

CG *Update*

Candy Gillespie Newsletter - September 2011

This newsletter is designed to be entirely read and understood during the half time break while watching the Rugby World Cup games after which you can go back to more important matters.

Tax Rates

Just a reminder that after a composite transition year in 2011 the new taxation rates are now fully into effect for the current 2012 tax year.

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|---------------------|-------|---------------|-----|
| \$0 - \$14,000 | 10.5% | Over \$70,000 | 33% |
| \$14,000 - \$48,000 | 17.5% | Trusts | 33% |
| \$48,000 - \$70,000 | 30% | Companies | 28% |

Gifting

Legislation is now being enacted that will be repeal the charging of duty on gifts from 1 October 2011.

Does this then mean we should immediately gift off everything to our Family Trusts as we plan for that future time when we become old and dribbly and the family shoves us in the rest-home. Then, they can truthfully state that we don't own anything and the government will pay all the fees and the family can party up. The answer to that question is probably no.

The rationale behind this legislation change by the government is the efficiency of revenue collecting. Most gifts made, were less than the \$27000 individual limit before duty is payable.

Yet, we are required to complete all the forms and deeds, send them off to the IRD who process and stamp the documents and send back an acknowledgment that everything is correct. For all that work the government collects absolutely zero revenue.

Gifting is a disposition of property from the donor to the donee and there are numerous statutes and common law cases which give the right for other parties to challenge the legality of that disposition.

Government agencies, as an example, will never recognize gifting at any time over and above the existing limits in determining an entitlement to a subsidy for whatever reason.

The moral of this story is that before you consider making substantial gifts after 1 October 2011 it is important that you get advice as to any potential implications of undertaking that gift and to ensure the proper paperwork is completed to give authenticity and long term protection to the transaction.

Penny & Hooper

This is not about an upcoming boxing match on Sky. It concerns a recent court decision in New Zealand which resulted in a knock out win for the IRD

In layman's terms the case involved medical professionals who operated under a trading Trust. The Trust paid the Docs a rather pathetic salary and then distributed the rest of the funds around the family at lower tax rates.

The court agreed with the IRD who argued that this was a disposition of income and that a fair salary that recognized the qualification and earning power of the individual should have been made. Expect more IRD investigative activity in this area.

GST Changes

The IRD have made as many changes to the GST rules as Graham Henry has made to the All Black backline and they are just as complex and confusing. Most of the changes have centered round transactions that have both a business and private component.

For example if you are about to trade in your 86 Holden for a new Mercedes and your last car log book was chewed by the dog then you need to give the office a call regarding the entries to go in your GST return.

Dairy Farmers and Dairy Base

A number of our Dairy Farmer clients already participate in the Dairy Base statistics collection and benchmarking report. While it is an excellent tool for measuring financial performance against others some farmers were put off from participating by the volume and depth of data required and the costs of completing the data input download.

We have been working with the Dairy Base team so that the data can be transferred from our own accounting software very quickly and with minimum extra information required.

This is a great tool for farmers to use for improving your bottom line and providing more cash to spend on diverse essentials such as test tickets or new shoes. We encourage dairy farmers to participate. As a first step can you please ensure that you enter your effective hectares and milking cow numbers on our green questionnaire form.

Confidentiality of your data is maintained, Dairy Base has no interest in names plus you are an anonymous participant in the annual Dairy NZ Economic Survey report.

LAQC and LTC

These are secret codes for AB backline moves involving players coming in and players dropping out and they will destroy the Australian defenses. Coincidentally at the end of this month Companies registered with IRD as LAQC companies will drop out and LTC companies will come in.

Like the AB's this has involved some deep thought and planning and no one wants to drop the ball or have an intercept. If you have an LAQC company we will act like Dan Carter and call you in or get you to stay out.

If the best way for your company to score is to enter the LTC regime then election forms are required to be signed and we ask that you reverse pass those back to us quickly on completion.

Insurance

One of the consequences of the events in Christchurch is an inevitable increase in insurance premiums. When your next insurance renewal arrives, check to determine what is insured, whether cover is essential and what values are used.

Pike River

The current enquiry into the tragedy at the coal mine will, with the benefit of hindsight, come up with some perceived deficiencies in Pike River's safety procedures and plans. It is a timely reminder for all business owners to check your own existence of safety manuals, staff training and protection equipment. How would you fare being in the witness box under scrutiny, with your whole business future at stake being asked to describe your safety procedures. For most of us that thought is about as scary as thinking of Colin Slade tackling Bakkies Botha.

Economic Climate

There are plenty who are ready to predict our economic future and by the time they are proved wrong then they have a ready excuse in the form of some natural disaster or unforeseen financial or political event.

God's own country NZ is in a pretty good space at present:

- ü We produce commodity goods that are in demand particularly in the emerging world of Asia.
- ü We have heeded the wake up call regarding our personal spending and levels of debt.
- ü We are seen as a safe haven for world wide investors.
- ü The Christchurch rebuild will eventually add growth to the economy.
- ü We are surviving a relatively high exchange rate which has kept the lid on imported costs such as fuel and oil.
- ü The \$NZ-\$Aus exchange rate has provided opportunities for exporters across the ditch.
- ü We have a stable and relatively corrupt free political system.
- ü Although demands are ever increasing we still have an education and welfare system that generally copes.
- ü We will win the World Cup and if not we will revel in our misery by taking our revenge on Graham Henry and any despicable referee who cheats us out of victory.

Best wishes and good health to you and your family.