



Your accounting update from BWR July '08

outside the square

Client Profile

Epicurean Supplies Ltd has organic growth in the market

Providing an extensive range of organic fresh vegetables and herbs has been the recipe for success for Clyde Potter and his team at Epicurean Supplies. Clyde has a real passion for growing organics and has described his work as an expression of himself and the philosophies of the business. It is no wonder that Epicurean Supplies is going from strength to strength. Epicurean Supplies has capitalised on the increase in acceptance and demand for organic produce and is now directly supplying chefs, restaurants, health & organic stores, supermarkets, food and freeze dried herb processors, as well as a number of distributors nationwide.

Their relationship with BWR started at the company's inception 13 years ago. Clyde said "I was looking for an accountant with integrity, someone that I could trust had the best interests of my business in mind." This led him to make contact with George Speedy (BWR Director) and they have had a strong relationship ever since. The long business relationship helps Clyde to make some of his business decisions. "It is good having someone who understands my business. I am able to bounce my ideas off BWR and they are able to give informed feedback, which is a great help." Pete Bartholomew is now the main BWR accountant for Epicurean Supplies and enjoys dealing with Clyde and his administration staff. "They present us with a variety of challenges including seasonal fluctuations that the business faces."



Clyde Potter and BWR accountant, Pete Bartholomew.

The success of this business revolves around Clyde's determination to follow organic principles, when it is not mainstream practice in New Zealand. Clyde also shows a willingness to listen to the market place and follow their needs and wants.

If you would like to find out more on Epicurean Supplies visit www.epicureansupplies.co.nz

Budget 2008 - how it will affect your business

Election years usually bring out the best in Budget announcements as “voter-sweeteners” and 2008 is no different. Under the guise of battling increasing oil prices and world-wide recession, Dr Michael Cullen announced the government’s plan to spend taxpayer dollars to keep the economy afloat.

Briefly, Budget 2008 included increased spending in the following areas -

- Concessions to reduce the cost of tax compliance for small and medium businesses
- Personal tax rate reductions
- Extra benefits for working families
- Registration of financial advisors and institutions
- \$3 billion on the health sector
- Education - particularly early childhood and reducing primary class sizes

- Increased benefits for retirees - through the Super Gold Card scheme
- Justice
- Developing New Zealand’s National Identity
- Tertiary Student Support

In this issue we look at the first three points and how they can be expected to affect you and your business in the near future.

Reducing Business Compliance Cost

Budget 2007 saw the announcement of a reduced income tax rate (from 33% to 30%) for businesses that operate using a company structure. Budget 2008 does not contain any further company tax reductions but hopefully some of the concessions announced will allow your business to reduce tax compliance costs irrespective of the type of entity you operate under.

How these changes might benefit your business

Large Employer PAYE/FBT Thresholds

The threshold for being a large employer will increase from annual PAYE of \$100,000 to \$250,000.

This means significantly more businesses will qualify as small to medium employers who only need to complete, file and pay their PAYE returns once a month. Large employers will still be required to file and pay twice monthly returns.

A similar concession is made for FBT payers also. Large employers over \$250,000 of PAYE per annum will still be required to file and pay quarterly FBT returns, while small/medium employers who pay fringe benefit tax can elect to file and pay their returns annually.

GST Registration Threshold

The gross turnover threshold after which a taxpayer must register for GST will increase from \$40,000 to \$50,000.

This will especially benefit those small service type businesses that find it difficult to pass on or absorb the additional cost of GST to their services.

Six monthly GST registration threshold

If your business has an annual turnover of less than \$500,000 (previously \$250,000) you can now elect to file your GST using six monthly taxable periods. Because provisional tax instalments now align with GST return filing dates, your number of income tax instalments will reduce to two also.

Use of Money Interest

Before the budget, individual taxpayers who had residual income tax of over \$35,000 were liable to pay use of money interest at over 14% per annum. This threshold has now increased to \$50,000 which should eliminate this cost for significantly more business people. Unfortunately there are no proposed changes to the Use of Money Interest rules for companies, trusts and individuals who estimate their provisional tax.

Employers

Employers will need to be aware of the change in PAYE deductions from their employees' wages from 1 October 2008. IRD are expecting to release revised tax tables during September 2008. If you use a computerised wage package, your software supplier should provide you with an upgrade around this time also.

With the personal tax rates scheduled to change again from 1 April 2010 and 1 April 2011, there are more changes ahead.

The exact dates for most of these changes have not yet been released. We will keep you informed as announcements are made. If you have any questions or concerns about what these or any other changes mean for you or your business, please contact your accountant at BWR. (Budget 2008 continues on page 6).

Lock your computer-produced GST returns

Don't forget to Lock or Finalise your GST return once you have completed each taxable GST period. Most packages including Banklink, Cash Manager, Computer Concepts and MYOB have this function. Ensuring that you lock or finalise your GST return will make certain your year end reports will reflect the actual GST returns filed, which can save your accountant extra work at the end of the year.

