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Tax relief for R&D intensive start-up companies

Those of us who reminisce nostalgically about the short-lived 15% Research and Development ("R&D") tax credit which was terminated in 2010 would welcome the Budget 2013 announcement to re-introduce an incentive for R&D intensive businesses. The announcement was followed up with the release of an Official's issues paper which provides further details on the proposal. Although the new regime is not a tax incentive, it's aimed at helping with early stage cash-flow issues, which are often the biggest problems faced by R&D intensive start up companies. Under current tax legislation, tax losses are carried forward and deducted in future periods once a company has taxable income. The Paper proposes allowing cashing out of eligible tax losses which arise from R&D expenditure. The amount to be "cashed out" will be initially limited to the lesser of 1.5 x R&D salary costs, total tax losses and qualifying R&D spend, up to a maximum refund of \$140,000. This is proposed to be increased incrementally each year to a maximum of \$560,000 refund (\$2 million of tax losses).

Under the proposed rules, the company must meet the following criteria:

Company R&D expenditure on wages and salaries



must be at least 20% of total expenditure on wages and salaries;

The company must be in a tax-loss position for the applicable income year;

The company must be an ordinary New Zealand company (i.e. not a look-through, qualifying or listed company, or a special corporate entity).

Source : RSM Prince

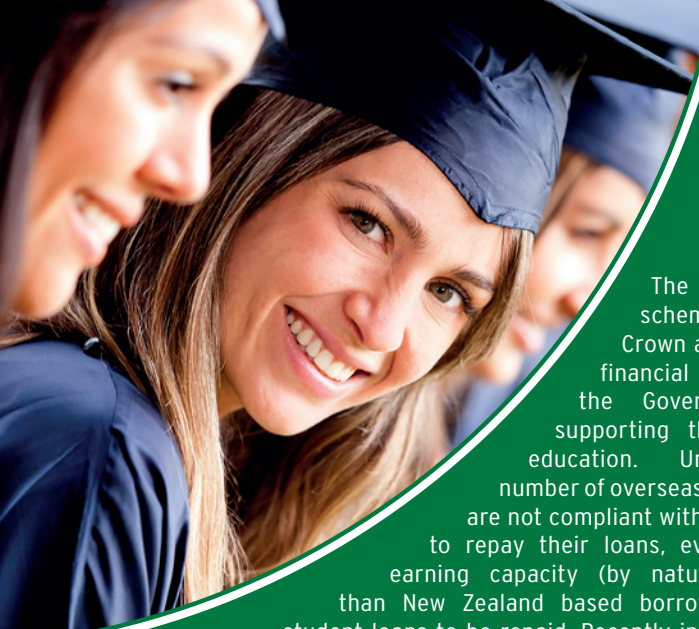
Replacement Insurance – It's up to you

Say goodbye to insuring your house for replacement. It was nice while it lasted. In future, the risk of not getting full replacement value is going to be on you. You will have to work out what it will cost to rebuild your house. There are all sorts of hidden extras such as resource consent, retaining walls and swimming pools, which can be easily overlooked. Add to this the volatility of the building industry. Finally, when there's a crisis

such as in Christchurch, scarcity is going to make everything more expensive.

Be very careful working out the cost of rebuilding. It's likely to be higher than the market value of your house (excluding the value of your land). You could get a quantity surveyor's help. Once he/she sets up the measurements, it should be easy to key in new monetary values in following years.

Once you have a cost of replacement, you then need to decide how much you want to add to this figure to allow for delays and price rises.



Tighter rules for overseas-based student loan borrowers

The student loan scheme is a significant Crown asset and a major financial commitment by the Government towards supporting those in tertiary education. Unfortunately, a number of overseas based borrowers are not compliant with their obligations to repay their loans, even though their earning capacity (by nature often higher than New Zealand based borrowers) allows for student loans to be repaid. Recently introduced Student Loan Amendment Bill is focused on encouraging personal responsibility for loan repayments and promoting compliance, particularly from the overseas based borrowers.

The bill proposes to provide Inland Revenue with powers to request an arrest warrant for borrowers who persistently default on their student loan obligations and attempt to leave New Zealand. This power is aimed to send a strong signal to non-compliant borrowers that such behaviour is unacceptable and persistent defaulters will face strong sanctions.

The bill also contains amendments to speed up repayments from compliant

overseas-based borrowers. It achieves this through fixed repayment obligations for overseas-based borrowers and by adding two new thresholds to the overseas-based borrower repayment rules.

