

## Smart People – Smart Advice – Smart Results

We are pleased to advise that we have recently joined the Get Smart Network (GSN). This is a national network of accountants that is dedicated to providing a broader and more holistic professional service to their clients.

We now offer the following additional services –

### Risk Services:

Providing an independent and objective insurance review.

### Business Finance:

Access to competitive business loans and vehicle leases.

We either provide these services ourselves or in association with a specialist adviser.

Our goal is to apply our experience, professional knowledge, passion and skill to ensure you get the best possible financial advice. This means you can make better financial decisions to improve your business performance and personal lifestyle.

We have a simple check list which will enable us to advise you on which areas need some more work!

This will also mean that we can determine whether a more thorough review (a mini business WOF) of your business and personal affairs is in order!

PS: Is your will up to date? (Do you have a will?)

### Terminating Employment - Be Careful!

It is generally accepted as reasonable to go through a three stage termination process: verbal warning, written warning and final warning. In serious misconduct cases you may need to have a disciplinary meeting without first issuing verbal and written warnings.

- The final disciplinary investigation is where many employers trip up. The employer is judge, jury and executioner and for this reason needs to be very careful to ensure the process is followed to the letter, and the employee is treated with dignity and respect.
- An employer should not make a decision to dismiss until all the evidence is in front of him or her and all parties have been heard. Any hint of prejudice or rush to judgment is likely to cost an employer money down the track.
- Keep records of meetings and interviews, and retain the original records and notes. In the Employment Relations Authority only original handwritten notes really count.
- If a decision is made to dismiss, the reasons must be clearly stated in a letter to the employee. Only reasons spelt out at the time of dismissal can be relied upon at a later date to justify the employer's decision to the Employment Relations Authority. Source: <http://www.nzlaw.co.nz/>

### BUSINESS FINANCE THAT FITS

As you know there are a bewildering range of options for business finance.

We have always tried to provide you with advice about which finance option suits your circumstances best. We like to look at your overall circumstances and structure any finance to minimise your tax bill & maximise your profits.

In short we always try to ensure you have finance that fits your needs.

### WE NOW HAVE A NEW SERVICE

#### A Multi-Lender Business Finance Service

This means we can save you a heap of **TIME, MONEY & HASSLES** by providing competitive access to a comprehensive range of leading financiers. Finance is available for plant, equipment, vehicles and working capital.

Some of New Zealand's most reputable and competitive business finance providers can now be accessed through us.

Imagine the amount of the legwork you will no longer have to do – getting quotes, comparing rates, completing paperwork etc.

Also by using our multi-lender service you can access some "bulk buy" arrangements that might not be available to you as an individual business.

Please talk to one of the team, Don, Anna or Richard on 06 833 6654 before you next arrange any business finance.

Also, just a reminder, that we can arrange house and commercial property mortgages which are virtually hassle free as a lot of lenders these days will lend on self certification of income!

In some cases 100% borrowing for that house you have dreamed about is possible!

### Residential Rental Investors beware!!

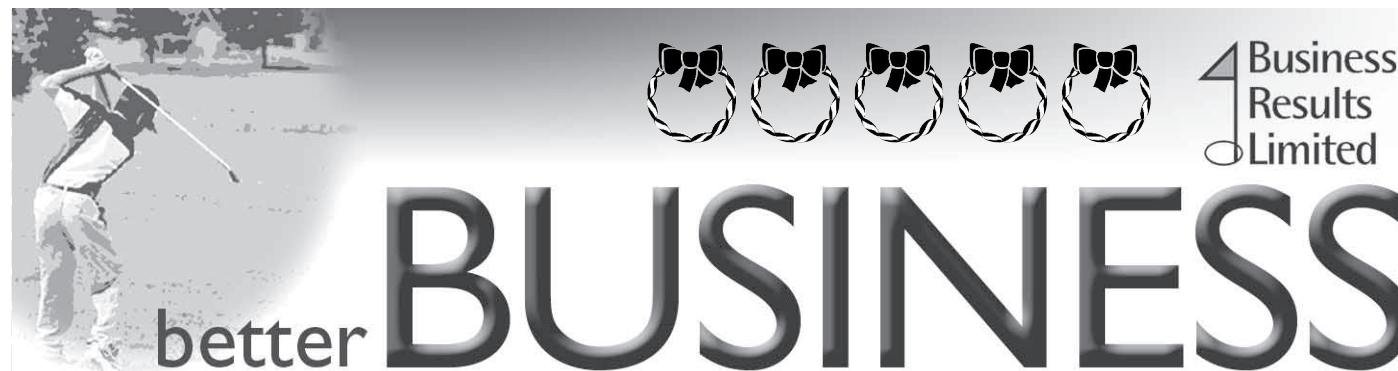
*Many people think that a gain on disposal of a residential rental property is not taxable! Not so – at least not always!!*

*It is always a question of 'intent'.*

*If you acquire a residential rental property with the intention of selling it, at the time it is acquired, then the gain on sale may be taxable. Obviously every rental purchased will, at some stage be sold! However, the possibility of a resale at some stage in the future will not of itself mean that the profit on ultimate sale is taxable!!*

*But if the Inland Revenue takes a view that a profit is taxable then it is up to you to disprove!*

*Therefore the moral is keep a full and careful record of all your plans and ensure all external records (loan applications, valuation instructions and discussions with Bank Managers even!) record the intention to keep the property as a residential rental!!*



December 2006

### Dear Friends

As we all age another year, the time seems to be going faster and faster!! Is it really a year since I spent all that time writing Christmas cards to you all and pondering, planning and plotting the year ahead?