If you find you have adjustments that relate to a previous GST period, the easiest way to make them is either by journal or as a manual correction in your most current GST period. Always make sure you keep a record of the changes you have made and keep a copy of the return you file with Inland Revenue.

Village Panel Repairs

As well as being able to provide all of your accounting and taxation needs, BWR can also help fulfil your computer hardware and software needs. If you are thinking of purchasing a computer or new software, talk to the team at BWR to ensure you buy the right package that suits your needs – now and in the future.

Heidi Marillier recently visited Angela Bassick of Village Panel Repairs in Havelock North to check their systems requirements before they complete an update of their computer hardware.



Angie Bassick from Village Repairs and Heidi Marillier (standing).

Increased focus on the property market

Inland Revenue recently announced that they now have a special unit that will focus on real estate property transactions. The initial focus of the project will be educating taxpayers (through their agents) on whether certain property transactions are taxable or not. However with the volume of property transactions over the past few years it will be inevitable that further initiatives will be put in place by IRD in this area.

If you have recently been involved in or are about to embark on any type of property transaction you think could potentially be exposed to review by IRD, please do not hesitate to contact your accountant at BWR.

An extract of the Inland Revenue's questions and answers for property transactions is reproduced on our own web page at www.bwr.co.nz

Trusts

A trust can be a useful way of protecting the assets that you have accumulated over time.

We are able to:

- Offer specialist advice on their formation and structure
- Help ensure all statutory and trustee requirements are met
- Attend to reporting and taxation requirements for trusts
- Update and maintain your trust's resolutions
- Provide a Professional Corporate Trustee service using the Hawke's Bay Trustee Company Ltd

At BWR we have extensive experience with all elements of trusts. For further information or any help in forming your own trust please feel free to contact us anytime.

Succession Planning

To ensure the long-term success of your business, it is critical to establish a well-designed succession plan. This will provide a clear view of your future strategic direction and whether your business strategy requires any changes to the current business model in order to reach the desired goal. Having an exit strategy is an essential component to your business. Without one it may prove difficult to sell or hand over when the time comes to move on. At BWR our years of experience can help address the complex issues of succession planning,

taking the stress off your shoulders. Feel free to contact our team with any questions.

Rental Property

At BWR we have the necessary expertise to assist in a variety of areas in relation to both residential and commercial property.

The services we offer our clients include:

- Advice on the purchasing of a property (including any GST implications)
- Reviews of lease agreements
- Advice on funding
- Guidance in tax minimisation
- Advice on which 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 forecasts in making rental investments cannot be emphasised enough. We are able to provide for you:

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

If you have a rental property or are thinking of purchasing a rental property contact BWR today to see how we can assist you.

Awards

The taste of success

BWR would like to congratulate our client, Hawthorne Coffee, on their recent success at the 2008 New Zealand Coffee Festival and Awards held in Auckland. Over 240 blends from roasteries the length of New Zealand entered the competition at the beginning of June. Hawthorne Coffee won silver in the 'Best Plunger Coffee' section with their Kidnappers Breakfast blend and they picked up another silver in the 'Best Decaffeinated Coffee' section with their Hawthorne Decaf. To cap off their success they won bronze in the 'Best New Zealand Roasted Espresso' section for their Hawthorne blend.

Sample the award winning coffee at Hawthorne Coffee, 23 Napier Rd, Havelock North.



Benita Gaddam and Tom Ormond, the managers of Hawthorne Coffee Roasters.

Team Profile

The Speedy Team

The BWR practice operates as different teams designed to meet the needs of the variety of clients that BWR service. One of these sits under BWR Director, George Speedy. This team focuses on financial accounting (tax planning and structuring) and management accounting (forecasting, budgets, asset costing and management reporting) and deals with a large array of clients from farming/horticulture, to commercial, through to trusts and personal tax returns. At any one time they will have 250-300 clients on their list. To deal with such a varied work load there are nine accountants in the team, for which George says "Our team members come from different walks of life, and therefore complement each other with the different skills and knowledge that they introduce to the team."

To get through such a large amount of work, the work will often be given to the accountant in that team who has the most experience in that area and this work will then be reviewed by George Speedy (Director), John Bark (Consultant) or Mark Coombe (Associate). That is why George's team are able to provide quick responses to client questions and provide financial accounts in a timely manner, an aspect that they pride themselves on. Pete Bartholomew (Accountant) says "I enjoy the diversification and the variety of work that our team completes, from large commercial entities to personal tax returns. There is something new to learn each day which provides an excellent working environment." With such a varied client base, one of the major challenges is keeping up with the ever changing Inland Revenue Department and Government rulings that affect clients. However, the team say all of this is outweighed by the enjoyment they get from interacting with their clients and helping their businesses to be as successful as possible.



