



Your accounting update from BWR December '09

outside the square

Client Profile

Hawthorne Coffee add to their medal collection

Hawthorne Coffee has the right blend for success. The small Havelock North based roastery has won more medals than any other boutique roastery in New Zealand. The latest is silver in this year's plunger category for their Kidnapper Breakfast Blend and a silver in the best filter coffee category for their Te Mata Triple Blend, that compliment the 2 silvers and a bronze they picked up at last year's awards. Manager Tom Ormond puts the success of their blends and business down to "always sourcing the highest quality coffee beans and only selling freshly roasted coffee". The secret lies in freshly roasting their blends daily and delivering them that day to local Hawke's Bay cafés and wineries, and on overnight courier to those outside of the region.

The team at Hawthorne Coffee's passion for coffee goes further than simply producing top quality roasted coffee. To ensure that customers get the best quality experience

they offer training to baristas and provide technical support to their clients. Looking toward to the future, Hawthorne Coffee is planning to expand their premises by 80sqm to have their entire operation under one roof. BWR have been working with Hawthorne Coffee since the team of Tom Ormond and Benita Gaddam took over management of the business in 2006. Tom says, "Dealing with BWR is great. We just give Gemma (Paaymans) or Roger (Sinclair) our GST, tax and accounts and leave it in their hands. It's great knowing that this part of the business is taken care of". Gemma says, "It is great working with businesses such as Hawthorne Coffee who are so passionate about what they do, it's really refreshing."

If you would like to sample some of this award winning coffee, Hawthorne Coffee can be found at 23 Napier Rd, Havelock North or www.hawthornecoffee.co.nz



Fait accompli for Capital Gains tax?

With the government's revenue from income tax and GST adversely affected by reduced business activity, more effort is being put into researching and developing ways of broadening the overall tax base to fund the nation's increasing budget deficits.

A working group recently released several papers of ideas on how to broaden the tax base for the government's consideration. Most of the suggestions are not new and are based on principles already used in overseas tax systems. Besides improving compliance with current legislation, some of the solutions being promoted include capital gains taxes, land and property taxes, the re-introduction of estate duties and environment taxes.

In particular, capital gains, property and land taxes are seen as areas where significant amounts of tax revenue have previously gone uncollected.

It is obvious the government is giving considerable thought to these recommendations.

With some form of capital gains tax in place in most OECD countries and given the projected budget deficits for the next few years, it is hard to believe a capital gains tax in New Zealand will not become a reality in the medium term at least.

Apart from collecting more tax from more people, the concept does have other ramifications. Overseas experience shows capital gains taxes do have "correcting" effects on property and share markets when introduced. Given the large number of New Zealanders already investing in the property and share markets, any move into this area is politically bound to be a piping hot potato.

Projections show a capital gains tax including owner occupied property (i.e. your residential home) could generate as much as \$9 billion dollars additional tax revenue per annum.

Treasury has repeatedly suggested that far too much of New Zealanders' savings are tied up in residential property rather than other productive businesses.

At BWR we are watching progress closely and will continue to keep you up to date as developments occur.

GST

The team at BWR are leaders in their knowledge of legislation. We are able to offer accurate, timely assistance in a number of areas. *These include:*

- Registration queries
- Preparation of GST returns
- Filing and adjusting GST returns
- IRD audit assistance
- Specialist events involving GST - e.g. sale or purchase of property

Donations to charity made easy with payroll giving

New Zealand is following the lead of other countries, such as Australia and the United Kingdom, who have introduced payroll giving, a system where donations are collected through payroll and paid directly to nominated charities. Experiences in the countries who have already implemented payroll giving suggest that the principle is a simple, convenient and effective way of supporting charitable giving. Payroll giving offers charitable organisations the benefit of stable funding with minimum fundraising costs – that is, they receive donations as a lump sum from each employer reducing the number of donations processed and eliminating the need to issue receipts.

For employers, the system does introduce a new set of considerations to be aware of if your employees wish to make donations through the payroll giving scheme. Your primary responsibilities are to ensure you transfer any donations made by your employees to the nominated organisation within the specified timeframe. You will also be required to disclose information about the donations with your monthly PAYE records and maintain details that confirm the donations have actually been paid.

