



Your accounting update from BWR **March '11**

outside the square

Client Profile

New Hastings store showcases the real “Freedom”

When the doors opened on Freedom’s brand new purpose-built store in Hastings in late March it was the realisation of a four year dream for owners Geoff and Wendy Tapscott.

The couple bought Freedom at its old location on the corner of Heretaunga and Townsend Streets four years ago but always knew they would move it to a more central location and a building that allowed them to showcase the Freedom products the way they should be.

And Wendy knows what Freedom is all about – she’s worked for the company for 25 years both here and in Australia.

It’s taken a year to get the new store on the corner of Warren and St Aubyn Streets built and ready for customers.

Wendy says the old building was not conducive to the Freedom look and feel and it made sense to move when the lease was up.

“This new store allows us to have a completely new look and layout that reflects the style and value that Freedom is so well known for across Australasia,” says Wendy.

She admits the decision to move to a new store was not taken lightly in the current economic climate.

“It is a hard decision to move forward in tough times but we worked through everything with our strategic partners, who include the bank and our accountant at BWR, and we all agreed it was a good decision.”

Wendy says she and Geoff see their relationship with



Owners Wendy Tapscott (L) and Karen Podmore showing off one of the new displays in the brand new Freedom building.

BWR as a partnership which provides them with much needed business support.

“When you make a big business decision like this you want to make sure the numbers stack up and to do that you need professional advice and support.”

Wendy says while air-conditioning in the new store will be extremely welcome in the summer, the main thing they’re excited about is finally being able to truly reflect what Freedom is all about.

“Freedom is big on style and big on value and that’s what our new store is all about. We’ll have a wide range of Freedom’s gorgeous furniture and products, including some limited edition pieces for that extra special spot in the house.”

The new Freedom store is now open seven days at 404 Warren Street, Hastings, opposite Mega Mitre 10.

New BWR Director - Craig Riddiford

The chance to bring on board as a new director at BWR a successful young accountant who knows the business well was too good of an opportunity to miss.

Former associate director Craig Riddiford becomes a director of BWR on the 1st of April, joining the five other current directors.

He's the first new director since Brown Webb Richardson Ltd was formed in 2002 after the merger of two long established Hastings practices.

Chairman George Speedy says appointing a new director is not a decision the team takes lightly, however they believe Craig will add real value to the business.

"He's a driven young man with a vast knowledge of both accountancy and taxation and a strong local background in Napier and Central Hawke's Bay, and we're excited to have him as a director," says George.

Craig grew up in Central Hawke's Bay and joined Brown Webb in 1997, studying for his CA qualifications extramurally while working. After spending 12 months overseas working for a large

investment company he returned to the Bay and BWR in 2007 as an associate director.

Craig is a bit of a tax expert, admitting he's fascinated with the ever-changing tax laws. He's looking forward to continuing to work with his existing clients to manage their businesses as well as bringing on board new clients keen to find effective business solutions.

Outside of work Craig is a husband and father of two and a keen rugby fan. While a badly broken leg two years ago means his playing days are over, he is still heavily involved with the Napier Old Boys Marist RFC.

If you'd like to talk with Craig about improving your business, give him a call on 06 873 8037 or email him at CraigR@bwr.co.nz



Beware of scam email reminders from Inland Revenue

These days much of our communication is done electronically so we are all well aware of the junk emails or spam we receive in our inbox and often have filters in place to protect ourselves, but there is a new scam email you need to be very wary of.

There is an unsolicited email currently doing the rounds claiming to be from Inland Revenue reminding you to apply for your tax refund. You need to delete these emails immediately. It is not Inland Revenue practice to send email reminders to tax payers.

Scammers are shrewd and have been particularly active in trying to obtain personal details from people using very sophisticated and authentic looking messages.

The general rule is to delete any correspondence from anyone you do not know or you have not initiated.

If you have any doubt about emails offering refunds or avoiding penalties contact us.

End of Year Housekeeping Checklist

For most businesses the 31st of March is the end of the financial year.

We have put together a checklist of some of the things you may need to get underway before your annual information questionnaire arrives from BWR.

- Check your vehicle logbook has not expired.
- Get organised for your annual stocktake. Recording actual figures is much preferable to trying to reconstruct the balance at a later date.
- Write off any bad debts you wish to make a deduction for in the 2011 year before 31 March 2011.
- Ensure PAYE and withholding tax deductions are up-to-date.
- Resident withholding tax on interest (21%, 30%, or 33% on election) should be deducted

when paying interest of \$5,000 or more per annum to a non-financial institution/ individual (unless a certificate of exemption is supplied). New RWT rates of 10.5%, 17.5%, 30% and 33% apply after 1 April 2011.

- Review employee annual leave balances. From 1 April 2011, employees can request to "cash in" up to one week's leave per year subject to certain conditions.

As the IRD can impose penalties for not keeping sufficient records, it is much better to fulfil your end of year record keeping requirements at the time rather than trying to reconstruct them at a later date.

If you would like to know if your record keeping is up to scratch for your year-end information or even day- to-day transactions, check with one of the team at BWR.

