

**CHARTERED  
ACCOUNTANTS**

**A POSITIVE  
OUTLOOK**

This year's Budget forecasts the first surplus since 2008, and anticipates a rise from \$372m in 2016 to \$3.5b in 2018.

In addition, Treasury forecasts economic growth to average 2.8 percent over the next four years peaking at 4 percent next year.

These statistics indicate a gradual return to a more buoyant economic environment which will bring with it increased opportunities for our clients and their businesses.

At YRW we are committed to assisting our clients grow their businesses and believe that a strong business community benefits the whole community.

We are also delighted to see the increased public spend on families through increased access to free doctor visits and a broadening of the parental leave regime. (See page 2 for further detail.)

*Steve Read*

Steve Read  
Principal

*Eric Woudberg*

Eric Woudberg  
Principal

*Raimarie Pointon*

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## BUDGET 2014

THIS YEAR'S PACKAGE HAS BEEN DESCRIBED AS A PREDICTABLE BUT SENSIBLE BUDGET FOR SMALL BUSINESSES (PRICEWATERHOUSECOOPERS HAVE LIKENED IT TO GETTING SOCKS FOR CHRISTMAS!)

**There is a return to a small surplus and the suggestion that modest tax cuts may be a future option to the Government.**

The centrepiece is a \$500m package targeted at families and children but there are also a number of features of interest to SMEs:

- Reduction in ACC levies of up to \$480m in 2016.
- The removal of Cheque Duty from 1 July 2014. This recognises that this is an outdated tax imposing unnecessary cost on business and brings with it the added bonus of a five cent refund on unused cheques!
- From the 2015/16 financial year, tax changes to promote innovation in business estimated at providing a value of \$58m to eligible companies over the next four years.

Firstly, a policy which will allow loss making R&D intensive start-up companies to cash out losses of up to \$500,000 related to R&D expenditure rather than carrying them forward until they become profit making. This is intended to alleviate the cash-flow and capital constraints which challenge innovative start-ups. The limit is to rise over time to a maximum of \$2m.

Secondly, a policy to reduce so called 'black hole' expenditure that is currently neither deductible nor depreciable. Capitalised development expenditure relating to a patent, patent application or plant variety right that results in a depreciable intangible asset will be depreciable over time and a one off deduction for capitalised development expenditure that does not result in a depreciable intangible asset.

- \$58.8m of contestable science and innovation funding over four years.
- \$69m for NZ Trade and Enterprise to expand NZ's presence in China, South America and the Middle East supporting the development of key emerging offshore markets.
- Additional funding for the IRD to focus on tax compliance activities and chasing unfiled returns. This is forecast to generate almost \$300m in additional tax revenue over five years.
- Investment to allow around 8,000 places in employment and work-readiness services to be targeted at beneficiaries.
- Import duties on plasterboard, reinforcing steel and nails suspended to cut the cost of building a new home by an estimated \$3,500.
- A further injection of \$198m into Kiwirail to make its freight operations commercially viable.
- Interest-free loan of \$375m for NZTA to accelerate Auckland transport projects.
- See page 2 for further detail.

## CHANGES TO IRD PAYMENT SERVICES

**Paying on time**

From 1 October 2014 cheques must reach the IRD by the due date for payment. **Posting a cheque on the last day will be too late.**

Payment on the next working day following a weekend or holiday is still acceptable. A provincial anniversary day is a working day NOT a public holiday for the purpose of the tax being received on time.

IRD will accept post dated cheques however they run the risk of being banked early. We suggest clients highlight the date on the cheque if they are post dating.

**Westpac IRD service**

From 1 October 2014 customers will no longer be able to make cheque payments or drop off returns and forms at a Westpac branch. However cash and eftpos payments will continue to be able to be made at Westpac.



