

outside the square

Your accounting update from BWR ■

March '07

New Policy

Prepare yourself for KiwiSaver



Come 1 July this year, KiwiSaver will take effect and your business may need to be ready for it.

KiwiSaver is an initiative which has been put into place by the government in the hope that it will go some way to address retirement income issues. In doing this, the government is trying to instil a savings habit in people with the objective of helping New Zealanders to increase their savings to support themselves in retirement. The scheme has been supported in principle by all political parties so it is unlikely to change if the government changes.

Essentially, it is a registered superannuation scheme.

If you are an employee and are a New Zealand citizen under 65 years then this is how you may be affected:

- Should you start a new job on or after 1 July 2007 you will be enrolled automatically in a superannuation scheme by your employer.
- If you are not starting a new job on or after this date, or you are self-employed, a beneficiary or a minor under the age of 18 then you can join the scheme voluntarily.

- When you join the scheme the government will make an up-front contribution of \$1,000, following which 4% of your gross income will be deducted from your pay.
- Should you wish to contribute more you can increase this up to 8%.
- Your employer will manage your enrolment and deduct your contributions from your pay.
- You are automatically enrolled when you start a new job but you have eight weeks to opt out of the scheme. After this time, you will only be able to opt out in exceptional circumstances e.g. Financial hardship, first home purchase etc.
- At present the scheme does not apply to casual employees.

If you are an employer of New Zealand citizens under 65 years then this is how you will be affected:

- You will have to enrol all new permanent employees from 1 July 2007.
- Unless you choose to, your business will not have to make contributions to the employee's

fund, however you will have to keep the IRD informed of new employees and deduct contributions from their first pay onwards.

- The contribution is 4% of gross salary unless your employee has opted to increase this to 8%.
- Employees will be able to opt out of the scheme in the first eight weeks. Your employees need to apply to the IRD for a refund of any contributions deducted before they opt out.
- Existing employees can volunteer to join the scheme.
- If your business already has a superannuation scheme in place you may either convert your existing scheme to a KiwiSaver scheme or apply for an exemption.

Please note, some of the details of KiwiSaver are yet to be legislated by Parliament.

We have been watching the KiwiSaver scheme closely. If you would like any more information on KiwiSaver please contact us on 06 873 8037.

Working for Families

Significant changes in the Family Assistance thresholds and allowances has meant that more working families may be entitled to receive government assistance.

As an example: Richard and Carole own a business and have four children. They spend 40-50 hours a week working. Last year they made \$90,000 before tax, and they expect to make a similar amount in the tax year started April 2006.

Richard and Carole can expect to receive Family Assistance for the first time including the new In-Work Payment. If they choose to get their Family Assistance in a lump sum after the end of the tax year, then they can expect to receive \$3,976. Based on changes coming into effect in April 2007, they can expect to receive \$6,056 per year.

Changes to family assistance include:

- Increases to annual income thresholds meaning family assistance will be available to more families with dependent children.
- In most cases, working parents will get an in-work payment that replaces and pays more than the child tax credit.
- Families can earn more before their payments reduce.

Annual Income Limits (before tax) from 1 April 06

| You have | And your total family income is: | | |
|------------|----------------------------------|----------------------|--------------------------|
| | For family support: | For in-work payment: | For parental tax credit: |
| 1 child | \$53,720 | \$69,320 | \$108,427 |
| 2 children | \$65,940 | \$81,540 | \$120,647 |
| 3 children | \$78,160 | \$93,760 | \$132,867 |
| 4 children | \$90,302 | \$109,880 | \$148,987 |
| 5 children | \$102,600 | \$126,000 | \$165,107 |
| 6 children | \$114,820 | \$142,120 | \$181,227 |

- More families qualify for an accommodation supplement to help with rent, board or mortgage costs.
- Childcare assistance will be available to more parents earning higher incomes.

Many of our self-employed clients may now be eligible for support. In most cases it is preferable to calculate your entitlement and apply when we have completed your end of year income returns. However, accommodation supplements must be applied for in advance. If you would like to know more about how these changes may effect you, then please contact us on 06 873 8037.

Business Start-up

If you have a good idea for a new business venture but don't have expertise in the legal or financial aspects of creating a new business, we can help you. At BWR our services cover most start-up requirements - from deciding whether or not to be a sole trader, partnership, limited liability company (including qualifying and loss attributing companies), or trust. We can also help assess your finance requirements and complete any registration procedures with the Companies Office, Inland Revenue, or Customs and Excise.

GST

GST legislation is an area where our team at BWR have an expert understanding of the legislation. Because of this we can offer you accurate, timely assistance in a number of areas including registration queries, preparation of GST returns, filing and adjusting GST returns, IRD audit assistance and specialist events involving GST - e.g. sale or purchase of property. In many cases you may find the benefits of our assistance outweigh the cost to you.

