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*Merry Christmas - proudly drawn by Samantha aged 10 - South Auckland Hospital*

## Vehicle sign writing that worked

We were following an electrician's vehicle in a queue of traffic and were taken by the sign-writing on it. Full marks for the following:

- His slogan is "We're on time or it's two hours free!".
- He uses an 0800 number. It's a nice one. 0800- ONTIME
- The sign-writing on their vehicle is eye-catching. The message looks like a headline in an advertisement. It is painted red on a white background and is prominently displayed.
- His services are in a bullet point list below this headline.
- The freephone number appears in big black letters at the bottom of the advertisement. This is where it should be. It is the final piece of information the customer needs.
- Right at the very top of the window you will see the

company's name in the company colours. It is clear and easy to read but the marketing message comes to you first and the company name is second.



## Abolition of gift duty

The Government intends to abolish gift duty, saying the decision would be welcomed by taxpayers generally as the rules were resulting in a high level of compliance costs and were no longer raising any significant revenue.

There has been considerable work done by officials across government to assess the concerns raised regarding income tax, creditor protection and social assistance. This work has revealed that the protection that gift duty offers in the areas of income tax, creditors and social assistance has only ever been "incidental and very limited."

The limited protection that gift duty offers does not outweigh the significant compliance costs, estimated at approximately \$70 million per year that gift duty imposes on the private sector."

A broad range of other existing legislation will provide adequate protection to

mitigate the identified risks following the abolition of gift duty.

This will mean that a normal family trust which may own a house, bach, some investments etc will be asset protected much quicker. These changes are likely to mean that you will no longer be required to prepare reduction of debt deeds and gifting documentation. We will have to wait to see if there are any conditions applied.

The abolition of gift duty will be included in legislation to be introduced in November 2010 and will be effective from 1 October 2011. Following this we will be able to report in more detail.

Gift duty has been under the government's consideration for quite some time. The principal original purpose of gift duty was to protect the estate duty base. Although estate duty was repealed in New Zealand in 1992, it was decided that gift duty would be retained temporarily until concerns regarding income tax avoidance and social assistance could be addressed. Since then, gift duty has also come to be viewed as providing some protection to creditors.



## Trade Me traders and hobby collectors

A client came to us and asked if he would have to pay tax if he sold his coin collection on Trade Me.

He had collected coins for more than 40 years and for one reason or another he decided it was time to give up. He had very rarely sold and then only to allow him to improve his collection and buy something better. As he hadn't done anything with the collection for the last 10 years, he saw no point in keeping it.

We think this is a clear case where tax

would not apply. Compare this with another client who regularly buys and sells postage stamps. Most years he makes a small profit and he always aims to do so. We think his gains are taxable.

IRD is after people who aim to make profits out of trading on the internet. If you sell things you don't want, like the coin collection; no problem. If you buy goods, with the intention to sell at a profit, the sale will be taxable income and the cost of the goods will be deductible against it.

## Don't let neighbours tap your network

After talking about internet security with a client, we received the following article:

"I rebuilt my cousin's home network a couple of weeks ago. She had complained her family had used in a week more than the 5Gb cap in her contract with her internet supplier. They had never used that much before. After doubling her limit with her supplier, she then used another 7Gb in three days!

A year ago her partner had plugged in a new wireless router, which worked perfectly. It also worked perfectly for her neighbours, and had done from the start. Why? Because many routers have little security enabled.

She was providing a free internet connection for her neighbours, who were probably downloading large files, such as movies, and she was paying for the service. If they were to download illegal material, the police could track it to her, because it's her internet connection.

What did I do for her? I implemented security in depth.

- I turned WPA2 encryption on. WEP is weak - don't use it.
- I made the password 20 characters long using UPPERCASE, lowercase, numb3rs and ch@r@ct3r\$. It will be changed every three months.

- Every device on a network needs an address - these can be issued either automatically (easy for any new device to connect to the network), or manually (difficult for a new device to connect). A new router goes with the easy option. By choosing the difficult option, I made it harder for her neighbours to connect.
- I set up the network so only six devices could exist on the network, cutting off any unwanted neighbourhood connections.
- I set up MAC address filtering so it would accept only 'known' devices.
- When you set your laptop PC to search for available networks, a list with network names, called the SSID, appears. By default they include the name of the router - a clue to hackers that other settings might be defaults and therefore an easy target. I changed the SSID to "GoAwayNotFree" to indicate her network was going to be difficult to crack.

It will now be much harder to enter her network than the networks of her three neighbours."

We hope this article will help you understand how important it is to make a wireless network more secure. It will also help you to understand what your tech should be doing for you.