# 2014 BUDGET – CHANGES TO BENEFIT FAMILIES

## Parental tax credit and parental leave

- From 1 April 2015 parental tax credit will increase from \$150 per week to \$220 per week, with the payment period extended from eight weeks to 10 weeks. The total credit increases from \$1,200 to \$2,200.
- The abatement rules will be changed to better target the parental tax credit towards low to middle income families.
- Paid parental leave will be extended from 14 weeks to 16 weeks on 1 April 2015 and to 18 weeks on 1 April 2016.
- Eligibility for paid parental leave is extended to 'home for life' caregivers and to people in less regular jobs, including seasonal and casual workers.

## Doctor visits

- Free doctors visits and prescriptions are extended from children under six to those under thirteen from 1 July 2015.

# MINIMUM WAGE INCREASED FROM 1 APRIL 2014

- |  |                          |
|--|--------------------------|
| • Minimum adult rate                     | \$14.25 per hour (gross) |
| • Minimum rate for a starting-out worker | \$11.40 per hour (gross) |
| • Minimum rate for a trainee             | \$11.40 per hour (gross) |

The starting-out and trainee minimum wage rates equate to 80% of the adult minimum wage rate.



# ACC LEVY PROPOSALS

ACC has released preliminary information for consultation with respect to 2015/16 levy rates. Key proposals include:

- 21% decrease in the average Work Levy. This is paid by employers and self-employed people and is invoiced directly by ACC.
- 5% decrease in the Earners' Levy. This is paid by employees through the Paye Tax system and by self-employed people including non-Paye shareholder employees.
- 40% decrease in the average Motor Vehicle Levy. This is paid by motorists through licensing fees and petrol levy.

The ACC Board is also calling for feedback on the following additional changes under consideration:

- Reducing the petrol levy by 4 cents per litre (from 9.90 cents to 5.90 cents).
- Implementing a 'risk rating' for the light passenger fleet (cars) based on crash data.
- Increasing the minimum and maximum liable earnings limits for Work and Earners' levies (for the 2015 financial year these are \$28,600 and \$118,191 respectively).

Further information can be accessed at:  
<http://www.acc.co.nz/about-acc/consultation/levy-consultation/index.htm>  
or phone Jan Hobson on Ext 719.

# PAYCLIP

THIS IS A GROUND BREAKING FAST AND SECURE WAY TO ACCEPT CREDIT AND DEBIT CARD PAYMENTS ON YOUR SMARTPHONE AND IS AVAILABLE ONLY AT BNZ.

PayClip has the ability to radically improve efficiency and debt collection for small businesses –

- Improve the cash flow of your business by taking card payments on the spot.
- Accept Visa and MasterCard credit and debit cards.
- Available for iPhone, iPad, and most Android smartphones and tablets.
- A low monthly fee of \$10 per PayClip device.
- MSF Merchant Service Fee 3.25%.
- Easy to use with the secure PayClip mobile app.

For further information visit:

<https://www.bnz.co.nz/business-banking/cards-and-payments/merchant-services/payclip>



# YRW IN THE BUSINESS COMMUNITY CHAMBER OF COMMERCE

We are delighted that Dave Ensor has accepted the position of Treasurer of the Chamber of Commerce. Dave is into his third term as a member of the Board of this important local organisation. To find out how membership of the Chamber of Commerce can benefit your business, phone Dave on Ext 716.

## ROCKET!

YRW is proud to continue its overall annual involvement with the Young Read Woudberg Rocket! Awards as well as sponsoring the Young Read Woudberg Young Business Owner of the Year Awards. To nominate entrants or to purchase your tickets for the mid-winter Ball, please phone Rebecca on Ext 715.

# WESTPAC TAURANGA BUSINESS AWARDS 2014

The annual search is on for outstanding local business and we encourage our business clients to discuss this opportunity with their professional adviser at YRW. Raimarie Pointon is again participating in the judging panel and YRW will be hosting a table to support this celebration of local business success.

