

## OFFICE NEWS

Our office will close on Friday December 23rd and reopen on Monday January 9th. Payroll services for clients will continue over the holiday period. For any urgent enquiries, we will be checking emails and phones on a regular basis so please leave a message.

We thank our staff for another year's hard work. New staff this year include Deb Prujean, Sarah Germann and Kim Dykzeul.



## CHRISTMAS PROMOTION

The Matamata Public Relations Association is again running a Christmas promotion with the chance to win \$10K worth of goodies. Enclosed is an Entry Form, please fill in and drop into any participating Matamata Business Association member.

## STRATEGIES FOR 2012

Reviewing the strategies for 2011 listed in last year's Christmas epistle, it is pleasing to report that most of our predictions "came good" particularly the one about Richie Mc Caw waving the world cup about.

The recent election saw the return of a John Key led government but with interesting challenges and influences from other parties such as Winny, Banksie and the Greens. One thing for certain is there is very little likelihood of any lollies being thrown out of the government coffers in the short term.

Like any budget including yours and mine, when Expenditure exceeds Income you have the option to cut spending, increase revenue, borrow more or sell something. The first two are the interesting ones for us because of the effect on our business planning.

Things to note are:

## DEPRECIATION ON BUILDINGS

The depreciation rate on most long term buildings is now zero. This will significantly reduce expenditure claims with a corresponding increase in tax revenue. This may need to be factored into this year's provisional tax calculations particularly for Companies and Trusts.

## FAMILY ASSISTANCE

There are a number of changes to the way Working for Family entitlements are calculated. The list of attributable income has been broadened to include trustee and company income, Fringe Benefits and PIE Income. Considerably more detail will be required this year when calculating your entitlement.



## STUDENT ALLOWANCES

Just like Family Assistance the calculation of Parental income has been expanding to other incomes, previously ignored. We are already assisting students to complete application forms for the 2012 varsity year, and details of information on associated entities is being requested. We suggest you warn your tertiary institution attending offspring that their government allowance may well be significantly reduced next year.

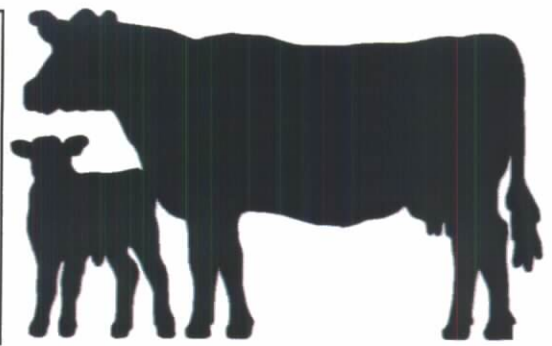
## IRD ACTIVITY

We are seeing more investigation activity by IRD auditors targeting specific industries and the hidden economy. Cash business, Contractors, Employers and private expenditure within business are all areas where the IRD are claiming significant gains from short paid tax. Surveillance and unannounced visits are now part of the IRD audit strategy.

### LIVESTOCK VALUATION SCHEMES

This year the IRD has conducted a review of the schemes available to farmers for valuing livestock. The volatility in stock prices that occurred in recent years and the way the scheme was administered has allowed some farmers to obtain significant tax savings.

We expect that changes to the livestock schemes will be announced soon which will limit the opportunity for farmers to gain tax relief from changing between schemes. The window of opportunity has not been shut yet and we are monitoring the situation closely.



### GIFTING

As predicted the application of gift duty ceased on October 1<sup>st</sup> this year. We have not seen a raft of large gifts undertaken since that date. For a start the Government through the WINZ office made it plain that large gifts would not be recognised in the event of an application for an asset tested government benefit, ie rest home subsidy.

Furthermore, our legal brothers have been quick to warn of the dangers of making large gifts without evidence of solvency and the ability of a disaffected creditor to challenge that gift through the courts.

The consequences of any significant gift, above the previously accepted duty free amount of \$27,000, need to be considered carefully and discussed with ourselves and your legal advisor.

## THAT'S ENOUGH OF THE BAD NEWS, WHAT ABOUT THE **GOOD** NEWS...

### INTEREST RATES

Thankfully, most clients have come or are coming to the end of their high interest rate fixed term loans. The effect on cash flow has been positive although many have used the extra cash to increase principal repayments and strengthen balance sheets.

What may force interest rates higher is external factors such as overseas borrowing costs rather than local demand for funds.

In the meantime, keep checking the fixing rates of both your funder and others. We have experienced instances recently where clients have changed funders and interest rate differential has been the prime motivation for the move.

We have also seen and had visits from several new second tier funders such as First Mortgage Trust, Heartland Bank and Stock Co who have emerged into the market. They are keen to consider funding projects (plant and/or livestock) that your banker, for whatever reason, does not want to get involved in. The interest rate will reflect the level of security and the perceived risk but they do have funds available.

### TAX POOLING

If you wish to consider alternative finance sources for your tax payments, then there are agents that have arrangements with IRD to fund these. Their finance rates to approved clients are potentially less than Bank Overdraft rates and less than Use of money charges from IRD. The number of clients using a tax pooling agent for tax payments has grown considerably.

We wish all clients a  
very Merry Christmas  
and a Happy New Year



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