CG Update

September 2008

The first few days of September have brought a welcome relief from the eternal winter which turned up after the eternal drought and we should be eternally grateful of the anticipation that spring is upon us.

Staff News

We welcome to our staff, Lynette Yetman who has come from Canada to try living in gods own country with her good kiwi bloke partner.

We celebrated with Jim Kyle who achieved the rare feat of 40 years service with Candy Gillespie. Jim joined the firm in 1968 when Bruce Candy and Rex Tappin (both now deceased) were practising out of the upstairs portion of our existing building. It was fun to reminisce on the way we prepared annual accounts in those early years, the cash books, typing with carbon paper, time records on charge cards, the early computers, our first photocopier but, most importantly, the staff and the long time client relationships.

Keith Rea reaches a similar milestone early next year.

The CG mixed outdoor netball team are starring in the local business house competition and we are happy to report that all muscles and ligaments although somewhat strained, are, to date, still intact.

Taxation Payments

Our last newsletter detailed changes to the provisional tax payment dates for most taxpayers which despite causing some confusion getting used to moving away from the 7th of the month as being tax day we see is a positive move. The later time, especially for the last provisional payment, gives us more time to complete projected profit calculations and achieve better tax estimates so as to avoid or minimize the possible impact of Inland Revenue use of money interest charges.

With net taxable incomes in some sectors rising steadily and the increased use of Companies and Trusts as trading entities a more accurate estimate of current years taxable profits and tax payments is required.

Call our office if you are unsure of your payment dates.

Website

We are pleased to announce that prior to the end of this month our website will be going live bringing with it increased opportunities to gather business information from us. Initially it will enable visitors to the site to revisit client newsletters and other accounting related information plus use the links to other websites such as IRD, government departments and financial institutions.

The next development will include the ability of clients for gain access to their own secure data area. It will mean the rapid transfer of data between the office and the client to ensure speedy and accurate processing of your records.

Property Sales

We have this popular concept in NZ that as we have no capital gains tax as they have in places like Australia then unless we are directly involved in property development then any profits we make out of selling land or property will not be taxable.

Unfortunately this is wrong and increasingly property sales are attracting the interest of the taxman particularly after several years of escalating values and quick property sales.

The Income Tax Act basically says that profits on property transactions are taxable unless it is covered by a number of listed exclusions in which case the profits are not taxable. If you are wondering whether the tidy profit you made on a recent property sale is taxable then give yourself a short test:

Q. When this property was purchased, was the intention to:

   a. Resell it as soon as the market lifted.
   b. Use that property in a business or farm to derive income.
   c. To live in with your spouse and mother-in-law.
   d. To subdivide into lots with the idea of disposing of one or more of those lots
   e. To hold as part of a long term asset accretion program
   f. To rent or lease to others for the purpose of deriving income.

Q. How long have you owned it?

Q. To whom did you sell it ?

Q. Why did you sell it.?

Q. What have you done to the property or title during your years of ownership?

These are not difficult questions but the answers will give an indication of whether the profit is taxable. While the answer may seem clear the problem is, circumstances change, intentions change, opportunities arise or close, new laws and zones are introduced, new fashions emerge and new projects develop.

Is there a moral to this story? If you own property and you want to sell it and you wish to know the tax implications of making that sale then talk to us as Step No 1 If we are in doubt we will seek a higher level opinion on your behalf, tax experts are not cheap but it is often money well spent.

Investors

Here is a heart felt tale. Mr & Mrs Retired have sold their business and property, purchased the beachside retirement villa, given the reputable Finance advisor the left over Million bucks and his company has invested it prudently in reputable offshore markets (no dodgy finance companies here).

Each year Mr & Mrs R. drop into the office the income statement prepared by the investment house and we swiftly completed their returns even allowing that they were smart enough to have the family trust as the investment owner.

Unfortunately the rules have changed. The tax on Mr & Mrs R's portfolio is no longer dependent on just the income received but many many factors such as the type of investment, the location of the investment, the capital value at both the start and end of the year.

We now have a tax based on capital rather than income.

We are finding that the staff and partner time spent in completing accounts and finding the correct tax position under the new regime has dramatically increased.

Because of falling portfolio values and higher exchange rates between March 2007 and March 2008 most investors have little or no tax under the new rules for this year BUT if the markets start to turn upwards coupled with the NZ dollar already well below its high March value then next year could well see some significant requirements for Terminal and Provisional tax.