

**CHARTERED  
ACCOUNTANTS**

## SEASONS GREETINGS

At this time of year, as we look forward to the festive season and summer holidays ahead, we also look back at the year that has been and plan proactively for the future:

2013 has seen a noticeable increase in business activity and confidence amongst our clients. While the effects of PSA continue to affect our local economy, there is evidence of substantial new investment in property and business.

At YRW we have taken steps to ensure that we are ready for the challenges of an improving business environment. We have employed more staff and continued our investment in the latest technology. We have even updated our reception and interview rooms!

What hasn't changed is our absolute commitment to serving our clients and our local community!

*Steve Read*  
Steve Read  
Principal

*Eric Woudberg*  
Eric Woudberg  
Principal

*Raimarie Pointon*  
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](mailto:accountants@yrw.co.nz)  
Website [www.yrw.co.nz](http://www.yrw.co.nz)

# NZ TAXATION AND OVERSEAS PENSIONS

## IT IS NOW TIME FOR NZ TAX RESIDENTS WITH OVERSEAS PENSION SCHEMES TO DECIDE WHETHER TO TRANSFER THE SCHEME TO NZ.

From 1 April 2014, new rules will take effect and these will also have implications for withdrawals or transfers made between 1st January 2000 and 31 March 2014 if the taxpayer was not eligible for the 4 year 'transitional tax resident' exemption at the time.

### Key information with respect to the new tax regime includes:

- There is an exemption for withdrawals or transfers in the first 4 years after becoming a NZ tax resident if a transitional tax resident or a returning New Zealander.
- The rules will apply to cash withdrawals and also to amounts transferred to a NZ Superannuation Scheme (a QROPS as defined by the UK legislation).
- These amounts will be taxed in NZ on receipt, using either –

#### The Schedule method

This is designed to approximate the tax that would have been paid on accrual whilst a NZ resident and there is a sliding scale tax charge depending on how long the taxpayer has been a NZ tax resident, commencing at the end of the 4 year exemption period. After 26 years, 100% will be taxable. Defined benefit or final salary schemes will fall under this method.

#### The Formula method

This alternative imposes tax on the increase in the value of the overseas pension from the end of the 4 year exemption period, and will be impacted by foreign exchange movement. It is only available for foreign defined contribution schemes, being most personal pension plans.

- There are two options available for taxing withdrawals or transfers between 1 January 2000 and 31 March 2014 –

#### Taxation under current rules

This will generally fall into the Foreign Investment Fund (FIF) rules.

#### Taxable under new 'simple' method

Designed to capture prior non-compliance, it allows the tax to be paid on 15% of the lump sum amount. This will be included as taxable income in the 2014 or 2015 tax return and be exempt from penalties or interest in these initial two years.

- Regular pension and annuity benefits received on an annual basis from foreign superannuation schemes will be taxed as ordinary income on a receipts basis.
- Taxpayers who have complied with the FIF rules and filed an income tax return declaring FIF income or loss from their interest in a foreign superannuation scheme before 20 May 2013 can continue to apply the FIF regime if they so choose.

**The new legislation is complex and we will be reviewing all our clients who we know to have overseas pension schemes on an individual basis. Over time people sometimes overlook that they have, for example, pensions contributed to when doing their OE. To discuss your personal circumstances, please ensure you telephone your adviser at YRW without delay.**



## CHRISTMAS HOURS

Our offices will closed at 5:00pm on Monday 23<sup>rd</sup> December and will re-open at 8:00am on Monday 13<sup>th</sup> January 2014. For urgent matters arising during our closure period please phone:

**Eric** 027 448 0983  
**Raimarie** 027 576 6076  
**Steve** 027 570 1172

# YRW IN THE COMMUNITY

## Rocket! Ball and Awards

Each year the Young Professional Awards provide an opportunity to recognise talented individuals committed to careers in Tauranga. This year 140 young professionals attended the 2013 Rocket! Young Read Woudberg Awards at Bella Vista to acknowledge excellence amongst their peer group as employees, business owners and innovators.

Amanda Sutcliffe, Chairman of the Rocket! Young Professionals Committee opened the evening's festivities, newly elected Tauranga City Councillor Matt Cowley thanked everyone for their support, and our own YRW Associate Natalie Milne was on hand to present the Awards.

