FINMAN

Newsletter March 2011

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Welcome to the Autumn Newsletter for Finman Services Paraparaumu Limited.

We hope you've all had a great xmas and new years break, and are ready to hit the ground running for a productive 2011.

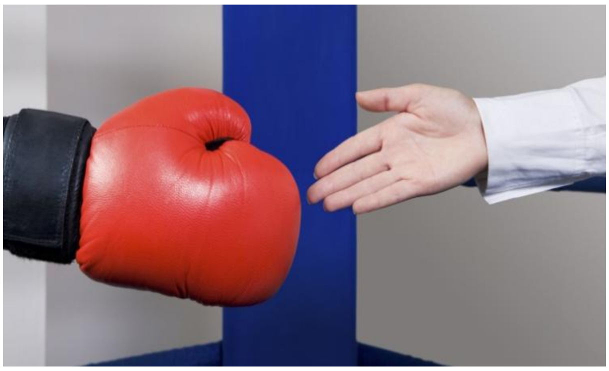
Finman's have had an exciting start to the year, with our rebranding, and moving into our new office premises. A reminder that if you haven't been to our new office as yet, we'd love to welcome you here soon!

Risk and Reward

Employment Law Changes 1 April 2011

Changes to both the Holidays Act and the Employment Relations Act will come into force on 1 April 2011. These changes are intended to reduce compliance costs, increase business confidence in recruiting new staff as well as speed up the resolution of workplace disputes. The main changes include:

- Employees will be able to cash in one week of their four weeks' leave.
- Employees who have irregular working hours and pay will now have their holiday, sick and bereavement leave calculated on an average daily pay basis.
- Employers and employees will be able to agree to transfer taking a public holiday to another working day.
- The minimum wage will increase from $12.75 to $13.00 from 1 April, while the training and new entrants' minimum wage will rise from $10.20 to $10.40, effective as of the same date.



- The 90-day trial period is being extended to all employers (currently limited to those with less than 20 employees). From 1 April employers and employees can enter into an employment agreement which provides for a trial period of 90 days or less. During the trial period the employer can dismiss the employee without risking a personal grievance.
- Employers will have to keep detailed personal files for each employee. These files must contain signed copies of employment agreements, other terms and conditions, handbooks, as well as any intended agreements (even where these have not been agreed to by the employee). These documents must be available to employees on request. Employers have until 1 July to get their files up to the new standard. We estimate that a good number of our clients will have some work to do here. We'll be providing you with an Employee Personal File Checklist, to help you meet the new standards.
- Union representatives will need an employer's permission to enter the workplace.
- Employers will be able to communicate with employees during collective bargaining.
- Minimum requirements establishing a fair and reasonable dismissal process will be set out in the Act and employers will have a much clearer process to follow. This is great news for our employer clients, who can be fearful of dismissal processes being scrutinised for minor defects.

Minimising shareholder employee ACC levies

Changes were made last year enabling shareholder employees to be classified under their individual occupation rather than the business activity of their employer company. This change can make quite a difference to the levies you pay. For example, the levy rate for an office manager is much lower than that of a factory supervisor.

We provide an ongoing ACC administration and advisory service to our clients on an agreed annual fee basis. Let us review your cover structure to ensure your cover is appropriate and levies are minimised.

Tax Talk

Company Tax Rates Dropping

The company tax rate will reduce from 30% to 28% from the 2011/2012 income year (for most companies, 1 April 2011).

Building Depreciation Gone

Depreciation deductions on buildings with an estimated useful life of 50 years or more disappear from the start of the 2011/2012 year (for most of you 1 April 2011). New rules have been introduced to ensure the fit-out of commercial and industrial buildings continues to be depreciable.

At Last – Some GST Simplification

Sales of land now zero rated

In the past, whether GST should be added or not to the sale of land, has sometimes been a complex matter. From 1 April 2011 these transactions will be zero rated, as long as the following apply:

- The purchaser declares in writing that the property is to be used for a GST activity, and
- The purchaser is GST registered

LAQC Reviews Underway

We recently have sent a letter to all of our LAQC clients affected by the far reaching LAQC reforms that come into play on 1 April 2011 this year.

We are in the process of completing a personalised review of each LAQC client and we'll be advising each of you on the best way forward very shortly. Rest assured that we have the whole issue well under control. In the meantime, if you do have any concerns do give us a call or drop us an email.

Private use adjustments on cars

As of 1 April the rules for calculating private use adjustments on vehicles for sole traders and partnerships have been simplified... sort of. By way of example, if you expect business usage to be 80%, then you simply claim 80% of the GST on the cost of the car and any running expenses. Sounds logical, some would say obvious (accountants have been suggesting this to Government for years).

That was the simple bit. If you underestimate your private usage by 10% or more, or if any GST over-claimed due to such underestimating comes to more than $1,000, an adjustment (not so simple) has to be made.

But wait… there's more. There's a wash up calculation when you sell the car and it's complicated. In fact, we won't bore you with the details in this newsletter. To talk through your situation, give us a call or email us, and we'll provide you with the maths!