Currently, there is a three-step repayment obligation for overseas-based borrowers, based on their loan balance. As a borrower repays their loan, the loan balance decreases and their repayment obligation also decreases. This means that a compliant borrower's repayment obligation decreases over time while their ability to pay is likely to be the same.

A fixed repayment obligation will ensure that a borrower's repayment obligation is maintained, even when the loan balance is decreasing. This brings overseas-based borrowers repayment obligations more in line with the way in which commercial loans operate. The proposed amendment will reduce repayment times and the interest cost for compliant overseas-based borrowers. Introducing two new repayment thresholds will ensure more borrowers' repayment obligations are large enough to cover the interest on their loan.

Source : RSM Prince

The roofer impresses with after-sales service

I was out getting my morning exercise when I met with a fellow exerciser. We stopped for a chat and she told me she had recently had part of her roof replaced. She was very impressed with the roofer. Why? Six weeks after he had done the job he called at her house to ask her if the roof was OK. This small after-sales service can have a big effect on a customer, as it did in this case. The woman was incredibly impressed and is telling others.

Why don't business owners do this more often? Sometimes it's because they're afraid the customer will find a reason to complain. The answer, then, is to ensure you do the job so well they have

no reason to complain. You should always be confident in your product or service. We suggest you start doing something like the roofer now.

Business is difficult. Get a reputation for caring about your customers and referrals will flow that much easier. A card or email once a year on the anniversary of the job would reinforce your marketing. It would help ensure you're not forgotten. You might not necessarily get this customer back, but you do want to promote referrals.

Trans-Tasman portability of retirement schemes

Amendments to the relevant legislation, which came into effect on 1 July 2013, enables trans-Tasman portability of retirement savings. This will allow a person who has retirement savings in both Australia and New Zealand to consolidate their savings in one retirement scheme in their country of residence.

Retirement savings may only be transferred between a New Zealand KiwiSaver scheme and an Australian complying superannuation scheme (a scheme regulated by the Australian Prudential Regulation Authority).

Transfer of retirement schemes is optional and to be eligible for it, KiwiSaver members must permanently migrate to Australia. Contributions made to the person's KiwiSaver scheme while living offshore, will not be eligible for member tax credits. Australian-sourced retirement savings

transferred to a KiwiSaver scheme will be treated as exempt from tax at the point of entry under the portability arrangements. However, Australian-sourced retirement savings will still be subject to certain Australian complying scheme rules.

There is a difference in the tax rate applied to earnings from superannuation schemes

in New Zealand and Australia:

The New Zealand tax rate on superannuation earnings generally ranges from 10.5% to 28%.

The Australian tax rate is a flat rate of 15%.

Key differences between scheme rules are summarised below:

KiwiSaver funds transferred to Australia	Australian funds transferred to New Zealand
Funds may not be accessed until the person reaches New Zealand age of retirement (currently 65 years).	Funds may not be accessed until the person satisfies the Australian definition of retirement and Australian retirement age (currently 60 years).
Funds may not be transferred to countries other than Australia.	Funds may not be transferred to countries other than New Zealand.
Funds may not be transferred into Australian self-managed superannuation funds.	Funds may not be withdrawn to assist with first home purchase.

Source : RSM Prince

Do less and achieve more

How you can achieve more by doing less

Many business owners find it difficult to focus on just one thing. They set too many goals, try to implement too many projects at the same time, allow themselves to become distracted by the latest hot idea ... or they are stuck in the operational side of their business ... struggling to keep their head above water. There is no winning strategy in place which they can follow.

Know when to say NO

Successful business owners know when to say NO. As Steve Jobs said, "People think focus means saying 'yes' to the thing you've got to focus on. But that's not what it means at all. It means saying 'NO' to the hundred other good ideas that there are. You have to pick carefully. I'm actually as proud of the things we haven't done as the things we have done".

Being "busy" doesn't mean you're running a good business.

Why do so many business owners seem to suffer from ADD? They get sidetracked by the latest "thing" that appears in front of them, and run around chasing after that. While that's happening, they're neglecting to focus on the vital few things that will drive the future success of their business.

Why do we think we can efficiently multitask? We can't. Numerous studies show that even though we think we are doing a great job of multitasking, it actually reduces our productivity. Worse still, multitasking impairs the brain's ability to learn.

You might think you're being productive when you're juggling multiple activities ... but this is usually not the case.

