



## Trial Balance

THE OFFICIAL NEWSLETTER OF NZ CA LIMITED

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### Assignment of Provisional Tax and GST Payment Dates

FROM 1 APRIL 2007 there will be changes to how provisional tax and GST are paid and will provide certain taxpayers with a new method for calculating their provisional tax.

The key dates for changes are:

- GST payment dates have been changed to the 28th of the month. This will apply from 1 April 2007.
- The alignment of provisional tax and GST payment dates will apply from the 2008 - 2009 year.
- The ability to use the GST ratio method for provisional tax payments will apply from the 2008 - 2009 year..

### Personal Property Security Act

AS THE PPSA came into force in 2002, the five year registration period is about to expire on initial registrations. There being no automatic renewal provisions, it may be necessary to register a financing charge statement prior to the expiry of the current term, failing which priority will be lost and a new financing statement must be registered.

Source: LexisNexis

## Can your business run better without you?

WE TALK OF business success, but what about business succession?

Very few people plan their exit from their business.

When should you start planning for someone to take over from you? If you subscribe to the Stephen Covey concept of "begin with the end in mind", you should start planning your exit before you even start your first day in your business.

Common problems caused by not having someone able to do your job include:

- Feeling trapped in the business with no easy way out.
- Your staff have no choice but to come to you when important

decisions need to be made. The business remains totally dependent on you.

- You can rarely take time off for a proper holiday and even if you do get away, you can't stop thinking about how the business is surviving without you.
- If you sell, you might get less for your business or be asked to commit to a period where you have to work in it to train the new owner.

Plan for your succession by having someone else able to do your work, and enjoy these benefits:

- You can focus on more important strategic issues, rather than being bogged down by urgent day-to-day tasks. You can then be more effective and make the business more profitable.

• You can take holidays when you like, because you know the business can run without you. This allows you to come up with new ideas to improve the business.

• The business has a value in its own right. You have choices. You can sell the business or you can continue to own it and derive the profits.

• It will sell for a higher price and will be easier to sell.

Should you start your succession planning now? We think so. Please make an appointment to talk to us.

Source: Progressive Business Solutions Limited



### She left it too late

A CLIENT IN her early 60's sought advice regarding family trusts. Her husband had just been diagnosed as having Alzheimer's disease and the prospect of long-term care was looming. She could see his retirement nest egg melting away.

However, even if she was prepared to pay large amounts of gift duty, there was little anyone could do to help her. To be effective gifting needs to be completed five to seven years before long term care is required.

If you think you should have a family trust to protect your wealth, start learning about family trusts now and make a decision. Don't leave it until it's too late.

Merry Christmas to all our readers!



# Parental Leave – What are my obligations as an employer?

UNDER THE PARENTAL Leave and Protection Act 1987 an employer is obliged to:

- Inform an employee of their paid parental leave entitlements.
- Consider and then approve or decline a parental leave request.
- Accurately record the employee's length of employment and income details on the application.
- Confirm the parental leave arrangements with an employee.

In requesting parental leave an employee should provide three months notice (in the case of adoption this notice period may not always be met). Requests need to be in writing, stating the type of leave, when they plan to take leave and the period of leave intended. If there is an intention for the parental leave to be shared with partner/spouse these details also need to be documented. A certificate from a midwife or doctor needs to be attached to the request detailing the baby's due date.

On receiving a request an

employer has 7 days to request further information, the employee then has 14 days to provide this information. On receiving this information the employer will then



have a further 21 days to respond and when responding needs to state:

- Whether the employee is entitled to take parental leave.
- If not, the reasons why.
- The main legal rights and obligations the employee has.
- Whether the role can be kept open.

If in responding the employer indicates that the role cannot be kept open, it should be noted that the employee is entitled to dispute this, and that they will have preference for similar roles that become available for six months after the end of parental leave.

