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Employing the next generation

A study commissioned by Cisco, interviewed 2800 young professionals aged between 20-30 years old in 14 countries. The purpose was to understand the needs of future employees and their technology requirements.

Here is a summary of the key findings from the study:

Salary alone is not enough

In order to attract the A-Player knowledge-workers of the future, their desire to use the internet more freely in the workplace is becoming strong enough to influence their choice of employer, sometimes more than salary does.

Social Media

They especially want the freedom to access social media at work. If they are banned from accessing social media, they are less likely to accept a job offer – or if they did join a company with such a policy, they would find a way to circumvent the company policy.

Personal devices

The days of one device for work are over. 77% of employees have multiple devices, such as laptops, smartphones, tablets, and they want the ability to use all of their personal devices for work. Not only do they want the flexibility to use a device of their own choosing – if they receive a company-issued device, they believe it should be allowed for personal and business use because of the blurring of work and personal communications in their daily lives.

Working remotely

As the line between personal and work time becomes more blurred, employees are looking



for opportunities to work remotely, and to have greater flexibility in their work hours. They want to be able to connect to their company network from their home computers and personal mobile devices at any time, from any location. In the near future they also expect to be able to connect to work from new user interfaces such as car navigation screens, seatback screens on airplanes, and from their home televisions.

Flexible schedules

For your professionals, the desire to work remotely with a flexible schedule is becoming viewed as a right, not a privilege. 70% believe it is unnecessary for them to be in the office regularly. The findings indicate that the expectations of the next generation workforce is increasingly emphasising work flexibility, mobility, and non-traditional work styles.

How prepared is your business to attract and cater for this next generation of knowledge workers?

Source: Results

Baches come under scrutiny of IRD watchdogs

IRD is proposing a new law to reduce claims for losses on renting a bach. These new rules are to be effective for the year ending 31 March 2014 or an equivalent balance date. Roughly, if gross rental does not exceed 2% of the rateable value of the property then any loss incurred

cannot be set off against other income. It has to be carried forward and set off against future profits (if any) from the same source. If rental income is less than \$1000 you may be permitted to put the money in your pocket and forget about tax. The plan is to compare the days rented with the days used by you. Thus if you use the bach for 30 days and rent it for 60 days then your tax claim for expenses is two thirds.





Time bars

Once filed, tax returns become "time barred" after the statutory time period has elapsed. Once 'time barred', tax returns are placed out of reach of the IRD who cannot then reassess/amend such returns to increase the taxpayer's tax liability.

For GST purposes the time bar period for a return is four years calculated from the end of the GST return period in which the return in question was filed. In the case of income tax returns, the time bar period of four years is calculated from the end of the income year in which the return in question was filed.

As an example, for a taxpayer filing monthly returns, a GST return for 31 March 2008 will become time barred on 30 April 2012, assuming the return was filed by 30 April 2008. An income tax return for the income year 31 March 2008 will become time barred on 31 March 2013 provided it was filed by 31 March 2009.

Accordingly there are tangible benefits in filing returns on time, as you qualify for time bar protection at the earliest possible opportunity. It is necessary to ensure that returns are not only on time, but are comprehensive and accurate, and have genuinely sought to return all income and expenditure, as the case may be. Where they are not, the IRD can, within limits, ignore the time bar and can reassess or amend such returns even beyond the time barred period in order to increase the taxpayer's tax liability.

In any dispute with the IRD, the first thing you should check is the time bar period.

Source : nsaTax

Risk and reward remuneration of shareholder employees

The Penny and Hooper v IRD decision is a landmark tax avoidance case that has implications for small businesses operating through a company or trust. Essentially, the Supreme Court decided in favour of the Inland Revenue, concluding that setting the artificially low salaries amounted to tax avoidance.

Penny and Hooper were two orthopaedic surgeons, each earning taxable income of between \$600k and \$850k a year. They restructured their businesses into companies with a family trust owning most of the shares. They provided their services to the companies in return for salaries of \$100k - \$120k each year. The balance of the company's income was declared as

dividends to the family trust which the surgeons drew from regularly.