### 2013 winners were

#### Young Read Woudberg Young Employee of the Year

Kelly Cox of Taura Natural Ingredients

#### Young Read Woudberg Young Business Owner of the Year

Dr Liza Schneider, Holistic Vets

#### Ballance Young Innovator of the Year

Mike Pinkerton of Aurecon

The calibre of entrants was outstanding. Other worthy finalists for the Awards included Jon Murie of Craigs Investment Partners, Harriet McKee of Aurecon, R Line and Quentin Pidduck of Roomready.



Natalie Milne presenting the Young Read Woudberg Ltd "Young Business Owner Award" to Liza Schneider of Holistic Vets.



Peter Tinholt accepting the Young Read Woudberg Ltd "Young Employee of the Year" Award on behalf of Kelly Cox from Taura Natural Ingredients.

## Westpac Tauranga Business Awards 2013

Raimarie Pointon has continued her 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 great pleasure in congratulating all the winners and acknowledging the high standards of all finalists.

### YRW supporting and celebrating client success!

#### David Monk, World Champion!

Earlier this year the 15-strong NZ Blind Jacks team travelled to the 10th International Blind Bowls World Championship held in England. This event is held every four years, and YRW client David Monk captained the team again for this year's competition, ably supported by wife Kath who acts as his director. In 2009 David took home the Silver medal but in 2013 it was the Gold one! Well done David!



Camille Moore and Jessica Patel with partners Nika Rikirik and Haydon Wright arriving at the Awards.



Amanda Sutcliffe and partner Campbell Graham enjoying a drink down at the lodge at Bella Vista.

## SOME TAX CLARIFICATION

### SEISMIC UPGRADES

Unfortunately, under current rules, expenditure associated with seismic strengthening projects is capital. While there have been calls for the Government to provide some relief for taxpayers faced with these costs, as yet no change has been signalled.

### RETENTION MONEY

In September, IRD issued a 'Question we've been asked' response dealing with contracts, including construction contracts as follows:

#### Question:

- A contract to construct an asset provides that the customer will withhold a set percentage from any progress payment (say 10%) as security for the contractor delivering the work free of defects or omissions. The sale term is in the sub-contract between the contractor and a sub-contractor engaged on the project.
- When does the contractor:
  - Derive as income the retention money the customer withholds and
  - Incur the expenditure of the retention money the contractor withholds from payments to the sub-contractor?

#### Answer:

- The contractor derives the retention money as income in the income year in which the works are complete and free of defects and omissions. That is the income year in which any repairs are completed and omissions rectified. That is when the income earning process is completed and an enforceable debt is created. If payment is not to be made unless the work is certified by a third party, for example, by an engineer, the retention money is derived as income when that certificate is given. The same principle applies to derivation of income by the sub-contractor.
- The contractor also incurs the expenditure of the retention money payment to the sub-contractor in the income year in which all repairs are completed and omissions rectified, because that is when the contractor becomes definitively committed to make the payment. It is this that determines when the expense is incurred and not the due date for the payment.
- If the repairs and rectifications must be certified by a third party, for example, by an engineer, the contractor incurs the expenditure when that certificate is given as that is when the contractor becomes definitively committed to make the payment.

# INTERNATIONAL MATTERS

## TRANSFERRING KIWISAVER SAVINGS TO AUSTRALIA

New Zealand and Australia now have an agreement that makes KiwiSaver accounts and compulsory Australian pension schemes portable across the Tasman. This allows people who have retirement savings in both Australia and New Zealand to combine their savings into one account.

New Zealanders moving permanently to Australia no longer have an ability to take early withdrawal of their KiwiSaver funds. If moving permanently overseas to any other country than Australia, application can be made to withdraw KiwiSaver funds after one year.

## NON RESIDENTS AND GST

The Taxation (Livestock Valuation, Assets Expenditure and Remedial Matters) Act 2013 amends the Goods and Services Tax Act 1985 from 1 April 2014 to allow a non-resident party who does not make taxable supplies in NZ to register for GST and claim back GST input tax incurred.

Prior to this change, non-resident businesses which spend time in NZ on business, or import goods into NZ, are unable to recover the GST paid, including GST paid to Customs. Non-residents without a fixed or permanent establishment in NZ are not able to register for GST unless making taxable supplies in NZ to non-registered persons.

If supplies are made to registered persons, the parties must have an agreement to enable GST to be charged.

The new rules are designed to achieve a GST neutral position for non-residents, making it more attractive for overseas based businesses to consume services in NZ.