# UK PENSION TRANSFERS – NEW RULE CHANGES... AGAIN!

A LOT OF THE COMPLEXITY WE HAVE SEEN IN THIS AREA OVER RECENT YEARS HAS BEEN DRIVEN BY UK HMRC REVIEWS. THIS HAS CULMINATED IN THE INTRODUCTION OF NEW TAX RULES INTRODUCED BY THE NZ IRD CLARIFYING THE INCOME TAX IMPLICATIONS FOR TAXPAYERS TAKING WITHDRAWALS FROM THEIR OVERSEAS PENSIONS OR TRANSFERRING THEIR PENSIONS INTO A QUALIFYING RECOGNISED OVERSEAS PENSION SCHEME (QROPS).

The UK budget this year has raised more uncertainty for NZ taxpayers who still have pensions in the UK.

The UK Government has signalled its intention to introduce legislation effective April 2015 whereby anyone with a UK public sector final salary pension will no longer be able to transfer their benefits.

Further, a consultation process is underway in the UK which could also see a ban on transferring private sector final salary schemes.

UK ex-pats and New Zealanders who accumulated UK pension funds while working in the UK, and who have not yet decided whether or not to transfer their pensions to NZ, should discuss their circumstances with a suitably qualified financial adviser with urgency as it can take some time to complete a pension transfer from the UK into a QROPS scheme .

**Please phone Natalie Milne on Ext 712 for further information in connection with this topic.**

## ACCOUNTING STANDARDS FOR SMES ARE CHANGING

The Financial Reporting Act 2013 came into effect on 1 April 2014 and applies to all businesses from the 2015 financial year. The new framework means that there could be changes to the way an estimated 95% of New Zealand businesses are required to report.

Under the new legislation most small and medium sized businesses will not have to follow the External Reporting Board's (XRB) accounting standards, but will still need to produce financial statements for the IRD and for the bank.

From 1 April 2014 Companies with:

- Annual revenue of \$30 million or less, and
- Assets of \$60 million or less

must prepare financial statements that meet the IRD's minimum financial reporting requirements.

Companies with revenue and assets exceeding these thresholds (large Companies), issuers, Companies with 10 or more shareholders (unless they opt out) and Companies with fewer than 10 shareholders (who opt in) will be required to prepare financial statements to a higher standard in accordance with the XRB's accounting standards.

The IRD has set out minimum financial reporting requirements that must be adhered to.

The high quality financial statements that YRW prepares comply with the IRD's minimum financial reporting requirements, with only minor adjustments required to Note disclosures. As a result, the new Financial Reporting Act 2013 will make only minor differences, if any, to the reporting requirements of the majority of our clients.

**For more information on this topic, please phone Steve Read on Ext 713.**

## TAX RESIDENCY

ON 6TH OF MARCH 2014 THE INLAND REVENUE DEPARTMENT RELEASED INTERPRETATION STATEMENT 14/01 TO EXPLAIN THE INLAND REVENUE'S POSITION IN RELATION TO DETERMINING RESIDENCE FOR TAX PURPOSES. THE INTERPRETATION STATEMENT UPDATES AND REPLACES PUBLIC INFORMATION BULLETIN NO. 180 (JUNE 1989) AND OTHER GUIDANCE ON NON RESIDENCE RULES.

The Interpretation Statement applies from 1 April 2014 and the analysis included in the Statement must be considered when determining New Zealand tax residency for the tax year ending 31 March 2015 and future years.

Taxpayers who have taken a tax position in past years, correctly applying the analysis in Public Information Bulletin No. 180, will not be required to alter the position they have taken for those past years.

The permanent place of abode (PPA) test is the overriding residence rule for individuals. The Interpretation Statement provides a practical application of the PPA test, including the factors to be considered in determining whether a particular dwelling in New Zealand will be a person's PPA.

A person's place of abode can either be a place someone has lived (i.e., a place where one "usually lives") or a place someone could live in, in the future (i.e., an investment property held in New Zealand could

potentially be considered one's place of abode). To determine whether a person's place of abode is their permanent place of abode, the continuity and the durability of the person's association with their place of abode must be considered.