Once it is agreed that parental leave will be taken, the employee needs to apply to Inland Revenue as soon as possible for government

funded paid parental leave. The employer is required to verify length of employment and income details on the application form. It is the employee's responsibility to then forward the application to IRD.

Once parental leave has started the employer has 21 days to confirm details of the parental leave approved, this written communication should include the date the employee is to return to work and a reminder that they should make written contact with the employer 21 days before returning to work, to

confirm whether it is their intention to return to work or otherwise.

The Parental Leave and Employment Protection Act 1987 presumes that an employer will be able to keep a role open for an employee intending to take parental leave that is less than four weeks in length. This presumption is also the case for requests for parental leave that are longer in length. In some cases an employer may argue that a temporary replacement is not reasonable due to the employee being employed in a key position. To be considered key, the employer would be required to prove that the position is critical to the business, this requires consideration of numerous points and it is rare that a role is deemed to be key and therefore unable to be left open.

Information sourced from Department of Labour [website www.dol.govt.nz](http://www.dol.govt.nz)

## Accounts receivable = sundry debtors

SOME OF OUR clients have difficulty with the concept of accounts receivable, otherwise known as sundry debtors. This is the money owing to the business at balance date.

It is money earned but not yet paid to your business. If you write out invoices in April for work you have completed in March (assuming a March balance date), you must add these sales to the business income for the year. Income is taxed on the basis of when it is earned.

You might also have earned money in earlier months, which has not been paid to you by balance date. This is also part of accounts receivable. To muddy the waters, the GST law and the Income Tax law are in two separate watertight Acts of Parliament. If you are on a payments basis for GST, you do not have to include accounts receivable in your GST return.

It follows that any expenses incurred before your balance date which are paid after balance date are tax deductible. We call these accounts payable or sundry creditors.

It all evens out.

While it is true your income is increased by the amount owing to you, these earnings are not counted twice. When we come to do the next year's accounts, the first thing we do is deduct last year's accounts receivable from your sales figure. Inland Revenue cannot tax you twice on the same income.

## A guarantee to delight

"WE ARE ABSOLUTELY committed to your enjoyment and satisfaction when you dine with us. So if you are not delighted with your meal it will be replaced without question or you will not be charged". Baguette, Racecourse, Brisbane.

Notice: If you are only "satisfied", Baguette will honour the guarantee. They expect you to be "delighted".

We also noticed, they don't interrupt your conversation to ask how you like your meal, nor do they loudly ask if you want more wine. They are discreet.

It is another example of how a firm has successfully made itself different from its competitors.

# Employee or Contractor?

IRD GETS UPSET when people claim to be self-employed to avoid having tax deducted from their income.

Registering for GST and providing invoices is not enough. Mostly, being self-employed is self-evident. However, there are grey areas.



IRD has produced a pamphlet to help you. It is the IR336. An "employee" who gets it wrong will have expenses disallowed and face possible penalties and interest going back for at least four years.

IRD publication IR336 sets out the criteria IRD uses for determining whether a person is an employee or in business.

Some people think if they register for GST they can call themselves contractors. Be very careful as this is a trap for employers. Be guided by the publication IR336. It is no defence to say the person working for you is registered for GST. That has nothing to do with whether or not PAYE deductions should have occurred. The employee could also be in trouble. IRD could cancel back-year expense claims and may be able to charge Use of Money Interest as employees are not allowed to claim any expenses. Some of the factors the Department considers in relation to the "employee" are:

- Does the employer control the "employee" e.g. the hours of work and when holidays are taken?
- The risk taken e.g. Use of own equipment (not just small tools) and responsibility for losses.
- Who provides training?
- Can that person employ others to do the work?
- Freedom to do work for others?

## Overseas chip tip

UK credit cards now have chips in them. This could cause you some trouble.

Our banking advisor says: "There have been some isolated reports of some overseas cardholders being told by shops that if they do not have a chip and PIN card they will not be able to use their cards. This is incorrect. You will be able to use your cards as normal in UK shops.