Well yes it is! And although the face that looks back at me each morning from the bathroom mirror never seems to change, when I look at photos that were taken a few years ago I realise that the mirror has been lying to me!

Wherever you are may you have a wonderful Christmas and a prosperous New Year.

We are closing at midday on Friday 22<sup>nd</sup> of December and reopening on Monday 8<sup>th</sup> January. Although Jeanette is flying over to England to see her daughters (and have a longed for white Christmas) Heather will be in and out over that period to pay wages etc.

We are starting to think about the 2007/2008 year for Business Results. How much do we want to work, how we are going to change things to make it easier for you to talk to us, make it easier for you to understand the things we do for you and what staff we will need to do this.

That hoary old truism I suspect is as relevant today as it was when I first heard it. 'If you fail to plan then you are planning

to fail'. And my advice to you this year is the same as it has been each year. If you are taking some time off to relax and unwind, you owe it to yourself and your business to reflect on the year that was and where you would like to be in a year's time.

This is the start of the planning process of course! And please, remember that the goals have to be specific. Not 'I want to make lots of money' but 'I want to make \$250,000'.

Then the trick is to plan how we are going to achieve the goal.

Reflect on whether you have enjoyed the last year. (Remembering that we all have ups and downs!!) Remember the 5 'P's of business:

- Passion**
- Persistence**
- Patience**
- Profit**
- Personality**

Do you still have all these?

Finally, get a really good business book to read while you are away. There are some wonderful titles out there.

Also "New Zealand Business" is a good monthly magazine which is aimed at businesses the size of yours and ours!

Once again we thank you for your support and positive feedback that we receive.

**Don, Cheryl, Sally, Jeanette, Heather, Anna and Richard**

### HOLIDAYS – THE XMAS BREAK !

We will be closing our office at 12pm on Friday 22<sup>nd</sup> December and returning Monday the 8<sup>th</sup> January.

For those clients that we process payrolls for Heather will be in the office to do them on Wednesday the 27<sup>th</sup> December and Wednesday 3<sup>rd</sup> January. Jeanette will be away until the 24<sup>th</sup> January. She will contact you all before she

leaves to sort annual leave hours for your staff and what, if any, statutory holidays that you might be open.

If you need to contact Don or Cheryl urgently then you can call them on:  
Don 021 673 554 or  
Cheryl 021 546 622,  
Heather 021 673 661.

Borrowers Using Trusts Warned

Branson's Business Best

Kiwi Saver

GST Returns

Smart People – Smart Advice

## Borrowers using trusts warned

**People who have a revolving credit mortgage associated with a trust may be facing trouble.**

Thousands of mortgage customers with trusts are creating gift duty liabilities for themselves without even realising it, the chief executive of a trust management company says.

Mark Maxwell of Integrity Trust says these people are often unwittingly increasing the chances of their trust being challenged as a sham.

Splitting mortgages between a fixed rate mortgage and a revolving credit facility has become an increasingly popular trend over recent years. These facilities work by allowing customers to deposit money as it is received then withdrawing it as required. As well as providing the flexibility to redraw from ones mortgage there can be significant interest savings over the term of a mortgage for those disciplined enough to manage them well.

With billions of dollars worth of fixed rate mortgages maturing over the coming months it is likely that some of this borrowing will be switched to revolving credit mortgages. When the mortgage involves a trust, care needs to be taken

to structure things correctly and ensure that deposits and withdrawals are managed appropriately.

Customers need to be aware that every deposit made to a revolving credit facility operated within a trust can be assessed as a gift unless it is documented otherwise. Gift duty becomes payable when total gifts exceed \$27,000 each year and progressively increases until it reaches 25c per dollar gifted. For people already involved in gifting their home to the trust the duty liability can mount up very quickly.

"The lack of education by advisers around how trusts need to be managed after they are established is creating these risks and many others," Maxwell says.

In addition to gift duty risks, trustees may also find they are providing those seeking to challenge a trust exactly the type of evidence they need to have the trust ruled a sham. This could prove to be far more costly than any duty liabilities.

*Content supplied by www.goodreturns.co.nz*

## BRANSON'S BUSINESS BEST

### On diversifying your business:

The best businesses stick to their core. If you look at the top twenty brands in the world, it's true-Coke, Nike, Microsoft. But personally I think rules are made to be broken.

