



Your accounting update from BWR **March '09**

outside the square

Client Profile

Family business capitalises on foresight

Alpha Domus' philosophy is to produce wines representative of their terroir; that display good varietal character; are powerful without forsaking the qualities that make a wine enjoyable right through to the last drop.

This passion for wine and the process involved has seen Alpha Domus grow from strength to strength over the years. The company, owned by the Ham family, has been producing wine just outside of Bridge Pa since 1991 when they planted their vineyard in Cabernet Sauvignon, Cabernet Franc, Merlot, Malbec, Pinot Noir, Chardonnay Semillon and Sauvignon Blanc. The fruition of their foresight in planting these varieties becoming evident today, Alpha Domus recently picked up awards for their 2007 Viognier in the 2008 Decanter World Wine Awards.

Along with the recent success of their wines, Alpha Domus have redesigned their packaging and are amazed with the amount of penetration their product is having even in these tough times. Since the increased growth Alpha Domus has been eyeing new markets to enter. "We have become more innovative with our exporting and entered a number of new markets.

We couldn't do this without the help of BWR. They have been great at uncovering all the regulations and ensuring that Alpha Domus meets the requirements" says Paul Ham.

After 4 years of service from BWR, Paul says, "it's great to have accountants that know our business. Stephen Dine and Donna Aroa are able to come up with real solutions when we need them. We are so busy with the day to day operations involved in running a winery it is great to know that BWR will do what is right by our business."

If you would like to sample Alpha Domus' award winning wines for yourself you can visit their cellar door on Maraekakaho Road just south of Hastings. Visit www.alphadomus.co.nz for more information.



ALPHA DOMUS
HAWKES BAY

Sponsorship and Awards

Congratulations to Donna Dahm

Congratulations to Donna Dahm, from Otane, who won both the BWR sponsored Impressionism section and Best in Exhibition title at the annual Art Hawke's Bay Exhibition held over the HB Wine Festival in February 2009.



Simplification of business tax

As part of the Government's attempts to reduce the tax compliance costs for small businesses, there are a number of changes taking effect from 1 April 2009.

- The large employer threshold increases from PAYE of \$100,000 to \$500,000 meaning PAYE payers within the new threshold can reduce their PAYE payments from twice to once a month. FBT payers can elect to pay FBT once per year instead of quarterly.
- The GST registration threshold increases from \$40,000 turnover to \$60,000. If your business is currently around this level, please contact us to discuss the implications of either registering or de-registering for GST.
- The turnover threshold for filing GST returns on a six monthly rather than one or two monthly taxable periods increases from \$250,000 to \$500,000.

CAUTION! IS REQUIRED WHEN CHANGING YOUR GST STATUS OR TAXABLE PERIOD

GST registered clients will appreciate that provisional tax payment dates are now aligned with your GST return filing and payment dates. We have encountered instances where clients have changed their GST status or taxable period with the IRD and unwittingly changed their provisional tax due dates to the point of incurring late payment penalties and use of money interest.

If you would like to take advantage of these threshold changes, or change your GST filing frequency or de-register altogether, please contact your accountant at BWR before you do to discuss the full implications.

What does a government guaranteed deposit really mean?

As a means of maintaining public confidence in the country's financial system, the New Zealand Government has introduced the Retail Deposit Guarantee Scheme.

The scheme follows similar initiatives by other countries to maintain investor confidence in New Zealand given the current turbulence in international financial markets.

The guarantee means an investor can make a claim from the Crown if a financial institution fails to pay a required sum to the investor or if an institution goes insolvent or is placed into statutory management.

The guarantee scheme applies to any deposits an investor makes to an approved bank or financial institution, providing they are not in breach of their trust deed. The scheme covers a broad range of investments including deposits, term deposits, current accounts, bonds, bank bills and debentures.

To check that your bank or financial institution is approved and covered by the scheme visit the NZ Treasury website for an approved list of institutions. You should also check with your deposit taker that your investment is covered by the scheme.

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What does a government guaranteed deposit really mean?

The guarantee applies for a two-year period between 12 October 2008 and 12 October 2010. If your deposit or bond investment matures after that date, the investment is only guaranteed up until the end of the guarantee period.

The scheme applies to New Zealand residents and there is a limit of \$1,000,000 per investor per guaranteed

institution. Joint husband and wife investors are classed as two investors. Deposits invested by family trusts or businesses are also covered by the scheme.

Please talk to your Director at BWR if you are unsure if the scheme applies to your investments or if you wish to know more.

Survival Guide to keeping your business afloat

With business confidence around the world plummeting, consumers holding on to their precious dollars and governments accepting the recession is biting, business owners need to accept tough times are upon us but need to focus on leading their organisations to better results.

Here are some things you should consider to help get through the tough times.

1. Don't bury your head in the sand and wait for the dust to settle.

If there is a problem, make sure you acknowledge it. Don't try and hide things from your employees. Discussing the current situation and implications with your employees helps to build trust and morale. Talk to your accountant before things get out of hand.