**Registration will be on a payments basis only and to comply with the new regime, the non-resident**

- Must be registered for a consumption tax in the country in which they are resident, or if that country does not have such a tax, they would be liable to register if their activities were carried out in NZ
- Must not make any taxable supplies in NZ
- Must claim an input tax credit in the first GST period of more than \$500

## ALLOWING FOREIGN TAX CREDITS

The IRD is continuing its position with respect to disallowing the claim for foreign tax credits against NZ tax payment on foreign income where a Double Tax Agreement (DTA) prohibits a foreign jurisdiction from taxing the income.

This circumstance frequently arises with foreign pensions. For example under the UK/NZ DTA, Article 19 states that pension income is taxable solely in the country where an individual is tax resident. On the basis of the IRD's stated position, any tax deducted at source from a UK pension, must be recovered from the UK revenue and must not be included as a credit against the pension income in the NZ tax return.



# HOW DO I PROTECT MY BUSINESS NAME?

**A BUSINESS STARTS BUILDING ITS BRAND (TRADING NAME OR MARK) FROM THE DAY IT OPENS. THE LONGER A BUSINESS OPERATES THE MORE VALUABLE ITS BRAND RECOGNITION IN THE MARKETPLACE BECOMES. THIS IS KNOWN AS BRAND AWARENESS AND COULD EVENTUALLY FORM AN IMPORTANT ASSET FOR YOUR BUSINESS.**

Your business name can also be your brand or trade mark, for example: Acme Shoes. Or you could choose to trade your products under a separate brand name, for example, Acme Shoes trading as Outstanding Farm Boots. In either case, it makes sense to gain as much protection for your investment in your trading brands as possible.

If you are operating as a sole trader, there is no registry of trading names but you do gain name protection under the Fair Trading Act 1986 against others wishing later to trade under the same or 'confusingly similar' name. However, you still face the challenge of finding out if a similar or identical trading name already exists.

Forming a company gives you certain amount of protection since you will not be allowed to register a company name that is identical or almost identical to an existing company, or to a reserved name. No one else will be allowed to register a company name that is identical or almost identical to the one you have reserved (for 20 days) or incorporated. In either case it's important to check that the name of your business is not already in use.

### Here are some search options:

- Use the Search Register service on the Companies Office website ([business.govt.nz](http://business.govt.nz)) to ensure a similar name to the one you wish to use is not already registered as a company. (Do this search even if you intend to operate as a sole trader).
- Take advantage of the free Trade Mark Search service on the Intellectual Property Office of New Zealand (IPONZ) website for a possible trade mark or brand name clash.
- You can also check online directories such as the Yellow Pages or UBD directories.

The point is that you don't want to invest in building up recognition of your trading name in the marketplace only to find that you have to change it later because it is 'confusingly similar' to the name of some other existing business.

One step towards better protection is to register your desired trading name as a trade mark through the Intellectual Property Office of New Zealand (IPONZ) website. For example, you might register Acme Boots Limited as a company name, and then register Acme Boots (plus logo design) as a trade mark.

Once you are the holder of a registered trade mark you can take action against someone using an identical or confusingly similar name in relation to the same or a similar industry.



# CHANGING LEGISLATION

## HEALTH & SAFETY

New legislation is to be introduced in December this year and anticipated to be in force within twelve months.

The new Health and Safety at Work Act will replace the present Health and Safety in Employment Act 2000 and is to be based on the Australian Model Law.

Under this new approach directors and senior officers of Companies who have the ability to influence or control risks in the workplace will have a proactive duty to undertake 'due diligence' in respect of health and safety requirements. This will include –

- Actively acquiring safety knowledge and keeping up to date with related matters
- Understanding the nature of the organisation's operations and their hazards and health and safety risks
- Providing adequate and available resources to identify, eliminate, minimise or control risks
- Ensuring available resources to receive, review and respond to incidents, hazards and risks
- Ensuring adequate processes for legal compliance are in place and monitored
- Auditing and review of health and safety processes and resources used

Of particular interest is that the legislation will cover both formally appointed Directors and those persons providing instructions and directions to the Directors. Under the proposed changes the due diligence duty is personal to individuals and officers can face prosecution whether or not there has been a health and safety incident.

This means that senior management and Directors cannot plead for example, ignorance, lack of time or lack of knowledge. As well as applying to commercial organisations, it will also cover not-for-profit entities but will not apply to persons who are acting purely as volunteers. Government is presently deliberating on whether or not to amend the Crimes Act 1961 to include 'corporate manslaughter'.