Pictured from left to right is John Bark, Pete Bartholomew, Marie Millman, Virginia Anderson, Ann Watson, Gavin Povey, Jane McKenzie, Mark Coombe, George Speedy.

Budget 2008 - how the personal tax cuts affect you

In the May 2008 budget the government announced its long awaited personal tax cuts. The programme of personal tax cuts will reduce in a tiered programme starting 1 October 2008 with the last change due to apply from 1 April 2011. A comparison of the current rates and the new rates and dates from when they will apply is shown in the following table.

CURRENT RATES	NEW RATES		
	From 1 Oct 2008	From 1 Apr 2010	From 1 Apr 2011
15% to \$9,500	12.5% to \$14,000	12.5% to \$17,500	12.5% to \$20,000
21% to \$38,000	21% to \$40,000	21% to \$40,000	21% to \$42,500
33% to \$60,000	33% to \$70,000	33% to \$75,000	33% to \$80,000
39% over \$60,000	39% over \$70,000	39% over \$75,000	39% over \$80,000

For the year ended 31 March 2009, the rates will apply from the middle of the tax year. This will require a transitional formula (composite) to calculate your end of year tax – six months at the old rates, six months at the new rates.

Working For Families Tax Credits

As well as personal tax cuts, from 1 October the tax allowances and abatement thresholds for working families have been inflation adjusted. This means taxpayers who already qualify for Working for Families Tax credits will be entitled to slightly more allowance for each qualifying child.

The abatement threshold at which family allowances start to reduce is increased from \$35,000 to \$36,827. This change will provide an additional \$7/week for families with a joint family income over the threshold.

How does it work?

The following example outlines the effect of the combined tax rate and family assistance changes on an average family.

Sam and Robyn both work and have three children at primary school. Sam is self-employed as a plumber and will earn \$56,000 for the year ended 31 March 2009. Robyn works part time and earns \$13,000 per year.

Before the tax cuts Sam and Robyn will be paying approximately \$330 per week in tax and will receive Working for Families allowances amounting to about \$125 per week.

After the tax cuts, Sam and Robyn's weekly tax will reduce to \$305 per week and their weekly entitlement to family assistance will increase to \$142. Overall they should receive approximately \$40 per week extra in their hand.

So what will it mean for me?

Wage and salary earners and NZ Superannuitants should notice the effects of the tax rate changes from 1 October 2008. Their take home pay will also increase following the cuts scheduled from 1 April 2010 and 2011. If you receive your family tax credits fortnightly, you should also notice an immediate increase in the amount you receive.

For provisional tax payers and self employed people who receive family tax credits in a lump sum, any benefit won't be received until after your 31 March 2009 income returns are filed. Tax payers who estimate their provisional tax can take advantage of the composite tax rates that apply from 1 October 2008 during the transitional period.

Based on the information released on the IRD website, the likely impact on individuals' weekly incomes is shown in the following table.

Annual Taxable Income	Increase in weekly after-tax income			Annual Increase (\$) 01/04/2011
	from 01/10/2008	from 01/04/2010	from 01/04/2011	
\$20,000	12	18	22	1,130
\$30,000	12	18	22	1,130
\$40,000	16	22	26	1,370
\$50,000	16	22	32	1,670
\$60,000	16	22	32	1,670
\$70,000	28	34	44	2,270
\$80,000 & above	28	39	55	2,870

(Increases in after tax income exclude ACC levies).



2008		
5-Jul	PAYE/Employer deductions	Large employers for June 2008
7-Jul	Provisional Tax (2008)	July 2008 balance dates
20-Jul	PAYE/Employer deductions FBT	June 2008 Quarter ended June 2008
28-Jul	GST Provisional Tax (2009) Provisional Tax (2009)	Periods ending 30 June 2008 October and February Balance Dates December Balance Dates (6 mthly payers)
5-Aug	PAYE/Employer deductions	Large employers for July 2008
7-Aug	Provisional Tax (2008)	August 2008 balance dates
20-Aug	PAYE/Employer deductions	July 2008
28-Aug	GST Provisional Tax (2009) Provisional Tax (2009)	Periods ending 30 July 2008 November and March balance dates January Balance Dates (6 mthly payers)
5-Sep	PAYE/Employer deductions	Large employers for August 2008
7-Sep	Provisional Tax (2008)	September 2008 balance dates
20-Sep	PAYE/Employer deductions	August 2008
28-Sep	GST Provisional Tax (2009) Provisional Tax (2009)	Periods ending 31 August 2008 December and April balance dates February Balance Dates (6 mthly payers)
5-Oct	PAYE/Employer deductions	Large employers for September 2008
20-Oct	PAYE/Employer deductions FBT	September 2008 Quarter ended September 2008
28-Oct	GST Provisional Tax (2009) Provisional Tax (2009)	Periods ending 30 September 2008 January and May balance dates March Balance Dates (6 mthly payers)

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.