In addition to dealing with the rules governing the residence of natural persons (individuals), the Interpretation Statement discusses the relationship between those rules and the residence articles contained in Double Taxation Agreements New Zealand has in place with other countries. It also explains the residence rules in relation to Companies.

Every situation is different and each person's or Company's specific circumstances must be considered in detail when applying the rules for determining New Zealand tax residency.

**Luckily YRW is here to help!**

# THE CLOUD – WHAT IS IT?

THE TERM **CLOUD COMPUTING** SEEMS TO BE EVERYWHERE AT THE MOMENT. SO WHAT IS IT? THINK ABOUT WHEN YOU USE YOUR ONLINE BANKING. WHEN YOU ACCESS THIS INFORMATION, YOU ARE USING THE CLOUD. THE **CLOUD IS A PLATFORM TO MAKE DATA AND SOFTWARE ACCESSIBLE ONLINE ANYTIME, ANYWHERE, FROM ANY DEVICE.** YOUR COMPUTER HARD DRIVE IS NO LONGER THE CENTRAL HUB.

Cloud computing is the next stage in the internet's evolution, providing the means through which everything can be delivered to you as a service wherever and whenever you need it.

Some people get confused and think that cloud computing is just the internet but that's wrong. You use the internet to connect your device to the cloud but the internet is just the connection – the cloud is where your data lives.

## Accounting software shouldn't be hard to use

Small business accounting software that is not available through the cloud can be a chore to use and take up too much of your time. This doesn't add value to your business and may even take some of the fun out of being in business. Cloud software can save your business time and money.

Problems with traditional accounting software include:

- The software is not automatically updated.
- The bank transactions are not in real time.
- It only works on one computer.
- Your accountant has to receive and download information before they can give you advice or make changes – making it more expensive.
- Only one person has user access. Key people can't access financial and customer details.
- It is costly and complicated to keep backups (if done at all).
- It is expensive and time consuming to upgrade the software.
- Customer support is expensive and slow.

## Cloud security is world class

As a small business owner, you might be concerned about a cloud service provider storing your data. Little do you know the cloud is one of the most secure ways available to store information. For example, using cloud software, if your laptop is stolen, no one can access your data unless they have a login to the online account. With cloud software, this is where the data lives as opposed to on your hard drive.

In the event of a natural disaster or fire, being in the cloud means business productivity doesn't need to be affected because there is no downtime. All of your information is safely and securely stored off site. As long as you have access to any computer or mobile device connected to the internet, you're back up and running.

In addition to this, if you invite users to view your data, you can control the level of access. This is much more secure than the old-fashioned way of emailing your files or sending out a USB stick with your data on it.

## Work smarter with accessible data in the cloud

You can use cloud based software from any device with an internet connection. Online accounting means small business owners stay connected to their data and their accountants. The software can integrate with a whole ecosystem of add-ons to deal with a wide range of business information requirements including for example, job costing.

The beauty of this software is the flexibility it gives you to run your business from work, home, or on the go. You can be confident that you have an up to date picture of how your business is doing, no matter where you are.

Software updates can be developed and delivered faster and more easily in the cloud. This means you don't need to worry about installing the latest



version of specific software modules and you'll get access to new features instantly. With cloud accounting software, you have the option to run your business remotely, whether that means from your home office or from anywhere in the world when you are travelling. When data is fluid and accessible, the possibilities are endless.

## Five ways cloud software benefits your business

- You have a clear overview of your current financial position, in real time.
- Multi user access makes it easy to collaborate online with your team and advisors.
- Updates and software maintenance are done for you.
- Everything is run online, so there's nothing to install and everything is backed up automatically. Updates are free and instantly available.
- Upfront business costs are reduced – version upgrades, maintenance, system administration costs and server failures are no longer issues. Instead, they are managed by the cloud service provider.