The key features of the scheme are:

- Participation in payroll giving is voluntary for employers and employees.
- Payroll giving is available only to employees whose employers file their employer monthly schedules and PAYE deduction forms electronically, using Inland Revenue's ir-File service, and who choose to offer payroll giving in their workplace.

How does it work?

- Employees wishing to donate to a particular charity can do so by having the deductions made directly from their regular wages or salary.
- Employees receive a tax credit on the amount of those donations each payday. The tax credit is calculated at a set rate of 33 percent of the donation made. The tax credit is offset against the PAYE deducted from the employee's gross pay, thereby reducing the amount of PAYE payable for that period. The donation credit is limited to the amount of the PAYE deducted from the employee's pay each pay period. For example, if an employee donates \$10, they receive a credit of \$3.33 deducted from their PAYE.
- Donations claimed through payroll giving can not be claimed again on an end of year personal rebate claim form.
- Nominated donee organisations must be a society, institution, association, organisation, trust or fund listed in the schedule published by Inland Revenue.

Payroll giving provides the opportunity for employers and their employees to take a more proactive part in their communities. The scheme is due to take effect from 7 January 2010, so please contact the team at BWR if you would like to know more.

Auditing balances the workload

While Roger Sinclair's team carries out the full range of financial accounting services to a range of farming, commercial and investment clients, they are also in charge of auditing within the BWR practice. This service is used for a variety of not-for-profit organisations such as clubs, societies and charities as well as corporate entities.

The financial accounting, along with the auditing, that this team carries out means they have a busy workload all year round. However, this workload is made easier by having a tight-knit team that has been together for a long time. "The culture within my team enables them to complement each other with different attributes and skills, to ensure that clients receive a high level of service," says Director, Roger Sinclair.

Team manager Jo Biggs says, "I really enjoy the variety of work and seeing the results that are achieved with clients, but above all else I enjoy the relationships which are formed with clients. Getting to know their business and them on a personal level over time really makes our work enjoyable."



Left to Right: Roger Sinclair (director), Ingrid Dixon, Jo Biggs (manager), Gemma Paaymans and Ben Richmond. Seated: Laurie Pereira and Carla Crasborn.

Payroll Services

Administering your payroll can be time-consuming and divert you from the core activities of your business. Payroll & employment legislation is growing increasingly complex and is continually changing.

We can relieve you of this burden by providing an up-to-date, comprehensive and confidential payroll service for an affordable cost, including:

- Customised payslips
- Administration of PAYE, statutory sick pay, annual leave etc
- IR-Filing to the IRD
- Administration of your employer and employee Kiwi Saver obligations
- Payroll giving
- Summaries and analysis of staff costs
- Administration of incentive schemes, bonuses and termination payments
- Employment agreements

e-news launched next year

To help keep clients up to date with the latest developments within the tax and business environment, BWR will be launching a regular email based bulletin in the new year. If you would like to receive the reports and we don't have your email address - send your preferred email contact details to e-news@bwr.co.nz.

A step-by-step approach to cash flows and budgeting

In the current business environment, cash flow forecasts and business budgets are an often over-looked essential part of your business planning. A good forecast will provide business owners and their financiers with the information to make confident decisions, be they everyday operations or making the most of new opportunities that arise.

To be most effective, your forecast should start at a strategic level and evolve to operational or day-to-day processes.

Here is a step-by-step approach:

1. Strategically you need to establish what your business is about and understand why you do what you do.

This is essentially the “big picture” of your business and will determine your underlying mission. There are many tools available for this process including SWOT (strengths, weaknesses, opportunities and threats), PEST (political, economic, social and technical), and value chain analysis.

2. Set underlying goals and initiatives to achieve your mission.

This should also include what you want your business to provide in terms of income and lifestyle. A balanced scorecard is a useful tool used to help provide the means to monitor and measure your business performance. This will include key performance indicators such as financial, internal processes, learning and growth and customer targets.

3. Start forecasting.

This step normally involves a degree of intuition and judgement. Existing businesses can use previous forecasts or results as a starting point. The further back you can look the better as history does have a habit of repeating. Another element to consider is the life cycle phase of your business and industry – new, growth, established or mature.



