



Your accounting update from BWR December '08

# outside the square

## Client Profile

### Outside the farm gate

Sam Robinson spends his time split between his two careers, farming his 1400ha property in Central Hawke's Bay and sitting as a director on numerous boards. With such pressures on Sam's time, he is fortunate that he has 3 staff to help farm his 14,000 stock unit sheep and beef hill country farm.

Since Sam began farming in 1973 he has noticed numerous changes in the farming climate and believes that moving the farming industry away from a commodity market and focusing on the end customer is the way forward. He also acknowledges the enormous challenge the agriculture sector faces with the effects of global warming and environmental changes, and says "Farmers have to de-risk themselves behind the farm gate by making their farm less susceptible to the risk of extremes such as drought. We need to start planning now to manage these changes and the effect of the emissions trading scheme."

Sitting as a director on numerous boards gives Sam an interest outside the farm gate and exercises his ability to make decisions, even when risk and unknowns are involved.

*"The experience farmers bring to the board table is invaluable".*

"We come to it as proven operators of a complex business model which has many variables – some of which are unknown when decisions have to be made", says Sam. His current directorships include Port of Napier (since 1991), AsureQuality (since 2006, formerly AgriQuality),

Centralines (since 2006) and PSIS (since 2006). Previous directorships include Richmond Meats (now Silver Fern Farms), Farmlands, and AGMARDT.

Sam has been dealing with BWR for almost his entire business career and comments

*"this long relationship can be put down to BWR's understanding, uncomplicated and unrushed approach to my accounts."*

BWR look after all aspects of Sam's accounting needs from taxation to strategic business advice, to family succession planning. Sam said the advice that he receives from Craig Riddiford (BWR Associate) and Robyn Laughton (BWR Director) is always well thought out, courteous, cheerful and provides excellent value for money.



Sam Robinson & Craig Riddiford, BWR

## KiwiSaver Contributions Holidays

With KiwiSaver legislation in force for almost 18 months and the credit crunch biting into disposable incomes, employers may start to see an increase in the number of KiwiSaver members requesting contributions holidays. It is important that both employers and employees understand when a holiday can be taken.

An employee can apply to the Inland Revenue Department for a contributions holiday once they have been contributing for a minimum of 12 months (unless they qualify for an early contributions holiday).

Once accepted, the Inland Revenue will write to the employer asking them to stop the deductions. This also means that while the employee is taking a contributions holiday, the employer is not required to make any compulsory employer contributions. However, the employer can still make voluntary employer contributions and claim the employer tax credit in the normal manner if they choose to.

Inland Revenue will write to both the employee and employer when the contributions holiday period is about to end, advising the date that KiwiSaver deductions should start again. From this point the employer will be required to make compulsory employer contributions again. A contributions holiday must be at least three months long and can last for up to five years.

If you employ a person who is taking a contributions holiday, they need to show you a copy of their contributions holiday notice; otherwise you need to make KiwiSaver deductions as with any new employee. If the employee has lost their notice, you are still required to make the deductions until a new notice can be provided.

If you are a self-employed person and wish to take a contributions holiday, you will need to contact your scheme provider directly.

If you want to know more about any part of the KiwiSaver legislation contact BWR.



## Businesses benefiting from tax rate reduction

With the company tax rate dropping from 33% to 30% for the 2008/2009 income tax year, many company taxpayers are already benefiting from the lower provisional tax instalments we first reported in our March 2008 issue.

The companies, which have been first to benefit, are those with an early balance date between October 2008 and February 2009, as their income year may have already finished or is about to finish.

The intention of the tax reduction is to encourage the reinvestment of business profits.

Once the tax rate comes into effect for your company, there are a few implications that will need to be considered when making distributions to shareholders and shareholder employees. These include:

- Declaring dividends to make use of imputation credits already paid at 33% (*the extra 3% may not be able to be used after 31 March 2010*).
- In cases where it is not possible to clear the balance of imputation credits, until 31 March 2010 the company will need to maintain records separately identifying credits taxed at 33% from credits taxed at 30%. For most clients, this will be performed as part of the annual financial statements and taxation service we provide.
- The RWT uplift required when declaring dividends from tax paid income at 30% to shareholders who are taxed at 33% or more (*i.e. Individuals earning more than \$40,000 pa and Trusts*).

If you would like to know more about the effect of the changes, please contact your accountant at BWR.

## Be prepared - provisional tax due 15 January

With the change to align provisional tax and GST payments from 1 April 2008, many clients will have a provisional instalment due on 15 January 2009 as well as their 30 November 2008 GST payment.

If you are a provisional taxpayer that files one or two-monthly GST returns, or you are not GST registered and your balance date for income tax is March, July or November, you should receive a notice requiring payment on the new date. Alternatively, if you are a provisional taxpayer and file six-monthly GST returns and your income tax balance date is May or November, you should also be making a payment on 15 January 2009.

To allow for the Christmas/New Year break our aim is to send tax reminder notices out to clients by mid-December 2008. Our office will be closed from 4.00pm Tuesday 23 December until 8.30am Wednesday 7 January 2009. Our mail will be cleared during this time, so please ensure you return your payment to us before Tuesday 13 January 2009 for processing and sending to Inland Revenue.

If you wish to discuss making an estimate or alternative arrangements, please contact us as soon as possible before the due date.

## Succession Planning

Operating your own business can be very rewarding but invariably it is hard work. Like the quarter acre section, being your own boss and building your business has long rated as a kiwi dream. But what happens when the time comes to retire, you suffer an unexpected accident/illness, or if you receive an offer for the purchase of your business from out of the blue?