If a retailer does not accept your card, insist that the new rules specifically exclude overseas cards and urge the retailer to insert the card into the terminal. It will read the card and instruct the retailer to ask you for your signature.

## Play safe on the internet

EVER THOUGHT OF having two credit cards, one for normal purposes and the other for the internet? The second one should be set with a low limit, so if anyone gets hold of your account number and tries to defraud you, the loss will be quite low. Enjoy making purchases over the Internet and feeling more secure about giving out details of your credit card. If you want to make an unusually large purchase, top up your account in advance to cover it. A variation is Westpac's Titanium SideCard, which has a reducing daily purchasing limit.

## Online trademark search and registration

THE COMPANIES OFFICE has a free on-line trademark search and the cost to register a trademark is \$100 plus GST.

A case was cited where a pet shop called itself "Wags to Whiskas". The owners had signage, business cards, letterhead, invoicing paper printed only to have Effem Foods, the Whiskas cat food people appeal against the name, as they had it trademarked. The pet shop owners could have saved the cost of the stationery, signage and court costs if only they had searched, and registered a trademark. Naturally theirs would have been rejected because it was too close to Whiskas, but at least they would have found out and been able to choose an alternative name.

The website address for intellectual property is [www.iponz.govt.nz](http://www.iponz.govt.nz)

## Can I claim this for GST?

DO YOU EVER wonder whether you are entitled to claim GST on a business cost? For example, what about a cost which is not claimable for income tax purposes, overseas travel or some expense which looks like a financial service?

The answer is simple. Look at the bill you receive. Is it a Tax Invoice? To be one it must have, at least, the words Tax Invoice clearly printed on the document and the firm's GST number.

If you do not have a Tax Invoice for any item costing \$50 or more, you are not permitted to claim GST. You will not be able to get a Tax Invoice for overseas travel because it is exempt from GST.

A business cost, which is not a tax-deductible claim for income tax purposes, may be charged on a Tax Invoice so GST may be claimed.

# Entertainment

HAVING TROUBLE DECIDING which expenses are 50 percent deductible and which are 100 percent? Here are a few guidelines. It pays to check the detail in the IRD publication IR268, which can be downloaded from the internet, or by ringing us.

## 50% deductible

- Presents to customers which are food or drink.
- Entertaining customers or staff at your office.
- The corporate box at a sports venue.
- Travelling expenses for getting to and from a staff party.
- Food and drink when out of town but entertaining a client.
- All business lunches for clients.



## 100% deductible

- All entertainment expenditure incurred overseas.
- Food and drink for your staff either as normal morning or afternoon teas or working lunches.
- Food and drink for employees while travelling on business.



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## Use stories

WHEN PROMOTING YOUR business, either by means of public speaking, newsletters, your website, blog or any other means, remember the truism "A picture is worth a thousand words".

We love to listen to stories. Use them as your pictures. Some of the most enjoyable speeches are just several stories strung together.

NZ CA Limited is an association of independent chartered accountants' practices with members located throughout New Zealand. There are 27 firms practising in 37 locations.

NZ CA members have agreed to co-operate together to develop a national working relationship. Membership enables firms to access one another's skills and information whilst maintaining client confidentiality.

NZ CA Limited is associated with NZ LAW Limited, an association of independent legal practices. NZ LAW has 52 member firms practising in 76 locations throughout the country.

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## Ask for references

THE FOLLOWING IS the text of an email received recently. "Hope that everything is well with you. I was hoping that you would be able to provide me with a testimonial for the overload work I did for you while your secretary was away. If you do, then I hope you don't mind me putting it on my website or publishing it publicly. If you ever need any help, please send me an email," Do you ask for referrals? If not, why not?

## Changes in Particulars

Please remember to let us know of any changes in:  
\* Physical address \* E-mail address \* Phone and/or fax numbers \* Shareholdings \* Directorships \* Trustees  
Or anything else that may be relevant.

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