Accounting Services

Modern business demands up to date accurate financial information. We can relieve you and your staff of the burden by taking care of all your bookkeeping and accounting needs, including the preparation of your annual accounts and periodic management accounts for tax, business appraisal and planning purposes. We can discuss your requirements with you and provide you with tailored information and constructive advice on a regular basis.

What does Fringe Benefit Tax (FBT) really mean?

FBT is a tax on benefits that employees or shareholder-employees receive as a result of their employment. It is designed to prevent employees receiving tax free benefits instead of salary and wages from their employer.

Who is taxed depends on the type of benefit being received. Salary and wages received are taxed in the hands of the employee (for example PAYE). Non-cash or fringe benefits received from the employer or an associated party are taxed in the hands of the employer.

What does FBT apply to?

Most fringe benefits fall into four main groups:

- Motor vehicles available for private use

- Free, subsidised or discounted goods and services
- Low-interest loans
- Employer contributions to sick, accident or death benefit funds, superannuation schemes and specified insurance policies.

How much FBT is payable?

In most cases the rate of FBT payable is based on the amount of income the person receiving the benefit earns. For example, benefits paid to an employee earning between \$38,000 and \$60,000 per annum are taxed at 49% of the value of the benefit. For employees earning over \$60,000, FBT is charged at 64%. Any FBT paid is deductible as an expense to the employer.

When is FBT payable?

In most cases FBT is payable quarterly on the 20th of the month following the quarter ending 30 June, 30 September, 31 December and 31 March. For certain small employers, FBT may be payable annually to help reduce the administration cost.

If you are already a FBT payer and would like to know if we can simplify your compliance with the policy or if you would like to know if any of the recent tax changes might benefit your business, please contact one of the Directors or Accounting Managers on 06 873 8037.

BWR in-the-field

BWR puts their boots on

Understanding your business is not just phone calls, meetings and emails. The BWR team like to take an interest in their client's activities including regular visits to clients and industry events. Recently BWR attended the Stortford Sale to see the culmination of a business plan.

Pictured from left to right is Mark Coombe (Associate, BWR) and Arthur Rowlands, (Katoa Farm Ltd, Takapau).



Technology Tips

MICROSOFT WINDOWS VISTA:

There has been a lot of promotion regarding the release of Microsoft's new operating system – Vista. However, if you are already running Windows XP we suggest that for the time being you stick with it. That way you can ensure you aren't testing for any compatibility issues with your existing software.

If you are looking to buy a new computer, you should expect it to come with Windows Vista as standard. You should also ensure the hardware is powerful enough to support Vista's requirements. If you are unsure, please don't hesitate to check with Matt or Heidi here at BWR.

BACKUPS:

Most people are now aware of the importance of backing up data from their accounting software and are fairly disciplined using their respective software's inbuilt backup routines to external disks. However, it is equally important to regularly backup your other important documents including your email, letters, spreadsheets and digital pictures.

Debbie Jeffares

BWR would like to welcome Debbie Jeffares to BWR as an Associate.

Debbie qualified as a Chartered Accountant in 1995 and has since developed her expertise in the commercial and retail sectors including process improvements and restructures. Debbie's experience has included nine years in public practice and 13 years with corporate/commercial firms, seven of which were in the United Kingdom.

Since starting at BWR, Debbie has been helping to restructure clients' financial affairs, assisting new clients with opportunity evaluations and business setups as well as providing valuable technical assistance to Trevor Webb.

Out of work hours Debbie has started designing and building a new house and also likes to spend time with her family and work on her small lifestyle block.



Don't be caught unaware of GST changes

At BWR we are aware of some critical changes to GST return requirements which will come into force from 1 April 2007 and they may affect you.

1. GST returns and any payments are now due by the 28th of the month following the end of the GST period except for the March (due 7 May) and November (due 15 January) periods. This change in policy will apply to all GST returns with a taxable period ending on or after 31 March 2007. There is often confusion where the tax payment date falls on a weekend or public holiday. In this case the IRD advise that payments delivered or posted on the next working day will be processed without penalty. However to avoid any dispute in these situations, we recommend you send any payments prior to the due date.
2. GST returns must now be aligned with your income tax balance date. If you have a 31 March income tax balance date and a GST period date of 28 February, you will need to file a one month GST return to 31 March.
3. IRD and GST numbers are changing from 8 digit numbers to 9 digit numbers. If you have got an existing IRD and GST number simply add a 0 (zero) to the front of them.

If you have a question on preparing your GST return or you would like to know how you can save time preparing them, then please contact us on 06 873 8037.