## TRUST LAW

After a lengthy process, the Law Commission has now published its recommendations for law reform championing a new Trusts Act to replace the current Trustee Act 1956. It is expected that the Government will respond by March 2014.

Significant reforms are recommended for incorporation in the new legislation including –

- Setting out the core characteristics and requirements of an express Trust
- Stating the Trustees' duties, some of which will be mandatory
- Limiting the use of Trustee exemption and indemnity clauses
- Giving broader powers to Trustees
- Reducing the age of majority for the purposes of Trust law from 20 to 18 years

- Replacing the rule against perpetuities with a default duration of 150 years
- Confirming the High Court's ability to appoint a receiver and establishment of a mechanism for this process.

Some of the original proposals have been deferred for further consideration, including those aimed at making Directors of Corporate Trustees liable to creditors and beneficiaries. For more detail, including the Summary Document, go to [lawcom.govt.nz](http://lawcom.govt.nz).

## COMPANIES AND LIMITED PARTNERSHIP BILL

Major changes are proposed for both new and existing companies incorporated under the Companies Act 1993 and General Partners registered under the Limited Partnership Act 2008 which will have implications for an increasing number of NZ organisations operating in the global economy.

In particular, it is intended that every NZ company must have at least one director who lives in NZ or lives in a country with which NZ has a reciprocal arrangement for enforcement of NZ judgements and criminal fines. The Director does not have to be a NZ citizen although residency status may be relevant.

The intention is to ensure that there is an identifiable person in NZ who can be held accountable for the company's actions.

## EMPLOYMENT RELATIONS ACT

There has been substantial commentary in the media about some of the more controversial amendments proposed in the overhaul of the Employment Relations Act 2000. Key areas of interest include:

- Collective bargaining – including the ability for employers to offer individual employment agreements to new employees regardless of their employment coming under the coverage of a collective employment agreement.
- Good faith – reducing the amount of information that employers need to provide employees when considering whether to continue their employment.
- Employment Relations Authority – requiring an oral determination or indication to be given to parties at the conclusion of an investigation meeting, with written determination within three months other than in exceptional circumstances.
- Rest and Meal breaks – requiring that meal breaks and paid rest breaks be compulsory or compensatory measures required. Timing will be flexible and the employer has the decision making right.
- Flexible Working Arrangements – making all employees eligible to request these without restriction on number of times from the commencement of their employment.

## HOT OFF THE PRESS!

### New Zealand Business Numbers (NZBNs)

NZ companies listed with the NZ Companies Office are all to be assigned a NZBN. This is the first step towards allocating a NZBN to all businesses in NZ and creating a single public register of businesses.

NZBNs will be allocated automatically, and will appear on the company details page from 28th November 2013. The NZBN will be able to be used interchangeably with the company number

when searching the Companies Register or interacting with the Companies Office.

### Payments to the IRD

From July 2014 Westpac Bank will no longer be receiving payments on behalf of the IRD, encouraging more tax payments to be made online.

# 4 P'S OF MARKETING

WHEN YOU DO YOUR MARKET RESEARCH, YOU NEED TO DETERMINE NOT ONLY WHAT YOUR CUSTOMERS WANT TO BUY BUT ALSO HOW MUCH THEY'RE WILLING TO SPEND, WHERE THEY WILL GO TO BUY IT AND HOW THEY WILL FIND OUT ABOUT THE PRODUCT OR SERVICE YOU OFFER.

YOU CAN LOOK AT THIS AS YOUR MARKETING MIX, OR THE FOUR P'S OF MARKETING – PROVIDING THE RIGHT **PRODUCT** AT THE RIGHT **PRICE** IN THE RIGHT **PLACE** WITH THE RIGHT FORM OF **PROMOTION**.

## PRODUCT

Your product refers to the total package of goods and services you provide. It's not just your core product but everything your customer experiences whilst dealing with your business. It includes prompt and efficient service and the associated benefits to customers.

## PRICE

Price is everything your customer pays to purchase your product. It may reflect a cost plus profit approach; a percentage mark-up on wholesale prices; what your competitors are charging or what you think customers are willing to pay.

## PLACE

Place is how you distribute your products to your customers; where your sales outlets are located; whether you manufacture or retail; the number of different businesses involved.