## Keeping It simple

This seems to be harder and harder to achieve in business these days.

So consider this simple commonsense approach to marketing your products and services:

1. Clearly define your target market. (Clue It's very rarely "everybody"!). If you try to sell to everyone, chances are you'll attract no one. The more focused you are the more successful you will be. Write your messages to one person.
2. Make them a strong offer. It needs to be something that will appeal to them; how to save money; make money; save time, etc...
3. Tell them what to do next (e.g. call this number; post this coupon; send an email; send a text; visit this website; or bring this to our shop).
4. Deliver your message to your audience via printed or electronic mail, or better still, both.

Don't give up after one campaign, you must persevere over time in order to succeed!

Source : Actionmail Limited

## Do you deduct PAYE?

Don't forget to get the new tax tables from the IRD website for salary and wages paid from 1 October. The department will not be posting them to you. All income tax rates have changed.

## Selling property you have purchased "off the plan"

If you, or a friend, sell a property you intended to invest in "off the plan", you could be facing a tax bill. This often happens, without any thought of tax consequences, when the buyer changes his/her mind before the building is complete. This is a tricky area. Consult us before proceeding.

# The Good News is, you have a great product or service to sell. The bad news is, people don't buy products or services.

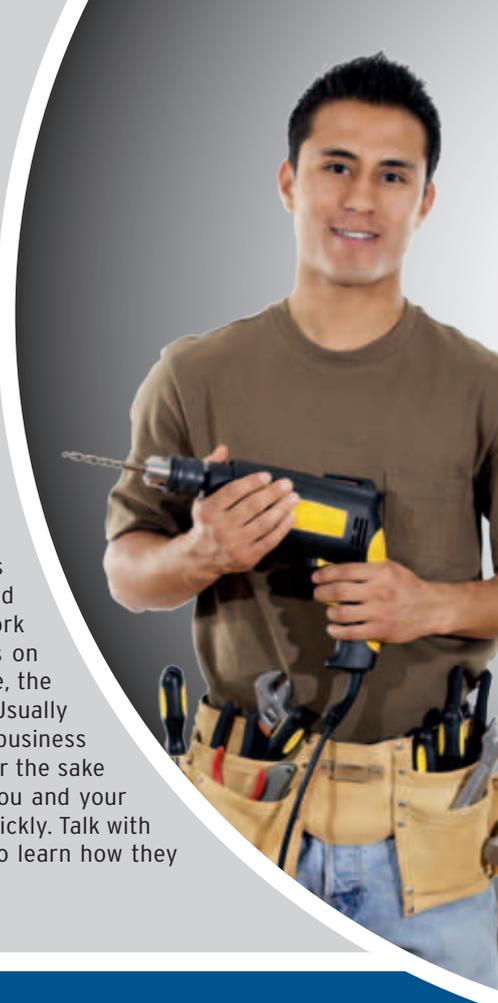
What does that mean? Customers don't buy products or services; they buy solutions to problems. As an example - when a builder enters a hardware store to buy a 9-inch drill, what she/he really needs is a nine-inch hole. Master that way of thinking and you've mastered the secret behind successful marketing. Marketing is nothing more than understanding what a customer really wants and needs and then showing them how you'll provide it.

Think of it this way. If potential customers call you, they have literally raised their hands to be helped - and they think your business can actually do that! It's your job then, to do everything in your power to fill those potential customers' needs. If you feel your products or services are good quality, failing to sell them does your potential customers a disservice. Because if you fail to sell to them, those customers walk away with their problem or need unresolved. It means they have to go out again and spend more time and more money to find someone else to solve their problem. Worse yet, that somebody

might be a competitor who does not offer products or services as good as yours.

Many business owners don't have the proper marketing systems in place, most often because they aren't comfortable with it and have had little or no real training in how to serve customers well during the sales process. They tend to concentrate instead on what they do best - usually the work their business does. Without that focus on marketing, without a finger on the pulse, the business will almost certainly suffer. Usually growth slows and they remain a small business forever. Don't let that happen to you. For the sake of your business it is imperative that you and your team get comfortable with marketing quickly. Talk with your Business Development Specialist to learn how they can help you do that.

Source : Sudburys Limited



## Spouse/partner going to conference

IRD is cautious about allowing claims for the cost of taking a family member to a conference. The argument that a partner is expected to attend is weak. In 1988 Case K 75 referred to a husband taking his wife to an overseas conference put on by a directly associated company to the one which employed him.

The Taxation Review Authority, in allowing the deduction, noted that it was company policy for wives to accompany executives to overseas conferences and on other business trips. The company benefited because the wives were familiar with company business and contributed to business-related social activities.