Definition of income broadens for Working for Families

A change to the rules for Working for Families Tax Credits is expected to affect a significant number of people in business who have previously qualified for the payments.

From 1 April 2011 the definition of income for family assistance purposes has been broadened to include a number of items not previously included.

- Trustees' income and passive income (e.g. rents, dividends and interest) allocated to child beneficiaries will now be deemed as family income and used to assess entitlements. A common structure for many farming businesses is to have a company or partnership that rents land off the owner's family trust. From 1 April any trust income not allocated to beneficiaries will be included in the family's income and that may reduce the entitlement for Working for Families Tax Credits. Rental or interest income allocated from the trust to child beneficiaries whose families receive family assistance will also

reduce the entitlement available.

- The value of fringe benefits to shareholder employees in closely held companies may also be included in the family income calculation. This includes company cars and low interest loans provided to shareholders.
- The family income definition is also expanded to include "other payments" used to meet day-to-day living costs and in many cases that will include drawings made from the business.

If you receive family assistance payments as an end of year square up, these changes may mean you won't receive as much credit as previous years. If you receive the family credit as a weekly payment it will be important your entitlement is calculated correctly as early as possible after 1 April 2011. This will ensure you are not faced with a liability of overpaid credits at the end of the year. Contact the team at BWR if you want to know more.

Are you eligible for a temporary tax exemption on foreign income?

If you've been overseas for the past 10 years are you aware you could be eligible for a temporary tax exemption on foreign income you would like to bring home?

Since 1 April 2006, people becoming tax residents in New Zealand may qualify for a temporary tax exemption on some of their foreign income. This temporary tax exemption is available to those who have qualified as a tax resident in New Zealand since 1 April 2006 and are new migrants, or returning New Zealanders (transitional residents) who have not been resident for tax purposes in New Zealand for at least 10 years prior to their arrival in New Zealand.

The exemption can only be granted once in a lifetime.

The exemption

The temporary tax exemption for foreign income is for four calendar years (up to 49 months). The exemption starts on the first calendar day of the month you qualify as a tax resident in New Zealand and is valid until the last calendar day of that month four years later.

For example: You qualified as a tax resident in New Zealand on 22 April 2006 and had one or more types of foreign income that are temporarily exempt for taxes in New Zealand. You are eligible for the exemption from 1 April 2006 until 30 April 2010, which is effectively 49 months.

To be eligible

- You must have become a tax resident in New Zealand on or after 1 April 2006, and
- You must not have been a New Zealand tax resident at any time in the past 10 years prior to your arrival date in New Zealand

This is a once-in-a-lifetime exemption which means you can't extend your tax exemption or renew it after its expiry date.

You or your partner cannot receive Working for Families Tax Credits while being tax exempt from foreign income. You will have to determine which is better for your situation, for example:

You and your partner have \$1,000 worth of foreign interest per year, but are eligible for \$5,000 per year Working for Families Tax Credits in New Zealand if you do not claim the exemption for foreign income. In this situation, it is in your family's best interest to waive the exemption, pay New Zealand tax on the foreign interest and receive Working for Families Tax Credits.



Continued on next page

Types of exempt foreign income

Types of foreign income which are temporarily exempt from tax in New Zealand:

- Controlled foreign company income that is attributed under New Zealand's Controlled Foreign Company (CFC) rules
- Foreign investment fund income that is attributed under New Zealand's Foreign Investment Fund (FIF) rules (including foreign superannuation)
- Non-resident withholding tax (e.g. on foreign mortgages)
- Approved issuer levy (e.g. on foreign mortgages)
- Income arising from the exercise of foreign employee share options
- Accrual income (from foreign financial arrangements)
- Income from foreign trusts
- Rental income derived offshore
- Foreign dividends
- Foreign interest
- Royalties derived offshore
- Income from employment performed

overseas before coming to New Zealand, such as bonus payments

- Gains on sale of property derived offshore (held on revenue account)
- Offshore business income (that is not related to the performance of services).

When your tax exemption ends after four years (up to 49 months) you must declare all foreign income in your annual income tax return (IR3 for individuals).

Types of foreign income not exempt

These types of foreign income are not tax exempt in New Zealand:

- Employment income from overseas employment performed while living in New Zealand
- Business income relating to services performed offshore.

If you have any of these types of income you must declare them in your annual income tax return (IR3 for individuals) from the date of your arrival in New Zealand.

BWR continues sponsorship of Hawke's Bay Farmer of the Year in 2011

BWR is proud to be a major sponsor of the Hawke's Bay A & P Society's annual Farmer of the Year competition. The awards, which were first introduced in 1970, recognise excellence in farm management and production in Hawke's Bay.

We support the competition's goal of awarding high standards in farming practice and understand the importance that great business relationships, such as those with your accountant, play in that success.

Field judging takes place during March and early April with the awards dinner ceremony on Thursday 14 April. This is a wonderful night with a duo of guest

speakers: former Olympic champion Sarah Ulmer and Commonwealth medallist Nikki Hamblin. Tickets can be purchased by contacting Hillary Riches from the HB A&P Society on 06 878 3123.

