas, but the draft recommendations include:

Meals

Employee meal expenses during work travel away from the normal workplace should be exempt, subject to a 3 month upper time limit at any one work location. Note that the entertainment regime would still apply. Payments for working lunches would also be exempt unless they are a regular payment for the employee's services.

Accommodation

An upper time limit of 12 months is proposed where accommodation is provided during work travel away from the normal workplace, with an extension at the Commissioner's discretion. There is currently a 3 month time limit for relocation payments.

Communication and Clothing

This area contains a number of contentious proposals including taxing payments made in respect of the employee's home phone line or internet fee which would currently usually be made as a tax free reimbursing payment. Where the employer provides goods or services in their own name for the employee, Fringe Benefit Tax would apply (subject to some exemptions such as apply to business tools costing less than \$5,000). Payments in respect of normal clothing would also be taxable.

GST WINDFALL FOR BODY CORPORATES WITH LEAKY BUILDINGS

MANY PROPERTY OWNERS OF LEAKING BUILDINGS IN A BODY CORPORATE STRUCTURE MAY NOT BE AWARE THE IRD COULD MAKE A SIGNIFICANT CONTRIBUTION TO THEIR COST BY WAY OF A GST REFUND.

In recent years there has been uncertainty as to whether a Body Corporate could even register for GST. However, two recent cases look likely to have set a precedent that Body Corporates are indeed able to register for GST.

The two cases, one by nsaTax in Auckland and the other by OliverShaw in Wellington related to GST refund claims as a result of compensation payments used to fund the repairs of leaky buildings. In each case, the IRD have conceded the Body Corporate can register for GST.

Whether it is in the best interest or appropriate for a Body Corporate to register for GST is a matter that should be discussed with your accountant. However, once it is established that a Body Corporate can register for GST, it then follows that those Body Corporates who have been paid compensation for leaky buildings can obtain a significant GST refund from the IRD. This is because there is usually no GST payable on the compensation received by a Body Corporate from the likes of a local Council or builder, and even though no GST has been paid to the Body Corporate, the GST content of the repair work is still able to be claimed and refunded.

The peculiarities of each Body Corporate's position must be considered on an individual basis, however based on the cases reviewed to date, it would appear a strong argument exists for an unexpected funding gain courtesy of the IRD for many Body Corporates.

And some more on property –

The IRD has released an Interpretation Statement on the topic of Repairs & Maintenance which continues to be an area of complexity, with added focus following the removal of the ability to claim building depreciation.

To identify whether or not expenditure on a property is tax-deductible, there is 3 step process:

- Step 1 Identify the asset and whether it is a whole or a part
- Step 2 Identify the nature and extent of the work done; whether it is a repair or a replacement to a whole or a part, and whether there is any improvement in materials or the asset itself
- Step 3 There are other specific considerations including such as whether there was a purchase of dilapidated assets, and whether there has been an accumulation of repairs dealt with at the same time

There is now also some guidance on treatment of expenditure relating to leaky building situations however this is an area where we would expect to see further developments.

If you would like more information on these issues, please telephone Eric Woudberg on extn 708.

BLACK HOLE EXPENDITURE

Following the 2013 Budget, the following proposed changes are expected to be introduced in a Tax Bill later this year:

	Depreciable	Immediately deductible
Patents or plant variety rights		Legal & administrative fees
Resource consents under Resource Management Act	Expenditure incurred on certain fixed life resource consents	Expenditure incurred on consents that are abandoned
Company administration costs		All cost associated with payment of dividends to shareholders
Annual fees		Annual fees for listing on stock exchange
Shareholder meetings		Annual shareholder meeting costs



FOR A WEALTH OF INFORMATION AND RESOURCES TO HELP GROW YOUR BUSINESS VISIT www.business.govt.nz

We recommend that all our business clients make a practice of regularly checking this site as well as signing up for the monthly electronic newsletter.

Among the most popular resources are tools for:

- Business planning (including templates)
- Business start up and exiting a business
- Review of intellectual property protection
- Planning for exporting
- A calculator for 5 ways to improve your business profit

This website contains useful information for all facets and stages of the business lifecycle including start up requirements, legislation and HR. It also provides a quick link to a number of other related agencies and initiatives including regional partners and funding opportunities such as the NZTE Capability Development Vouchers and the Ministry of Science and Innovation funding schemes.



COMPANY DIRECTORS TAKE CARE

IT IS NOT ONLY HIGH PROFILE DIRECTORS THAT MAY PAY A HEAVY PENALTY WHEN THINGS GO WRONG. IF YOU ARE ACTING AS A DIRECTOR OF A COMPANY, YOU MUST PUT IN BOTH THE TIME AND EFFORT TO:

- Be fully aware of the financial position of the business at all times
- Ensure basic controls are firmly in place
- Attend all board meetings
- Ensure you are aware of gaps in your experience and address these
- Seek advice where possible from industry experts
- Understand the risks and rewards associated with the industry



Record keeping

Accurate records need to be kept for many reasons and in relation to companies the requirements are set out in the Companies Act 1993 and also the Tax Administration Act 1994.