## PROMOTION

Promotion includes everything you do to get attention for your business and what you are selling. Promotion can include:

- Advertising
- Direct marketing
- Trade promotions
- Public relations
- Publicity
- Personal selling
- Sponsorship of sporting teams or cultural events
- Network marketing



# ASSISTANCE FOR BUSINESS DEVELOPMENT

A REVISED GRANT SCHEME WAS ANNOUNCED IN THE LAST BUDGET AND IS NOW IN EFFECT

## R & D Growth Grants for Larger Business

- This is an expanded version of the previous Technology Development Grant
- A three year grant programme targeted at substantial R & D performers
- Provides 20% public co-funding for qualifying organisations' R & D programmes
- Businesses with a minimum of \$300,000 of R & D spending in NZ, and at least 1.5% of revenue spent on R & D over last two years will be eligible
- After two years of funding, businesses can be re-assessed for a further three years funding
- The cap on funding per annum will increase from \$2.4 million to \$5 million

## R & D Project Grants

- Targeted at firms with smaller R & D programmes and those that are new to R & D
- Will typically provide 30% to 50% public co-funding
- Will be repayable in some circumstances, for example, if the business moves its R & D activity offshore
- Business receiving these grants will only be eligible for project grants for collaborative cross-industry R & D projects

## R & D Student Grants

- Providing support for under-graduate and post-graduate students to work within R & D active businesses

## Growing Capability - \$5,000 towards Training

Did you know that NZTE may fund up to 50% of the cost of management training to enhance your business skill set? They can connect you to a vast network of skilled providers specialising in fields such as governance, marketing strategies, business systems, capital raising, managing resources and exporting.

Waikato Innovation Park delivers Callaghan Innovation's (ex-Ministry of Science and Innovation and ex-TechNZ) R & D Funding Programmes in the Bay of Plenty region.

## INTERESTED TO LEARN MORE?

In Tauranga, contact **Amanda Gilbertson** [Amanda@wipltd.co.nz](mailto:Amanda@wipltd.co.nz)

## Staff Notice Board

### A Departure ahead

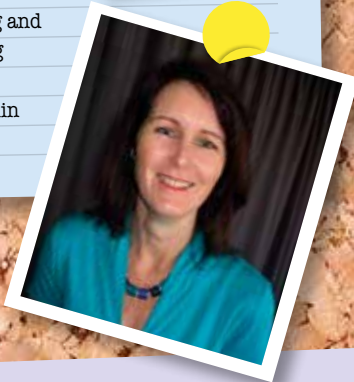
At the end of the year Annabelle Woodward is leaving YRW to travel and work overseas. Annabelle joined us straight from University and she has been a valued member of our accounting team over the last three years. We know her clients will join us in wishing her well as she embarks on this new adventure.

### But there are new Arrivals too

Emma Roberts joined us in October. Emma has her Diploma in Accounting and has prior experience in both the CA environment as well as in a commercial environment. She is mother to baby Connor and married to Chris.



And we are also delighted to welcome Christina Reid to our accounting team. Christina has her Diploma in Accounting and a number of years working in the local CA profession. Christina is married to Colin and has two adult sons.



### We are very proud of our team's achievements

A number of our staff are continuing with their studies and James Sherson and Annabelle Woodward have just successfully sat and passed their final qualifying exam to admit them to full membership of the College of Chartered Accountants. Well done!

### Accountants focussing on their creative side

Cup cake decorating was a new challenge for some of the YRW ladies, but others had clearly had prior experience! It was a fun evening out and we are anticipating very elaborate birthday shouts ahead!



### Future Accountants or All Blacks?

Natalie Milne's sons, Jake and Cooper, were snapped appropriately dressed ready to meet their heroes in Tauranga recently!



### Not content with North Island experience, Eric has notched up a South Island Marathon now

He ran a very creditable time in the Dunedin marathon along with daughter Bridie and we understand there may be more marathons in his sight.



## 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

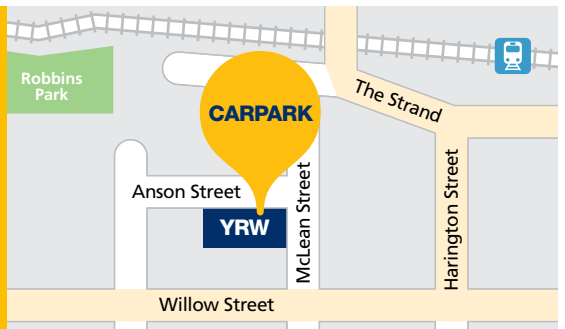
Email [accountants@yrw.co.nz](mailto:accountants@yrw.co.nz)

Website [www.yrw.co.nz](http://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.