Working for Families - Tax Credits Income Net Widened

As of 1 April clients will no longer be able to use investment losses such as from rental properties to reduce their income for working for families (WFF) tax credit. The definition of income will also include an extra nine types of income:

1. Attributable trustee income
2. Attributable fringe benefits
3. PIE income other than registered superannuation schemes such as Kiwisaver and retirement benefit schemes
4. Passive income earned by children (includes interest, dividends and rent). Amounts over $500 per child will be included as family income
5. Worldwide income received by a non-resident spouse
6. Tax exempt salary or wages under specific international agreements
7. Income equalisation deposits made by you, your trust, or a company controlled by you or your trust
8. Certain pensions and annuities – includes 50% of payments from life insurance policies or a superannuation fund (excludes NZ super)
9. Other payments received from any sources that are used for your family's day-to-day living expenses (but only if the total amount from those sources is more than $5,000). An example of this might be board received.

In future, when you apply for WFF tax credits, you'll need to let IRD know about amounts from any of the above sources. For those clients who receive or are entitled to WFF credits, when we prepare your 2012 tax return, we'll need to request the above information. Good communication will be essential.

ACC Levies, No-claims Discounts and Experience Rating

Government is introducing experience rating into the ACC levy system on 1 April 2011. Here's how it is likely to work:

- Small employers (paying less than $10,000 per year in work related levies) will be entitled to a no-claims discount
- Larger employers (paying more than or equal to $10,000 per year) will be part of an experience rating programme. This programme will reflect both the employer's and its industry's performance in preventing injuries and claims and could create an increase or reduction in levies of up to 50%!

Clearly Government is trying to provide employers with a financial incentive to prevent injuries as well as make levies fairer by ensuring low-risk employers aren't paying for high-risk ones. Having said that, is a no claims discount or loading of minus or plus 10% (the majority of employers will fall into the 'small employer' category) really going to incentivise employers to get serious about workplace safety?

Using The Right Tax Code For New Staff

It's hiring season again! As you welcome new employees on board, make sure they're on the right tax code so the right tax rate is deducted. This is particularly important if they have a student loan. Employees who are expected to earn over $19,084 for the tax year and have a student loan need to start making repayments towards their loan. To do this they need to choose a student loan (SL) tax code on their Tax code declaration (IR 330) and start making repayments towards their student loans.

You can make things easier for you, your staff and us, by reminding your employees to use the right tax code. This will ensure you deduct the right amount of tax from their wages, as well as other deductions like student loan repayments.

If IRD see your employee has the wrong tax code, they will write to you requesting that you change it. We'll advise you which employees are using incorrect tax codes and let you know which code should be applied. You can go to www.ird.govt.nz "Work it Out" to calculate tax deductions from your employees' gross wages including student loan deductions.

International Tax – Top 10 Tax Misconceptions for Individuals

International tax compliance can be complex and difficult. To help you get it right, we've compiled the following list of commonly misunderstood tax facts relating to individuals:

1. New Zealand residents aren't just taxed on the income they earn in New Zealand, they're also taxed on their worldwide income.
2. If you leave the country but maintain a permanent place of abode here, you're still a New Zealand resident for tax purposes.
3. Foreign income including investments (even if deposited in an offshore account or left on a foreign credit card) is taxable in New Zealand even if it's not repatriated to New Zealand.
4. Equally, the fact that withholding tax may have been deducted on foreign income doesn't mean that this income is no longer taxable in New Zealand.
5. A foreign tax credit may be available but only where the tax involved is not subsequently refunded (even in a later income year), it's substantially similar to income tax and can't exceed the tax otherwise payable on the underlying income in New Zealand.
6. Not all overseas pension payments are tax-free, certain ones may be fully taxable in New Zealand.
7. Special taxing regimes (controlled foreign company and foreign investment fund rules) apply to gains on certain foreign shareholdings, retirement schemes and life insurance investments.
8. Additional disclosures are required in respect of controlled foreign companies and foreign investment funds.
9. Allowances that may be treated as tax-free in other countries (for example, living-away-from-home allowances) are generally fully taxable in New Zealand.
10. The temporary tax exemption on foreign income for transitional residents expires after 48 months and there's no entitlement to Working for Families Tax Credits during the period of the exemption.

It's important to keep the above in mind when sending us information to prepare your tax returns.

New Staff Member

We would like to welcome Monique Knox to our team at Finman Services. Monique joins our administration team, and brings to the role a great set of skills and knowledge from her previous positions. Monique will be looking after ACC, tax administration, annual workflow, office administration, invoicing, etc

Dates for the calendar

7 April 2011 – Terminal Tax due

7 May 2011– 2010 3rd Provisional instalment due

7 May 2011– March 2011 GST due

28 Aug 2011 – 2011 1st Provisional Installment due

Opportunity is missed by most because it is dressed in overalls and looks like work. **Thomas Alva Edison**

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