### On charitable giving:

If you're a successful entrepreneur, wealth comes with it. A responsibility comes with that wealth.

### On how small businesses can win against big competitors:

Use the strengths of being small. At a small company, you can make sure your staff are proud of working for you and then they'll work hard to be successful. And small companies are more nimble.

### On his wild publicity:

I realised early on to put Virgin on the map I did not have ad budgets, so I'd have to use myself. It helped portray Virgin as an adventurous company. There's no difference between being an adventurer and being an entrepreneur.

### On doing business ethically:

Your reputation can be ruined overnight, so do deals where you can sleep at night.

### On dealing with employee mistakes:

A good company runs as if it's a family. If your son messes up you don't kick him out of the house.

### On how to retain staff:

People who run companies have to realise when it comes to employees, this is their life. You have to make it enjoyable.

### On who inspires him:

The person I admire most in the world is Nelson Mandela

### On how to get ideas for new products:

Always have a notebook in your pocket. People at parties and events can have great ideas, and you won't remember them the next day.

## PAYROLLS

For those of you that have purchased MYOB payroll and do not have a support plan, we would like to suggest to you that you seriously consider taking one out. There are a number of changes coming up in the New Year with KiwiSaver and 4 weeks annual leave coming on board. You will be required to purchase the updates for both of these so that your payroll is up to date. Taking out a monthly subscription means that you have free access to technical support, free upgrades with all the latest enhancements and legislative taxation changes and access to an online knowledge base.

## KIWISAVER- WHAT IT MEANS TO YOU AS AN EMPLOYER

What must employers do in respect of KiwiSaver?

From the 1 July 2007 employers must:

- ◆ Provide all new employees, and employees who choose to opt into KiwiSaver, with a KiwiSaver information pack (packs are supplied by the Inland Revenue Department)
- ◆ Provide "new employees" details to the IRD, as well as the details of any employees who opt into KiwiSaver. These details include employee name, IRD number and address.
- ◆ Make deductions of employees' KiwiSaver contributions from the gross salary or wages, and forward these to IRD, together with PAYE payments.
- ◆ Accept and forward any employee 'opt out' notifications to the IRD.

In addition employers must decide if they wish to:

### Select a preferred KiwiSaver scheme for employees

It is the employee's responsibility to select their KiwiSaver scheme. However, if the employee does not select a scheme, the employer may nominate a preferred scheme. If neither the employee nor the employer selects a KiwiSaver scheme, the IRD will allocate the employee to a default KiwiSaver scheme. If the employee chooses a preferred scheme for its employees, the employer will be required to provide an Investment Statement for that scheme to all new and opting in employees. An Investment Statement outlines how the scheme works, and provides information on fees, risks, and administrative requirements. (The investment statement will be provided by the scheme provider)

### Make employer contributions to KiwiSaver

There is a withholding tax exemption on employer contributions to KiwiSaver schemes. This applies to employer contributions up to a maximum of the lesser of an employee's contributions and 4% of the employee's gross salary or wages. There

is no requirement for employers to make contributions and those employers who do decide to make contributions, may contribute at whatever rate suits them.

### What about employers with existing schemes?

If you have an existing registered superannuation scheme you may:

- ◆ Apply for an exemption from the automatic enrolment requirements. Receiving an exemption means that, as an employer, you only need to offer employees the existing exempt scheme.
- ◆ Establish a KiwiSaver scheme with your current superannuation scheme.
- ◆ Convert your existing scheme to a KiwiSaver scheme.

### WHAT DOES KIWISAVER MEAN FOR EMPLOYEES?

From 1 July 2007 employees will need to decide:

- ◆ Whether to join a KiwiSaver scheme (if an existing employee).
- ◆ Whether to opt out of KiwiSaver (if automatically enrolled when starting a new job).
- ◆ Whether to choose their own KiwiSaver scheme, or leave the choice to their employer or the IRD, who will allocate them to a default scheme.
- ◆ Whether to contribute 4% or 8% of gross salary or wages (including any employer contributions).

## Numbers Help Business Judgement

"80% of businesses which fail have no business plan, whereas 90% of those which grow have a plan they review and update at least once a year".

**Set Goals Clearly-** ask "Why are you in business? What are you trying to achieve?" Followed by, "Who are your customers? and

"What benefits do they want to buy?"

**Use Simple Numbers to Check Progress.** The numbers which matter in business are those which face reality.... And do something about it. Make recording measurements a habit.

**Stay on a Profitable Course.** The business plan must have value to you. Since you understand how you wrote the plan, you should be able to re-jig your ideas as markets change.

## GST RETURNS

For most of you the GST period finished on the 30 November.

This means that you must have the GST return to IRD by the 15<sup>th</sup> January 2007.

Due to the Xmas / New Year break we would like to get these all processed before we close on the 22<sup>nd</sup> December so could you please get your records to us as soon as possible!