## Businesses we like on the cloud



Xero is the leader in cloud accounting software. **If you want to know more about whether Xero could be right for your business, give James Sherson a call on Ext 718.**



How much time do you spend filling out IRD forms for payroll? If you added all your time up, how much is it costing you, when you could be better using your time? SmartPayroll is the latest payroll system taking all the administration out of payroll.

No longer do you have to logon to online banking and physically pay your staff. You don't even need to remember to pay the IRD! SmartPayroll does this all for you. Cashflow problems on the 20th are gone and you can process wages from anywhere in the world.

**If you want to know more about SmartPayroll talk to Debbie Read on Ext 725 today.**

# TAXATION (ANNUAL RATES, EMPLOYEE ALLOWANCES, AND REMEDIAL MATTERS) BILL

**This bill is into its second reading and within the bill are amendments/clarifications relating to employee expenditure payments and employer-provided living accommodation.**

## Employee accommodation – out-of-town secondments and projects

When an employer either provides accommodation or an accommodation payment for an employee who is on a secondment or project of limited duration, time limits will apply to determine whether the accommodation or payment is exempt from income tax.

The application date for the new rules is 1 April 2015. However, employers and employees will have the choice of applying the new rules retrospectively to accommodation arrangements put in place on or after 1 January 2011, provided they had not taken a tax position before 6 December 2012.

Employer-provided accommodation or an accommodation payment provided because an employee needs to work at a new work location and that location is not within reasonable daily travelling distance of their home, will be tax-exempt provided:

- There is either a reasonable expectation that the employee's secondment to that work location will be for a period of two years or less, in which case the payment will be exempt for up to two years.
- The move is to work on a project of limited duration whose principal purpose is the creation, enhancement or demolition of a capital asset and the employee's involvement in that project is expected to be for no more than three years, in which case the maximum exemption period is three years.
- If the move is to work on Canterbury earthquake recovery projects, the maximum period is extended to five years if the employee starts work in the period starting on 4 September 2010 and ending on 31 March 2015, and to four years if the employee starts work in the period beginning 1 April 2013 and ending 31 March 2016. The maximum period reverts to three years when the employee starts work on or after 1 April 2016.

## Employee accommodation – on-going multiple workplaces

The bill proposes that when an employee has to work at more than one workplace on an on-going basis the accommodation or accommodation payment will be tax-exempt without an upper time limit.

## Employee accommodation – conferences and training courses

When an employee needs to attend a work-related conference or training course that requires at least an overnight stay, the accommodation or accommodation payment will be tax-exempt without an upper time limit.

The application date for the new rules is 1 April 2015.

## Employee accommodation – determining taxable value

When employer-provided accommodation, accommodation allowances and other payments for accommodation are taxable, the proposed revisions to section CE 1B of the Income Tax Act 2007 specify how to determine their taxable value.

In the case of employer-provided accommodation, the taxable value will continue to be linked to market rental value but will be subject to certain adjustments and exceptions.

The amendments will apply from 1 April 2015.

### Example

Two employees share a house provided by their employer with a weekly rental value of \$300. They will each be taxed on \$150 per week.

## Accommodation for employees working overseas

The proposed amendment to use a New Zealand-based value rather than the market value of the overseas accommodation will apply not only to

employer-provided accommodation but also when the employer makes an accommodation payment for the employee's accommodation costs at the overseas location.

### Example

Zoe is seconded by her employer to Brussels for three years and is provided with a flat for the duration of her secondment. The rent paid by the employer is equivalent to \$120,000 a year. Zoe would normally work in Wellington if working in New Zealand, where an average rental value would be \$24,000. Zoe will pay tax on an accommodation benefit of \$24,000.

## Payments to cover employee meals

The full amount of meal payments linked to work-related travel will be tax-exempt, subject to a three-month upper time limit at a particular work location. The full amount of meal payments and light refreshments outside of work-related travel, such as at conferences, will be tax-exempt without a time limit. Such payments include reimbursement payments and allowances.

The amendments will apply from 1 April 2015.