4. Set your budget.

This is the actual day-to-day target that will help you get to your overall goals. As time passes you should review your actual performance in comparison to budget and roll the forecast forward to ensure you always have a 12 month target ahead of you.

Although the process is quite involved and may take some time, once done you have a working document that can be continually reviewed and updated against your goals and strategic plan. Your overall mission should also be regularly reviewed – say annually, to keep it current.

If you would like to know more, talk to the team at BWR.

Cash Flows and Budgeting

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

At BWR we understand this and we can 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 financing providers

There are many types of budgets and we can help you design the right budget for your needs and requirements. Let us show you how a budget and a cash flow forecast can prepare your business for the future.



Changing GST taxable periods

Businesses that are registered for GST can file their returns monthly, two monthly or if they meet certain thresholds – six monthly. From time to time and for various reasons businesses may need to change their taxable GST period to one of the other options – e.g. from two monthly to six monthly. If you are a provisional taxpayer, changing either from or to a six monthly GST period will also have an effect on your income tax payments. This can lead to penalties being charged if the correct amounts are not paid on the correct dates.

The same applies if you either register or de-register your business for GST.

If you are considering making changes to your business's GST, please contact the team at BWR.



The team at BWR wish you
a safe and happy festive season



Associated Persons Rules Reviewed

For a long time, Inland Revenue has had special rules to prevent closely related (associated) people and entities arranging business transactions between themselves that unfairly reduce the amount of tax that should be paid. For this reason, transactions between associated persons are subject to greater scrutiny than transactions between non-associated persons.

Until October 2009 there were four different definitions of associated persons used for different purposes within the tax legislation. Recently the definition has been rationalised and strengthened within the law.

Inland Revenue considers persons within two degrees of blood relations and adopted persons to be associated for tax purposes.

Your parent, spouse or children are considered being the first degree. Your brother, sister or grandchildren are the second degree. The definition also includes partnerships, companies and trusts.

Whether the entities are associated depends on the relationship between the owners or whoever controls the entity. In all there are now 11 tests of association between entities to consider. There are some limitations to the rules when dealing with land transactions. Here the definition is narrowed to only include spouses and children under 20 years old.

For example, if your spouse owns a building or property development business and you personally own rental property, any capital gain you make when selling your rental property within 10 years of purchase is deemed income on which you are taxed.

If you think you may have any issues regarding the associated persons rules, please contact your accountant at BWR.

Emissions trading still a grey area

Rightly or wrongly, New Zealand's Climate Change Response Act has been somewhat of a pioneer in embracing the emissions trading scheme. It remains to be seen if some of our notable trading partners, particularly Australia and the United States, are any closer to ratifying their commitments to the climate change movement in the upcoming Copenhagen Summit.

With the whole emissions trading system still a grey and controversial area, the government has recently clarified the GST rules dealing with the trading of carbon credits. From October 2009, most supplies of credits are zero-rated for GST purposes. This may be of importance to forest owners already registered under the scheme and considering trading credits they have been allocated.

We will keep you abreast of any updates and changes in the legislation likely to affect your business as details are released. If you have any concerns or queries regarding the effects of the Climate Change Response Act on your business, please contact the team at BWR.

2009		
20-Dec	PAYE/Employer deductions	November 2009
2010		
15-Jan	GST	Periods ending 30 November 2009
	Provisional Tax	March, July & November balance dates
	Provisional Tax	May & November balance dates (6 mthly GST payers)
20-Jan	PAYE/Employer deductions	December 2009
	FBT	Quarter ended 31 December 2009
28-Jan	GST	Periods ending 31 December 2009
	Provisional Tax	April, August & December balance dates
	Provisional Tax	June & December balance dates (6 mthly GST payers)
20-Feb	PAYE/Employer deductions	January 2010
28-Feb	GST	Periods ending 31 January 2010
	Provisional Tax	January, May & September balance dates
	Provisional Tax	January & July balance dates (6 mthly GST payers)
20-Mar	PAYE/Employer deductions	February 2010
28-Mar	GST	Periods ending 28 February 2010
	Provisional Tax	February, June & October balance dates
	Provisional Tax	February & August balance dates (6 mthly GST payers)

BWR offices will be closed from 4.00pm Wednesday 23 December 2009, reopening 8.30am Wednesday 6 January 2010.

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