Each year tax between \$20k and \$30k was saved by having the profits after salaries taxed at the trustee rate rather than at the surgeons' individual top personal tax rates. The court found these savings a 'more than merely incidental' reason for their low salaries.

The IRD has put businesses on alert and is actively reviewing those operating through a company or trust where the income is generated from services provided by an individual, and the individual's salary is unreasonably low. Although there may be good reasons for setting the salary low in a particular year, e.g. adverse business

conditions, or a planned expansion of the business, in some cases the sole reason for the salary level is to take advantage of the lower tax rate that applies to companies.

The IRD is entitled to go back four years into a business' records, but have publicly confirmed that where a 'voluntary disclosure' is made, only the last two income tax returns will be reassessed. A voluntary disclosure might significantly reduce IRD penalties or avoid them entirely.

Whenever we're discussing your business we'll look at this for you. In the meantime, if you are concerned and would like to discuss this, please do contact us.

The trust might be protecting the assets, but how safe is the trustee?

Trustees act personally. This means that unless liability is specifically limited, a trustee is personally liable for any debt incurred when acting as a trustee. It is also important to appreciate that simply signing as a trustee is not generally enough by itself to limit liability.

It is important to appreciate that any limitation of liability in a deed of trust (such as a clause limiting the trustee's liability to the assets of the trust), only applies between the trustee and the beneficiaries, not between the trustee and the rest of the world.

This means that if a trustee contracts with

a third party, (for example a bank), they must ensure that the terms of that contract expressly limit the trustee's liability. The limitation of liability in the deed of trust is not binding on third parties such as the trust's bankers.

There will be some liabilities that a trust cannot avoid such as :

- A liability for rates on a property
- A liability for tax owed by the trust
- A claim by a disgruntled third party or neighbouring property owner
- A claim from a tenant of a commercial property unless covered in the lease

The quid pro quo of accepting an appointment as trustee is the right (unless expressly excluded) to be indemnified for costs properly incurred in the administration of the trust. However, where a trust has no assets to meet a trustee's personal liability, any right of indemnity may prove worthless.

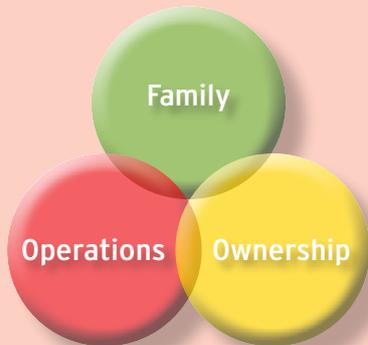
Accordingly a person acting as a trustee must be aware of the potential risks and the need to carefully examine actions the trustees wish to take. This is a timely reminder that all trustees need to act together rather than allowing one trustee to call the shots.

Source : Ayres Legal

Succession and the family business

The successful transition from the family business to the next generation is a challenge which needs careful planning and, usually, outside help to identify and resolve the issues to ensure family relationships remain strong. Only 35% of family businesses survive transition to the second generation and only 15% make it through to the third generation.

Family businesses have three distinct influences which merge: family, operations and ownership.



The key challenge in planning for the family business is to help the family negotiate the boundaries between the world of family and the world of business. Couple this with the need to ensure effective operational management and governance.

These roles can be blurred if everyone isn't clear on who is responsible for each role. Managing the overlap between the family and the business requires an emotional detachment that many find hard to achieve.

Achieving a transition in leadership and governance is often the toughest area. Generation 1 is reluctant (or doesn't know how) to let go and generation 2 is champing at the bit (and perhaps not yet fully equipped) to take over.

Like all major business transitions, a clear plan outlining the process over a number of years will produce the best result for everyone.

Not every member of the next generation can take over the family business. Communication with those members to achieve a clear understanding of expectations is vital.

Open and honest communication on what you want and how you see it working is vital. If you don't know with crystal clarity what it is you want you are unlikely to get or achieve it. And if you are not prepared to put in writing what you want, you aren't committed.