The Judge also said "At these conferences and meetings Mrs G's presence was expected for a delegate of the stature of Mr G." Perhaps one should be forgiven for asking what stature has to do with tax deductibility.

Note case K 75 refers to a directly associated company only. It does not cover any conference.

Generally, the spouse needs to be actively engaged in the business while overseas or contribute in some integral way to the conference, for a claim of costs to be acceptable. Claiming the cost of taking a spouse to any conference, at which it is generally expected that a spouse will attend, may be deemed a private cost by IRD. There would probably be insufficient nexus between the income earning activity and the cost.

## Qualifying Company (QC) & Loss Attributing Qualifying Company (LAQC) reforms

The Government released much awaited draft legislation on the changes to the Qualifying Company (QC) and Loss Attributing Qualifying Company (LAQC) rules on 15 October 2010.

The draft legislation is somewhat different to the initial discussion document released. The proposals outline:

A new "look through company" (LTC) which is essentially treated as a partnership for tax purposes but remains a company for commercial purposes. The LTC is "the new LAQC" but with some changes, such as attribution of income as well as losses, and losses being subject to loss limitation rules. The LTC is a completely new concept and differs from the changes indicated in the original issues paper.

- A word of warning about the loss limitation rules - while the idea is simple enough, the mechanics of these provisions in the draft legislation is not straight forward and it is not necessarily a foregone conclusion that shareholders will receive the same entitlement to losses as say, a partnership or sole trader.
- Existing QC's and LAQC's will not automatically become LTC's. Instead they will have to elect into the regime,

and if they do so within 6 months from the start of the 2012 income year they will elect under the transitional provisions. The transitional rules preclude having to pay tax on the existing reserves of the company on election.

- Existing QC's/LAQC's will be able to elect to be an LTC, a limited partnership, a partnership or a sole trader without any further tax cost, if it is done so within 6 months from the start of the 2012 income year. This gives clients a few months to consider which entity they will proceed with.
- If clients decide to wait to restructure, there will be additional tax costs associated with disposal of assets, and on existing reserves if electing to become an LTC other than under the transitional provisions.
- If existing QC's and LAQC's do nothing, they are able to stay in the QC regime but with no ability to attribute losses to shareholders. The Government has advised that a review of the current dividend rules for QC's will be undertaken.

We will provide more information once the final legislation is passed.

Source : Maggie Jaques , NSA Tax Limited

# Review your insurances

Our client has rented the same premises for 30 years.

A couple of months ago he arrived at his offices to an appalling smell. No one could tell where it came from. It smelt like something burning and after about half an hour it dawned on him it was probably a light fitting. Luckily the offices are fairly light and everyone could manage without artificial lighting. All lights were turned off and an electrician was called immediately.

"That evening I started to wonder whether I was covered by insurance, so took off down to the office to check," he says. "I found the policy and to my relief my public liability insurance was \$2 million.

"I then started to do the arithmetic. How many square metres of building would be destroyed if there was a fire?

There is a shop on the ground floor with expensive stock. What might that be worth? What if the owner had to relocate premises, was unable to do so and therefore sustained a loss of income and possibly a need to maintain staff while out of business?

"I totted it all up. \$5 million might not cover the bill! I immediately got on to my insurance company and lifted my public liability to \$10 million."

When did you last review your insurance covers?

Another client had professional indemnity insurance. When he looked closely at the exclusions, he discovered one of his major risks was listed as an exclusion!

Do you check the wording of your insurance policies? When you have to make a claim, you might wish you had done this.

## GST changeover – get it right

When we prepare your annual accounts for the 2011 tax year (ending 31 March 2011 for most people), we are going to need to know which transactions have 12.5% GST in them and which ones have 15%.

If you are on payments basis, you will be making an adjustment for debtors (money owing to you) and creditors (money owing by you). Keep details of your calculations and supply these to us when you bring in your annual accounts material.

Payments appearing on your bank statements from 1 October

should be either on your adjustment list or at the 15% GST rate.

If you make a mistake, the Minister of Revenue has inserted an extra clause in the Act which increased the rate of GST. IRD is not allowed to charge penalties OR use of money interest if you have to correct your 30 September GST return, provided you have taken reasonable care so the mistake is not bad enough to warrant them charging shortfall penalties.

If you think you have a problem with this adjustment, please call us for help.

## KiwiSaver to be 10%

The Government is extending the contribution rates allowed to KiwiSaver. Currently the rates are 2%, 4% and 8%. New rates of 6% and 10% are to be added. This is great news for those nearing retirement, who may be keen to use the 10% rate.



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