The payment will not be exempt when it is paid by way of a salary trade-off.

The three-month time limit will run from the date the employee starts working at the workplace and extend for as long as the employee works continuously at that location.

### Example

Vernon normally works in Christchurch but is sent by his employer to work in the employer's Nelson office for a period of six months. Vernon's employer pays him a meal allowance for the duration of the secondment. The meal allowance is exempt for the first three months and taxable for the remainder of the secondment.

## Working meals and light refreshments at or near the employee's normal work location

Payments to cover meal expenses for a working meal near the employee's work location will be exempt. For example, this will include lunches at conferences or training courses near the employee's normal work location.

The expense will only be exempt if the employee attends the meal because of the nature of the duties of the job. The meal expense will not be exempt if it is provided as a salary trade-off.

The amendments will also introduce an exemption for payments for light refreshments (in the form of tea, coffee, water or similar), when the following criteria are met:

- The employee normally works at least seven hours a day;
- the nature of the employee's employment duties mean he or she has to be away from the employer's premises for most of the day;
- the employer would normally provide the refreshments to the employee on the day; and
- it is not practicable for the employer to provide the refreshments on the day.

## Distinctive clothing

The amendments propose exemptions for:

- Payments provided to cover the costs of purchasing and maintaining distinctive work clothing, such as uniforms, that are clearly related to the employee's job; and
- payments to meet the costs of a plain clothes allowance paid to members of a uniformed service who are required to wear ordinary clothing instead of their uniform.

The amendments will apply from 1 July 2013.

## Staff Notice Board

### A departure from YRW -

Amanda Sutcliffe has left YRW to practice on her own account with partner Cam Graham. Amanda has been with YRW for more than six years starting as a graduate accountant, completing her professional qualifications and moving on to the responsibilities of a senior accountant. We know Amanda's clients will join with us in wishing her every success in this new venture.

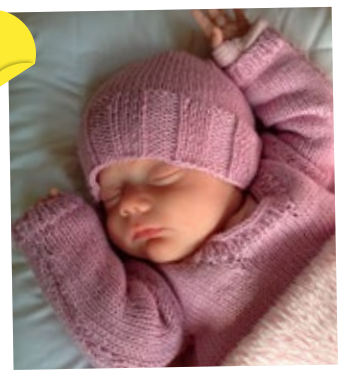
### And there has been an arrival too -

Chantelle Hodgson has joined the YRW team, moving to Tauranga from Rotorua with her husband and children. Chantelle has had a varied background as an accountant, starting in the CA environment then moving as Management Accountant and Finance Manager to a large construction company. Chantelle re-joined the CA profession on her move to New Zealand in 2009.



### The Stork has visited -

Tania Hartley and her husband Glen were thrilled to announce the arrival in February of their baby girl. Tania is currently on maternity leave and enjoying her new role as mum to Sophie.



### We do have only one Jessica in the YRW team!

Jessica Patel is now Jessica Wright after her marriage to husband Haydon earlier this year.



### She actually left the office for a while!

Raimarie has been on annual leave and is seen here enjoying the British summer in the Lake District with son James!



### YRW'S own marathon man!

Eric has again completed the Lake Rotorua marathon in creditable time. We believe there is another South Island marathon ahead but he tells us that will be the finale! We think we'll wait and see...



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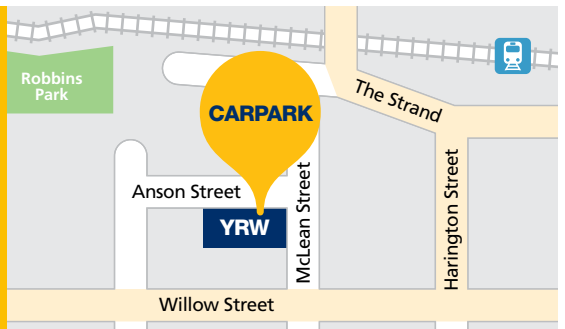
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### VISIT US:

#### 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.