Financial Records

Section 194 Companies Act 1993

The board of a company must cause accounting records to be kept that –

- Correctly record and explain the transactions of the company; and
- Will at any time enable the financial position of the company to be determined with reasonable accuracy; and
- Will enable the directors to ensure that the financial statements of the company comply with section 10 of the Financial Reporting Act 1993 and any group financial statements comply with section 13 of that Act; and
- Will enable the financial statements of the company to be readily and properly audited.

There are a number of other requirements as well and if the board of a company fails to comply with these, every director commits an offence and is liable on conviction to a fine of up to \$10,000.

If a company goes into liquidation, the liquidator may seek an order pursuant to Section 300 of the Act. The Court may declare that any one or more of the directors or former directors is or are personally liable for all or any part of the company's debts and other liabilities if the Court considers that the failure to keep proper records has:

- Contributed to the company's inability to pay all of its debts; or
- Resulted in substantial uncertainty as to the assets and liabilities of the company; or
- Substantially impeded the orderly liquidation.

Tax Administration Act 1994

A company's accounting records must be retained for at least seven years from the end of the tax year or taxable period that they relate to.

Company Records

There are various other records that a company is required to keep at its registered office and these are set out in Section 189 of the Companies Act 1993 and include:

- The company's constitution (if it has one)
- Minutes of all meetings and resolutions of shareholders and of directors within the last seven years
- An interests register
- Certificates given by directors under the Companies Act within the last seven years
- The full names and addresses of the current directors.

As with accounting records, it is an offence to fail to comply and both the company and its individual directors may be liable.

If you have any concerns about your Company's record keeping, please phone Steve Read on extn 713.

ACC LEVIES FOR 2013/14

Levy rates for 2013/14 remain unchanged at:

- **Work Account**
Average levy per \$100 liable earnings = \$1.15
- **Earners' Account**
Levy per \$100 liable earnings including GST = \$1.70
- **Motor Vehicle Account**
Average levy per vehicle = \$334.52

Thresholds change as follows:

- Minimum liable earnings for self-employed people increases from \$27,040 to \$28,080
- Maximum liable earnings for self-employed people under the Work and Earners' Accounts increases from \$111,669 to \$113,768 as it does for employees and private domestic workers for calculating the residual portion of the Work Account
- Note that employees and private domestic workers under the Work and Earners' Accounts increases from \$113,768 to \$116,059



Staff Notice Board

Departure

As many of our clients now know, Chris Doms has made the decision to broaden his accounting experience and move from the CA profession into a management accounting role with a commercial organisation. Chris has made a substantial contribution to YRW with his outstanding IT expertise. We wish Chris, and wife Jill, all the very best as he embarks on this new phase in his career.

Arrivals

We are thrilled to announce two new appointments: Camille Moore has joined our accounting team after moving to Tauranga. Camille is degree qualified with prior management accounting experience and she is a provisional member of NZICA.



Camille



Jessica

And our accounting team is further strengthened by the addition of Jessica Patel. Jessica's appointment is also part of our ongoing commitment to providing training support to young accountants as they progress through to membership of the various NZICA accounting colleges.

Welcome Camille and Jessica!



James Sherson and Amanda Sutcliffe's partner Cam entered their first fishing competition and took out 1st and 4th place!



Our very own Marathon Man!

After a creditable effort last year completing his first half marathon Eric now has his first full marathon under his belt, completing the Rotorua Marathon in excellent time!

Pink Ribbon Charity Breakfast

Pictured are Calley Smith, Jocelyn Kelly and Roslyn Garrett at The Phoenix Pink Ribbon Breakfast. The total raised for the breakfast was \$3,160, of which 100% has been donated back to The NZ Breast Cancer Foundation. Well done to The Phoenix for their support of this worthy cause.



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

CONTACTS

Principals

Steve

Phone

07 578 0069 Extn 713

Email

steve@yrw.co.nz

Eric

07 578 0069 Extn 708

eric@yrw.co.nz

Raimarie

07 578 0069 Extn 711

raimarie@yrw.co.nz

Associates

Dave

Phone

07 578 0069 Extn 716

Email

david@yrw.co.nz

Natalie

07 578 0069 Extn 712

natalie@yrw.co.nz



CONTACT US:

Young Read Woudberg Limited

13 McLean Street
PO Box 948
Tauranga 3140

Phone 07 578 0069

Fax 07 578 8725

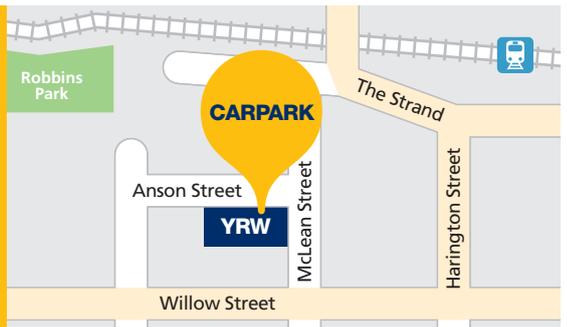
Email accountants@yrw.co.nz

Website www.yrw.co.nz

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.