2. Don't scuttle the ship.

Try and remain optimistic especially around employees and customers. Things may be difficult but rather than panicking and making potentially disastrous moves, base your decisions on clear and well thought through objectives.

3. Provide forethought and vision for the future.

Go back to your business' core values and mission. Do they still apply or need revision? Communicate these with your employees and customers. Encourage new ideas or ways to reach your goals to generate enthusiasm.

4. Recognise successes.

Make sure everyone in your business knows what you expect from them. Tell them if they achieve it or not – ensure you continue to celebrate successes when they do.

5. Don't waste opportunities.

Often the best deals are done during the bad times. Ask your employees to look out for bargains or good investments. Make sure you maintain your business profile with existing and potential customers. Investing in your clients and workers will reap rewards later on.

Tax credit on the way for independent earners

John Key's pledge to deliver a continuing programme of personal tax cuts takes its next step from 1 April 2009 with wage and salary earners and self-employed persons who earn between \$24,000 and \$48,000 being entitled to the new independent earner tax credit. The credit is \$10 per week for taxable income up to \$44,000 and reduces at the rate of 13 cents per dollar after that up to \$48,000. People who receive student allowances, ACC payments and paid parental leave are also eligible to claim the credit. Unfortunately, anyone who receives Working for Families tax credits, NZ Superannuation or other Work and Income benefits is not.

Wage and salary earners can choose to receive their credit as part of their regular weekly, fortnightly or

monthly pay or as a lump sum after the end of the 31 March 2010 income year. To receive as part of your regular pay, employees must complete a new IR330 Tax Code Declaration form and select a new tax code – ME (ME SL for student loan payers). Their employer should then keep the form.

To claim at the end of the year, employees should request a Personal Tax Summary that will be available after July 2010. Self-employed people can only receive the credit at the end of the year when their income tax return has been filed.

If you would like help to make your claim please contact your BWR accountant.

Employer KiwiSaver contributions capped

While compulsory employer contributions will increase from 1% to 2% on 1 April 2009, the new government has confirmed this is where they will stay. Previously, the employer contribution rates were to increase to 4% by 2011.

While on the face of it this is seen as positive, BWR warns there is a double edge to the Government's business cost saving sword. The employer tax credit currently available to employers to help offset the cost of compulsory contributions has also been removed from 1 April. Previously employers received a credit of up to \$20 per week per contributing employee. Some employers may find their monthly KiwiSaver contributions increase as a result of the change.

If you are an employer who already contributes more than 2%, or has agreed to, for employees' KiwiSaver funds, you also need to be aware that from 1 April your business will be charged employer superannuation contribution tax. This reflects the fact the employer compulsory contribution is capped at 2%.

For employees, their minimum contribution rate will reduce from 4% to 2%. Existing members who are currently making contributions at either 4% or 8% can reduce their contribution by providing written advice to their employer who must then change their payroll calculations.

The Government has also removed the \$40 per annum fee subsidy that KiwiSavers receive, from 1 April 2009.

If you would like more information on how these KiwiSaver changes will specifically impact your business please contact BWR.

\$11 a week more in the back pocket for tax payers

With the 1 April 2009 tax reforms about to kick in, employees will soon notice the difference in tax rates and threshold adjustments the National government announced in their tax package late last year. Self-employed people will need to wait until their 2010 income return is filed to get the benefits of the tax changes.

The cuts mean for a person who earns \$65,000 per annum for the year ended 31 March 2009 they will pay \$16,040 tax. From 1 April 2009 (income year ended 31 March 2010) they will pay \$15,460, about \$11 per week less.

From 1 April 2009 the effective rates will be as follows -

Income thresholds	Rates
Income to \$14,000	12.5%
\$14,001 - \$40,000	21%
\$40,001 - \$70,000	33%
\$70,001 and over	38%

What does this mean for your business?

If you are an employer there will be some extra work to do before 1 April 2009. If you use a computerised software package, it will need to be amended to reflect the reduced tax rates, independent earner rebate and KiwiSaver changes. Your software provider should send you an update to do this.

If you pay wages using a manual based system you should have received updated copies of the employer tax deduction tables from the IRD by mid-March 2009. These should be used for any wage and salary payments made after 1 April 2009. If you use the PAYE calculators from the IRD website these should automatically adjust from 1 April.

If your employees want to receive independent tax credits with their regular pay they need to provide you with a new tax code declaration form (IR330) so you can amend your payroll records. You also need written confirmation from your employees if they wish to reduce their KiwiSaver contributions.

Finally, the employer deductions (IR345) and employer monthly schedule (IR348) forms will change slightly from 1 April to reflect the removal of the employer tax credit for KiwiSaver.

If you have any questions regarding any of the upcoming changes, please contact your accountant at BWR.

What does it really mean to have a tax deductible investment loss?

Recently one of the national Sunday papers reported Inland Revenue was offering tax relief to investors incurring losses on their investments – in particular unit holders in ING's Diversified Yield and Regular Income funds.