Employers Be Aware - there are changes to Employees' Annual Holiday Entitlements

From 1 April 2007 all employees will be entitled to four weeks' annual holidays instead of the previous three weeks per year. The additional entitlement occurs on the first anniversary of the employee after 1 April 2007.

Accordingly, from this date your payroll system should accrue holiday pay at 8% of an employee's gross (previously 6%).

If an employee leaves your business after 1 April 2007, any untaken annual leave paid to them must be calculated at 8% of their gross earnings to date. An employee who leaves before 1 April 2007 is still only entitled to 6% holiday pay for any untaken leave.

Whether you operate your own computerised or manual wages system we are only too happy to explain the changes more fully and help ensure your system meets the Holidays Act 2003 requirements. Please contact us on 06 873 8037.

Happy 21st Chem-Dry

Ask any small business owner and they will tell you that starting a business is tough, really tough. Some do not make it past the first 12 months. This was not the case for BWR clients Peter and Janet Snow who, in April this year, will celebrate the 21st anniversary of their purchase of the first New Zealand franchise of Chem-Dry.

The Snow's story is a classic case of 'making it'. Peter was a meat inspector providing the family with enough income for a good life, but never enough to have that little bit extra. After a chance meeting with American, Devere Harris (father of Robert Harris, inventor and founder of Chem-Dry), Peter and Janet purchased the first Chem-Dry master franchise outside of North America.

Despite having no knowledge of what a franchise was, let alone carpet cleaning, within the first week Peter and Janet were confident enough to make the gutsy decision for Peter to leave his meat inspector's job to focus on Chem-Dry full time.

Together they grossed an impressive \$115,000 in their first year and within 18 months they had established 36 operations in New Zealand which has now grown to a network of 61.

After 5 years the Snows relocated to British Columbia, Canada where they now support a network of over 120 Canadian and 61 New Zealand franchises from their corporate offices in Chilliwack, British Columbia and Hastings, New Zealand.

John Springford and his team at BWR have been with the Snows all the way. From the day Peter walked in the door with his Chem-Dry opportunity, John says "He was so driven. It would have been hard not to support him. After that discussion he took the opportunity and ran with it."

Peter remembers the day he began his association with BWR too and says "when I first came to you with my dream, you treated me with respect and genuine interest when I had nothing in my past to warrant it. That is something that does not come naturally to most businesses."

He also says "Chem-Dry New Zealand is the better for the association, but even more so, Janet and I value you and your team and

can't imagine any firm doing a better job for its clients."

BWR have continued to add value to Chem-Dry through their rapid expansion and their move into and continued operations in Canada with advice on business structuring, financing and New Zealand and International tax advice.

'Janet and I value you and your team and can't imagine any firm doing a better job for its clients'



Pictured from left to right is John Springford (BWR Director), Fred Morley (Chem-Dry, NZ Operations Manager)

BWR supports rising stars

'Top of class' is an achievement many people do not get to claim. For those that do, BWR like to make it something a little bit special. Last year (and for many years preceding it) BWR have sponsored Havelock North High School's Accounting Prize. We are proud to congratulate Bryan Staunton (Year 11) and Emma Moore (Year 12) who at the end of 2006 were awarded 'Top of their class' in Accounting.

PGG Wrightson Hawke's Bay Farmer of the Year Award : 3 April

BWR is proud to continue our long time association with this iconic event that recognises farming excellence in the Hawke's Bay region. Last year Chris & Hanne Hardy of Makeretu took out the award. This year's evening promises to be an entertaining night with The Mad Butcher, Peter Leitch, as the guest speaker. Call the HB A&P Society on 06 878 3123 to secure your tickets.

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| 5 March | Large employers | PAYE/employer deductions for February 2007 |
| 7 March | Provisional tax | March, July and November balance dates |
| 20 March | PAYE/employer deductions | February 2007 |
| 30 March | GST | Periods ending 28 February 2007 |
| 5 April | Large employers | PAYE/employer deductions for March 2007 |
| 7 April | Terminal Tax | |
| 20 April | PAYE/employer deductions | March 2007; FBT – March 2007 |
| 5 May | Large employers | PAYE/employer deductions for April 2007 |
| 7 May | Provisional Tax GST | May, September and January balance dates Periods ending 31 March 2007 |
| 20 May | PAYE/employer deductions | April 2007 |
| 28 May | GST | Periods ending 30 April 2007 |
| 5 June | Large employers | PAYE/employer deductions for May 2007 |
| 7 June | Provisional Tax | June, October and February balance dates |
| 20 June | PAYE/employer deductions | May 2007 |
| 28 June | GST | Periods ending 31 May 2007 |

BWR offices will be closed on all statutory holidays including Easter, ANZAC Day and Queen's Birthday. We will also be closed on Easter Tuesday 10 April.

DISCLAIMER

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