If you're multitasking, it takes on average 25% more time to finish any one activity. In reality, it's far more productive to do one thing at a time with a burst of intensely focused energy.

Achieve more by doing less.

As business owners, we know there is never enough time to get everything done. So make sure you focus your valuable time on the few vital things that really matter, rather than being busy on the many things that don't.

Peter Drucker recommends setting aside 4 hours of uninterrupted time each week to work solely on the one ... that's the (1)... most important thing. He believed this discipline was critical to get the important things done.

So ... if there was just one thing you could do this week to move each goal forward ... what would be the most important one (1) thing?

Source : Full Focus



Generating repeat business

A plumber in the United States has a 10-point checklist to identify potential plumbing problems, which he takes with him to every job.

He also takes a DVD outlining how a homeowner can save maintenance costs. Imagine he's been asked to unblock a drain. Before he starts he invites the owner to watch the DVD while he's doing the job. He then checks on all the points on his checklist and will usually come back with one or two things to suggest be done. In most cases he gets instant additional work.

He's doing his customers a favour by carrying out maintenance while he's there, saving them the cost of a further callout. The DVD works similarly because the owner can often identify a job needing to be done. On top of this, he keeps in touch regularly with his customers by newsletter. His business is run off its feet.

The importance of social media, digital marketing and website hosting

If you want to expand your sales and grow your business; selecting the right media for marketing and advertising is essential to your success.

We understand that in small business, cashflow is paramount and expenses controlled. To get the highest return on your investment in marketing, your advertising campaign should translate to greater sales, higher profits and a healthier bottom line.

There are multiple media sources and outlets to choose when promoting your business, the choice of which will help your business grow comes down to the following questions :

- What is my target market?
- Where are my target buyers shopping?
- What is the best medium to reach them?
- Can I afford to launch an effective campaign using this medium?
- If I cannot afford this medium, what is the next best alternative that has the same desired outcome?

When deciding on your market campaign there is no right or wrong medium to promote your business. The

best campaign will reach your target market effectively and encourage new customers to your business. Whatever your business and the products or services you offer; in today's digital world a business without a website and/or social media page is going to lose business to competitors as potential customers will not be able to access the services offered.

88% of internet users use a search engine to look for products and services. This is a potential customer for your business as they are actively searching for the product or service you are offering. When you consider that 85% of entries to web sites are generated by search engine traffic, and that 98% of all click troughs come from the first three pages of search results, you will begin to understand just how important search engine optimisation is.

We encourage clients to seek professional advice so that they maximise the benefits available from Social Media, Digital Marketing and an interactive effective website.

Source : RSM Prince



Buying and selling foreign currency

Banks are not the only organisations which can supply foreign currency. Recently a client was moving £30,000 from the UK and obtained a quote from a bank to make the transaction and one from a dealer. By using the dealer, he saved more than \$1,000.

You might say a bank is safer and it would be hard to disagree. This client actually tested the dealer a few months earlier. He wanted to send \$100,000 to Australia. He broke the amount up into four parcels and sent each successively making sure the previous amount arrived safely before sending the next.

Warning : This is not advice. We are merely letting you know that alternatives do exist.

Non taxable allowances

You're not permitted to guess the amount you pay an employee as a non-taxable allowance. If an IRD inspector visits, one of the first questions is going to be how do you justify your payments? Show us the figures and paperwork. Make sure proper figures of actual expenditure have been kept so you can justify these payments.

More NZ CA firms are accessing the benefits of tax pooling for clients

The evolution and growth of tax pooling has been rapid. It is estimated that four years ago 10% -15% of provisional tax was paid directly into tax pooling accounts at the IRD. Treasury officials have been saying that this has risen to around a quarter of the provisional tax take or a whopping \$2.2 billion per year.

Deposit tax payments in a tax pool at the IRD and open up the opportunity to sell tax for significantly more than the Use of Money Interest (UOMI) rate you would normally get on refunds.

Finance tax and defer payment by paying the interest upfront and settle the tax later. You can top-up finance or sell-down if you haven't got your estimate right. Lock in your rate if you think interest rates are on the rise.

Purchase tax to top up tax payments at a later date and save at least a quarter of the UOMI and potential penalties as well.

Tax Pooling Solutions or "TPS" is the preferred supplier for the NZ CA network. Contact your accountant to help you to select the best fit option.

Source : Tax Pooling Solutions

" Success is not a destination,
Success is a measure in time along the journey."
Mark Bouris



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Shareholdings * Directorships * Trustees
Or anything else that may be relevant.

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