On Thursday 5 May there will be a public field day at the winning property, and this is a great opportunity to take a look around the successful farm, network with other farmers and meet the sponsors including some of the team from BWR.

If this competition sounds like something you would like to be involved in contact BWR and we can help you prepare for next year's competition.

Local sponsorship important to BWR

As a locally owned and operated accounting practice we believe it is important to support local people and events.

Art Hawke's Bay's annual exhibition is one local event we enjoy being involved with. It's something very different to accountancy and a great opportunity to support local artists.

This year was the fifth exhibition and it was held at Vidal Estate in Hastings during the Harvest Hawke's Bay weekend in January.

We sponsored the "Figuratively Speaking" category which was won by well-known local artist Ian Thompson.



BWR Directors John Springford and Roger Sinclair were on hand at Vidal Estate to present Ian with his cash prize.

Adventure of a lifetime for BWR Associate

This time last year BWR Associate Regan Loach would have laughed off the idea of biking, running and kayaking the breadth of the South Island if not for a dream that would spark the call to adventure, ultimately resulting in Regan's entry into the Speight's Coast to Coast (C2C).

The C2C traverses the Southern Alps from Kumara Beach on the West Coast to Sumner Beach in Christchurch, comprising 140km of cycling, 36km on foot and 67km in a kayak. All this being an unrealistic prospect for someone who'd never kayaked and didn't own a road bike.

Backed by up to 12 hours of training a week and some invaluable guidance from Bate Hallett solicitor, BWR client and C2C veteran Kevin Osborne, Regan headed south and successfully completed the two day individual race in February this year.

The experience has inspired him to go back for more next year, and he plans to complete the "longest day" one day individual event in 2013.

Good on you Regan!



BWR would also like to congratulate Raukawa farmer and BWR client Hamish Goodwin who won the Classic Men's category for the individual one day event in his 13th time competing in the Coast to Coast.

Another BWR client, George Christison, is a well-known Coast to Coast competitor, having ended multi-sport champion Steve Gurney's run of seven titles in a row by winning the longest day event in 2004.

Succession and Estate Planning

Getting your business into a position to allow you to pass over control or retire can be an arduous process. With years of experience BWR can address the complex issues of business continuation and/or exit, taking the stress off your shoulders.

We provide a comprehensive service and can offer help and advice in a range of areas:

- Identifying viable succession options
- Assistance with business valuations
- Due diligence for the purchase or sale of a business
- Business health checks
- Advice and management of Income tax/GST/FBT/ACC obligations arising from the sale or transfer of a business
- Advice on and implementation of practical trust structures for asset protection and tax minimisation
- Preparation of personal, trust & business tax returns and advice on payment of tax

Rental Property

At BWR we have the expertise to assist you with your residential or commercial property.

The services we offer our clients include:

- Advice on the purchase of a property (including any GST implications)
- Reviews of lease agreements
- Advice on funding
- Guidance in tax minimisation
- Advice on the most appropriate ownership structure (individual, partnership, company or trust) to provide protection for your investments, as well as maximising the tax benefits
- Periodic reviews to ensure returns are maximised

The importance of using forecasts with a rental investment cannot be emphasised enough.

We can help you with:

- Forecasts of revenue returns
- Forecasts of financial position
- Forecasts of potential growth

If you already own or are thinking of purchasing a rental property contact BWR to find out how we can assist you.

Budgeting

A good budget is a necessity in any good business plan. It is one of the best business tools to allow financial targets to be set and performance to be measured.

At BWR we provide a comprehensive budgeting service that will allow your business to:

- Establish a cash flow forecast to enable your business to set goals for the future
- See where and when funds may be freed up to invest in further development of your business
- Help ensure that sufficient funds are on hand for tax compliance and bill payments
- Maximise funding opportunities from finance providers

There are a range of budgets and we can help you design the right one for your needs. Let us show you how a budget and a cash flow forecast can prepare your business for a successful future. Contact the team at BWR today.

2011		
7-Apr	Terminal Tax FBT	March to September balance dates (with IRD extension of time) Income year filers (Shareholder employees - March to Sept)
20-Apr	PAYE/Employer deductions	March 2011
7-May	GST Provisional Tax Provisional Tax	Periods ending 31 March 2011 March, July & November balance dates March & September balance dates (6 mthly GST payers)
19-May	Budget 2011	NZ Government Budget for 2011/2012
20-May	PAYE/Employer deductions	April 2011
28-May	GST Provisional Tax Provisional Tax	Periods ending 30 April 2011 April, August & December balance dates April & October balance dates (6 mthly GST payers)
31-May	FBT FBT	Quarter ended March 2011 Annual filers (Ordinary Employees)
20-June	PAYE/Employer deductions	May 2011
28-June	GST Provisional Tax Provisional Tax	Periods ending 31 May 2011 May, September & January balance dates May & November balance dates (6 mthly GST payers)
20-July	PAYE/Employer deductions FBT	June 2011 Quarter ended June 2011
28-July	GST Provisional Tax Provisional Tax	Periods ending 30 June 2011 June, October & February balance dates June & December balance dates (6 mthly GST payers)

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