FINMAN

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Welcome to the Winter Newsletter for Finman Services Paraparaumu Limited.

We hope you're keeping warm and managing to avoid the winter chills. Make sure to come and check out our fabulous new offices … we'd love to see you!

Risk and Reward

Family Trusts - the story continues

The Law Commission's review of Family Trusts continues. A paper on Trustees' duties, the office of Trustee, trust administration, and trustees' powers is due out shortly, with the final analysis - on trading trusts, the potential registration of trusts and the obligations of trust advisors - to be delivered to Government in approximately 3 months' time. It appears we are heading for a major shake up on the entire manner in which trusts operate and are administered.

As your accountants (and for some of you, your professional trustees) we're on a mission to ensure your Family Trust's administration processes are robust. If you haven't heard from us yet, you may well soon….

Electra Business Awards

A reminder that registrations for the Kapiti Horowhenua Electra Business Awards 2011 close on 11 July . These business awards are a fantastic opportunity for local businesses to be recognised as a leading business on the Kapiti Coast, and to overall gain exposure and really benchmark their business. Finman Services Paraparaumu Limited are proud to be sponsoring the 'High Growth' Category at the awards this year. If you require further information go to www.electra.co.nz/businessawards.

Tax Talk

Substantial depreciation allowances still available

While depreciation allowances on most building structures ended on 1 April this year, depreciation can still be claimed on a wide range of commercial and industrial building fit-out assets.

Just before Christmas, legislation was passed confirming that depreciation will continue to be allowed on building services assets such as lifts, air conditioning systems, plumbing and electrical reticulation in commercial buildings. The legislation recognises the practical reality that fit-outs in commercial, retail and industrial buildings suffer significantly higher wear and tear when compared to residential property.

Those clients who have never separately itemised the building fit-out assets acquired at the same time as the building can now take 15% of the building's adjusted tax value (that's the original cost price of the building less any depreciation claimed so far) less the adjusted tax value of any separately itemised fit-out assets acquired subsequent to acquisition of the building, call it fit-out and depreciate it at the rate of 2% for the 2011-12 year onwards.

'In the business world, the rear-view mirror is always clearer than the windshield.' **Warren Buffett**

Talk to us about shareholding changes

We've recently experienced two cases where clients have decided to make shareholding changes in their companies, have gone online to the Companies Office website and Bob's your Uncle, shareholding changes updated!

Actually, it wasn't such a smart idea as it turns out. Changing shareholding in your company without talking to us first can have dire tax consequences. These consequences can be far reaching. Continuity of losses carried forward can be affected, imputation tax credits can be lost forever, and under the new Look Through Company regime the flow of losses will be affected.

Student Loans

Tighter lending criteria

Mild changes to the Student Loan system will be implemented in the next two years:

- Students with overdue payments of $500 or more, and who are in default for over a year will have restricted eligibility for further loans
- Students aged 55 and over will be eligible to borrow for tuition fees only
- Part time students will no longer be eligible to borrow for course related costs
- The repayment holiday for borrowers offshore will be reduced from three years to one, and borrowers will be required to apply for the holiday, providing a NZ based contact before they leave

The repayment threshold will remain at $19,084 until 31 March 2015 and there has been no change to the general interest-free treatment of loans.

Working for Families

Small reductions targeted at higher earners

An increase in eligibility has caused a Working for Families blow out and the government is making minor changes to curb the escalating costs of the scheme. These new changes will be applied in conjunction with those heralded in the 2010 budget as part of a four stage programme.

Stage one came into effect 1 April this year with changes to the definition of 'family income' to include 9 extra types of income, restricting families from using investment losses to reduce their income for higher tax credits.

One by one further changes will be implemented with each new inflation adjustment – roughly every two years until 1 April, 2018. These changes are:

- A reduction in the income level at which tax credits start to decrease, from $36,827 to $35,000
- An increase in the rate of reduction, from 20 cents in the dollar to 25 cents
- The amount paid in respect of children aged 16 and over will be aligned with that paid for children aged 13 – 15

Those with lower incomes will be largely unaffected – the majority getting an increase in their payments from 1 April next year. Some higher earning families will receive a little less than they currently do and a small portion (approx.. 7,000) will no longer qualify.

Business Perspective

Risk management basics

We should all now realise what business disaster recovery planning really means and that a pre-emptive strike can positively influence your recovery. There are *many* aspects to review when it comes to your business recovery plan with no 'one size fits all' model available. Below are some important basics that you can implement readily.

1. Internal safety - Have you reviewed your premises to be sure the fit-out is safe and items are secured? Do you have the regulatory fire equipment? Do you have food and water stocks on-site? First aid? Do you have a clear and documented evacuation plan? Review and cement your plans as a team. Impose regular reviews and discussions of the plan, keeping new team members up to speed.
2. Evolving cloud technology and the virtual workplace have had a hugely positive effect on the recovery process. Important documentation can now easily be stored offsite 'in the cloud' as well as there being a definite trend towards web based software. At the very least, review (and test!) your current backup procedures.
3. Which of your staff could work remotely with minimal disruption? Why not investigate remote computer connections in the short term rather than as a reaction to a disaster? There can be positives to having the right staff work remotely. It's also easier than it seems and for some industries it's becoming the way of the future.
4. Have you reviewed your paperless possibilities? What do you currently store in hard copy that should be scanned and sucked into your server or a 'cloud' based backup solution?
5. What about your most vital of business documents? Do you have the originals stored in a safe location as well as 'soft' copies (stored in your computer server with adequate backup of course)? Examples include: insurance policies, key client and staff contracts.
6. Insurances - Do you have cover for site and equipment, vehicles, electronics, furniture and fittings, stock, wages and salaries, loss of profit, additional/increased cost of operating your business, claim preparation costs (accountant, solicitor, and insurance advisor fees), reinstatement of records? And the list goes on.
7. Finally, do you have the names, mobile and home phone numbers and personal email addresses of all your team members stored in your mobile phone? A Christchurch acquaintance could not stress strongly enough his relief at having this information readily available, not only in the immediate aftermath but when he needed to coordinate his team remotely in the following weeks.

Let us know if we can assist you with any of the above. We're here to help you!

KiwiSaver

Less Government participation

The government wants more real saving by New Zealanders and less input from the government coffers. Changes could save the country $2.6 billion in 4 years, money that would have to be borrowed....

1. The member Tax Credit (a government subsidy) will be halved to a maximum of $10 per week – **effective 1 July 2011**.
2. Employer contributions will no longer be tax-free from **1 April 2012.** Employer Superannuation Contribution Tax will apply at the employees' marginal tax rate.
3. On **1 April 2013** minimum contributions from both employer and employee will rise from 2% to 3% (employees/members can still opt to contribute 4% or 8%).

Please note that Kick-Start payments will remain unchanged.

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