Involvement of a trusted outsider experienced in family business succession can help you achieve an effective transition to the next generation while maintaining and growing the opportunities available in the business.

Source: Sudburys Limited



Rude staff – who's to blame?

When a staff member is rude to a customer, is the staff member to blame?

Surprisingly, probably not! When things are mishandled like this, it is usually the culture or the systems to blame.

Culture is the attitude and behaviours engendered in the company. Have you ever dealt with a firm which makes you hang on the line for 20 minutes and pushes you from one employee to the next? Do you get the feeling they don't want to know you?

These firms have developed a culture of exactly what you are feeling. You are small, unimportant and a nuisance. The employee who is rude to a customer may have picked up this attitude from you! No, you are not rude to customers, but perhaps you make derogatory comments about some of them and your staff notice this.

Your staff copy you! It is your job to develop the culture in the firm.

The other big problem, when things go wrong, is the systems. When something does not work out properly, don't dismiss it as a one-off problem. Talk with your staff (even if there is only one) and gather ideas for ensuring the same problem does not repeat.

Lease inducement payments

The IRD on 26 July 2012 announced legislative proposals to make lease inducement payments and lease assignments taxable.

A lease inducement payment is a payment given by a landlord to a prospective tenant as an "inducement" to enter into a lease. At present for income tax purposes, a lease inducement payment is generally deductible for the payer (usually the landlord) and non-taxable for the recipient (usually the tenant).

Although the person making the lease inducement payment is likely to be a grantor of the interest or right in land (the landlord), under the proposals this could include someone associated with the landlord.

An example of a lease assignment would be where an existing lessee transfers (assigns) their rights under a lease to a third party. Any payments made to the new lessee as an inducement to take assignment of the lease would be taxable.

The new provisions will be back dated to apply to arrangements entered into on or after 1 April 2013 on the basis presumably that persons entering into lease arrangements after this date would be aware of the proposed changes to the rules.

Accordingly, landlords and tenants looking at entering into long-term lease arrangements or looking to assign a lease need to consider this as part of their negotiations, and should assume that the proposals will be legislated in due course.

Taxpayers who are or may be affected are urged to seek tax advice as soon as possible.

Source : nsaTax

Trial Balance for iPhone & iPad



Search for 'Trial Balance' from your iPhone or iPad in the APP Store



This application is free - Happy Reading

Best qualified for the job

"There are better golfers, there are better drivers, there are better swimmers, and there are better cooks.

"The only thing that no one can ever be better than you at is ... being you.

"Just be you. There's no one more qualified for the job".

Doe Zantamata



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Australian CGT discount removed for non-resident individuals

The recent Federal Budget in Australia proposed the removal of the 50% discount for capital gains tax ("CGT") on assets owned by Australian non-residents. This means that many Kiwis will now be faced with full taxation at up to 45% on Australian capital gains.

Whilst any capital gains earned prior to 8 May 2012 may qualify for the 50% discount, we understand a formal valuation is required as at that date. The change may also present an opportunity to restructure ownership of Australian situated assets into, for example, a company to take advantage of the lower corporate tax rate (30%). Roll-over relief may be available in specific circumstances to avoid crystallising a CGT liability on restructure. However, transaction costs such as stamp duty may prove a significant hurdle to overcome.

CGT is a very complex area of Australian tax law. Anyone potentially affected by the change should contact their tax advisor.

Source : *nsaTax*

Did you know...?

- If you go out to dinner and discuss business with your spouse, this is a personal cost.
- Food, spectacles, smart suits etc are personal costs. They put you in a situation where you can start working rather than being a cost incurred in doing the work. This includes special clothing with a dual purpose. Dame Edna Everage could claim her clothes as tax deductible because they were for the special purpose of her acts. Working boots, overalls etc are, of course, claimable.

"A successful person is one who can lay a firm foundation with the bricks that others throw at him or her."

David Brinkley

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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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