There are a range of options available to business owners wanting or needing to exit their business including:

- Sale of the business (e.g. as a going concern)
- Generational handover (passing on to your children)
- Employee/management buyout
- Asset realisation
- Public listing
- Ceasing ('shutting up the shop')

It is surprising the number of businesses that are not in a position to continually trade profitably, if at all, without the business owner at the helm – a fact often reflected in the price owners receive when selling their business. True succession means your business can continue to be profitable after you are no longer involved.

*Starting a succession plan does not mean you are looking to exit your business now. It does mean you have considered and are well prepared for most of the things you will encounter during the exit process – before they happen.*

A good place to start includes:

- Get an independent valuation of your business now - does this match what you have in your own mind?
- Give your business a health check - what is working? What doesn't work or could work better?
- Make sure your systems and processes are documented and perform like they should.
- Complete a due diligence - look at your business like a prospective purchaser would. Make sure you have the things a prospective purchaser will ask for organised now.

Don't leave yourself without any other option but to shut up shop because you have not taken some basic steps to sufficiently plan your succession and exit from your business. BWR can help you with these steps and provide advice on succession planning for your business that will ensure, when the time is right, you get the best deal out of it.

## More penalties imposed on Employer Monthly Schedules

Inland Revenue are stepping up their focus on unpaid PAYE with the introduction of a new penalty from November 2008.

The new penalty, EMS (employer monthly schedule) non-payment penalty, can be charged in addition to late payment penalties and interest where an employer monthly schedule is filed with a payment shortfall of more than \$100.

The new penalty is 10% of the unpaid amount, with a further 10% added on any outstanding amount each month.

Inland Revenue will notify the employer of an outstanding amount before applying the penalty if there is no action taken by the taxpayer.

The new penalty makes it increasingly important to ensure you complete your employer monthly schedules accurately as well as filing and paying your PAYE obligations on time. If you are having difficulty meeting your PAYE or any tax obligations you should contact Inland Revenue or your accountant at BWR **before** the due date to make a payment arrangement to minimise any penalties.

## A Christmas gift from the new government

The recent election of the National Party into Government is likely to mean further tax cuts from 1 April 2009. John Key has already pledged to push further tax cuts through Parliament before Christmas to help lift the flagging economy - watch this space.



## 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, for example - PAYE rates changed on 1 October 2008 and could possibly change again from 1 April 2009.

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 KiwiSaver obligations
- Summaries and analysis of staff costs
- Administration of incentive schemes, bonuses and termination payments
- Employment agreements



## 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 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 funds may be freed up to invest in further development of your business
- Help ensure that relevant 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.

## Succession Planning

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

We provide a complete service and can offer help and advice in all of the following 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.



*Left to right: Craig Riddiford CA Associate, Robyn Laughton CA Director, Julie Lindsay, Warwick Jones CA, Lynare Strickland, Ivan Richardson CA Consultant & Brett Glennly*

## Many hands make light work

To ensure that every client of BWR receives the same high level of service, the firm is separated into teams of specialists. One of these teams sits under Director Robyn Laughton. Robyn and her team of 6 work on all areas of accounting and have particular interests in the rural, service and investment sectors.

Throughout the year, Robyn's team work on varied tasks ranging from GST and Income Tax compliance to family rearrangements and the administration of trusts. The team also administers the tax system for all of BWR's clients and organises staff training. They also assist clients with systems to help them start up or expand their businesses.

With such a large and varied work load, it is fortunate that Robyn's team includes accountants from different

backgrounds and skill sets who are able to focus on the work that best suits them. Julie Lindsay, a member of Robyn's team, notes the benefits of the diversity of skills within the team saying

*"the exchange of ideas and knowledge within the team is helpful for all our clients".*

Robyn said "I enjoy the relationship we have with our clients and working with them to find solutions to their varied challenges. I am proud that everyone in my team is willing to go that extra mile for our clients' benefit."

To contact Robyn and her team, please call BWR on 06 873 8037.

2008		
5-Dec	PAYE/Employer deductions	Large employers for November 2008
7-Dec	Terminal Tax	November 2007 Balance Dates
20-Dec	PAYE/Employer deductions	November 2008
2009		
15-Jan	GST	Periods ending 30 November 2008
	PAYE/Employer deductions	Large employers for December 2008
	Provisional Tax (2009)	March, July and November Balance Dates
	Provisional Tax (2009)	May and November Balance Dates (6 mthly GST payers)
	Terminal Tax	December 2007 Balance Dates
20-Jan	PAYE/Employer deductions	December 2008
	FBT	Quarter ended December 2008
28-Jan	GST	Periods ending 31 December 2008
	Provisional Tax (2009)	April, August and December balance dates
	Provisional Tax (2009)	June and December Balance Dates (6 mthly GST payers)
5-Feb	PAYE/Employer deductions	Large employers for January 2009
7-Feb	Terminal Tax	January 2008 Balance dates
20-Feb	PAYE/Employer deductions	January 2009
28-Feb	GST	Periods ending 31 January 2009
	Provisional Tax (2009)	January, May and September Balance Dates
	Provisional Tax (2009)	January and July Balance Dates (6 mthly GST payers)
5-Mar	PAYE/Employer deductions	Large employers for February 2009
7-Mar	Terminal Tax	February 2008 Balance dates
20-Mar	PAYE/Employer deductions	February 2009
28-Mar	GST	Periods ending 28 February 2009

BWR offices will be closed from 4.00pm Tuesday 23 December 2008, reopening 8.30am Wednesday 7 January 2009.

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

*Disclaimer:*

Please note this client newsletter is not intended to be advice and therefore you should not act solely on the information contained within. We recommend you obtain our formal advice before acting in any areas presented within.