This is an exception to the general rule that investment losses are capital losses and therefore non-deductible for tax purposes. The exception arises from specific determinations granted in relation to a select few investment funds under particular circumstances.

In most cases it is safest to assume any losses are non-deductible. If you have recently suffered investment losses and would like to confirm their tax status please check with your accountant at BWR.

End of Year Housekeeping Checklist

For most businesses 31 March is the financial year end and the time when owners start to assemble information to bring to their accountant.

Here is 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.** Generally a logbook must be kept for a 3-month period every 3 years. Please check that your work-related vehicles still meet the criteria that avoids fringe benefit tax.
- Get organised for your annual stock-take.** Recording actual figures is more preferable than trying to reconstruct the balance at a later date.
- Write off any bad debts you wish to make a deduction for in the 2009 year.** These need to have been physically written out of your debtors records before 31 March 2009.
- Ensure PAYE and Withholding tax deductions are up-to-date.** Unless your subcontractors are trading as companies or have exemption certificates, 20 April 2009 is the last date you can tidy up your PAYE/WH tax obligations for the 2009 year without penalty.
- Check your Resident Withholding tax.** Resident Withholding tax on interest (19.5%, 33%, or 39% on election) needs to 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).
- Review employee annual leave balances.** Responsible employers will ensure workers are achieving a satisfactory work/leisure balance. If necessary, start to plan with your employees when they can use any accumulated leave entitlements (NB. The Holidays Act prohibits employers from "cashing up" employees' leave entitlements accrued after 1 April 2007).

The IRD can impose penalties for not keeping sufficient records, so 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 ensure your record keeping is up to scratch to fulfil your year end information needs or even manage day to day transactions, ask your accountant at BWR.

BWR will once again sponsor the Hawke's Bay Farmer of the Year

BWR continues our proud association with the Hawke's Bay A & P Society's annual Farmer of the Year awards.

With field judging underway during March and early April, the annual awards dinner is being held on Tuesday 7 April 2009. This year's guest speaker is Christine Fernyhough, author of the book "The Road to Castle Hill – A High Country Love Affair" and founder of the Books in Homes and Gifted Kids Programmes. Be sure to book your ticket to the evening by calling the HB A & P Society on 06 878 3123.

Dine team takes on new members

The BWR practice operates with separate teams meeting the needs of their clients. One of these is managed by Director Stephen Dine whose team services a diverse range of clients with an emphasis on the rural and horticultural sectors.

The team is headed by Donna Aroa. Donna is a qualified accountant and has been with BWR for 5 & 1/2 years. She assumed her current role in September last year and has responsibility for managing the team and ensuring all clients' work is completed in a timely and accurate manner.

Kirsty Knobloch, a chartered accountant, has recently transferred to the Dine team having worked for another of the BWR teams since 2004.

One of Kirsty's responsibilities is ensuring all clients' information is collected and GST returns are filed by the due date.

The remainder of Stephen Dine's team is comprised of Miah Thorpe, Kyle Walton and Ally Adams. Miah has almost completed her accounting degree and is currently studying at EIT. Kyle completed his degree before commencing employment with BWR almost 3 years ago. Ally has only just joined the firm having spent the last two years at Victoria University. She is working 3 days a week, spending the rest of the week studying and is hoping to complete her degree this year.

If you would like to contact Stephen Dine or any member of his team please call 06 873 8037.



Back pictured from left to right is Kyle Walton, Kirsty Knobloch, Stephen Dine. Front pictured from left to right is Donna Aroa, Ally Adams, Miah Thorpe.

2009		
20-Mar	PAYE/Employer deductions	February 2009
28-Mar	GST	Periods ending 28 February 2009
	Provisional Tax	February, June & October balance dates
	Provisional Tax	February & August balance dates (6 mthly GST payers)
5-Apr	PAYE/Employer deductions	Large employers for March 2009
7-Apr	Terminal Tax	March to September balance dates (with IRD extension of time)
20-Apr	PAYE/Employer deductions	March 2009
	FBT	Quarter ended March 2009; Income year filers
5-May	PAYE/Employer deductions	Large employers for April 2009
7-May	Provisional Tax	March, July & November balance dates
	Provisional Tax	March & September balance dates (6 mthly GST payers)
	GST	Periods ending 31 March 2009
20-May	PAYE/Employer deductions	April 2009
28-May	GST	Periods ending 30 April 2009
	Provisional Tax	April, August & December balance dates
	Provisional Tax	April & October balance dates (6 mthly GST payers)
5-Jun	PAYE/Employer deductions	Large employers for May 2009
20-Jun	PAYE/Employer deductions	May 2009
28-Jun	GST	Periods ending 31 May 2009
	Provisional Tax	May, September & January balance dates
	Provisional Tax	May & November balance dates (6 mthly GST payers)

BWR offices will be closed for Easter from 5.00pm Thursday 9 April 2009, reopening 8.30am Wednesday 15 April 2009.

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.