

## Trial Balance

THE OFFICIAL NEWSLETTER OF NZ CA LIMITED

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### New GST Payment Dates

AS YOU MAY already be aware the due dates for GST returns and payments have changed. To ensure consistency for taxpayers across all months the GST due date has been changed to the 28th of the month. There are two exceptions:

Returns and payments due on the 28th of December will be due on the 15th of January.

Returns and payments due on the 28th of April will be due on the 7th of May.

Source : Prince & Partners RSM

### New Tax Rules for Offshore Investments in Shares in Foreign Companies

AS YOU MAY KNOW, the Government has introduced new rules that impact on shares held in Foreign Investment Fund (FIF) companies and units in unit trusts. The FIF rules for superannuation schemes and life insurance policies remain the same.

What was originally sold by the Government as a relatively straightforward way to simplify the FIF rules for 'smaller' investors has been made unduly complicated.

The new rules came into effect for income years beginning on or after 1 April 2007.

The rules contain a number of exemptions including a de minimus exemption (the total original cost of all FIF investments not otherwise exempted must be less than \$50,000) for natural persons, shares in companies tax resident in Australia and which are listed on the ASX, 10% or more shareholdings in

companies tax resident in grey list countries (Australia, Canada, Germany, Japan, Norway, United Kingdom, USA and Spain), GPG shares and certain start-up companies. There is also a concession for natural persons and family trusts if their income calculated under the comparative value (CV) method is less than 5%. The grey

list exemption no longer applies for shareholdings of less than 10%.

The new rules add two new methods to the existing four methods for calculating FIF income, with restrictions on which methods can be used.

The new method that has generated most publicity is the "fair dividend rate", ("FDR") method. It is simplicity. This method taxes 5% of the market value of the share portfolio (excluding any shares exempt from the FIF rules) at the start of the year. However the legislation has introduced a complex set of formulae for calculating income if shares are bought and sold within the same income year.

For tax payers with a 31 March balance date these rules will apply from 1 April 2007, and will need to be taken into account for 2008 provisional tax estimates. Please consult your accountant for more details.

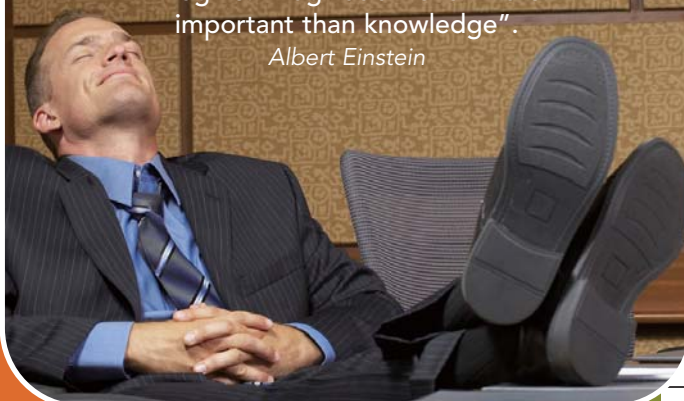
Source: Gavin Stewart – NSA Limited



### Imagination

"Man can create or do anything he can imagine. Imagination is far more important than knowledge".

Albert Einstein



# Business Overheads Insurance

## Do you need it?

IF YOU WERE UNABLE to work due to illness or injury, could your business manage without you and continue to meet its monthly overheads?

Business Overheads insurance helps you to meet the day-to-day cost of running your business until you are able to return to work. If your disability proves to be long term, Business Overheads insurance can buy you valuable time so that you don't have to sell your business in haste or place undue financial pressure on your associates.

### Some business expenses that could be covered are:

- Rent for business premises.
- Rates, taxes and Government levies.
- Business mortgage loan interest payments.
- Insurance risk premiums (fire, liability, life, vehicle etc).
- Cleaning and Maintenance.
- Accountancy and Legal fees.
- Lease payments on business vehicles and equipment.

Source: Kevin Smee, Solutions Financial Services Ltd



# Fraud

Business owners can help protect their businesses from employee theft and fraud by following these recommendations:

**(1) Have established policies and procedures.** Written job descriptions, clear organisational structure, comprehensive policies and procedures, open lines of communication between management and employees, and positive employee recognition will all help reduce the likelihood of internal fraud and theft.

**(2) Internal controls.** These measures are designed to ensure the effectiveness and efficiencies of operations, compliance with laws and regulations, safeguarding of assets, and accurate financial reporting. The controls for safeguarding assets and financial reporting require policies and procedures addressing:

- **Separation of duties.** No employee should be responsible for both recording and processing a transaction.
- **Access controls.** Access to physical and financial assets and information, as well as accounting systems, should be restricted to authorised employees.
- **Authorisation controls.** Develop and implement policies to determine how financial transactions are initiated, authorised, recorded, and reviewed.

**(3) Pre-employment background checks** are an excellent way to cut down on hiring dishonest employees. A thorough pre-employment background check should include:

- Drivers licence check for numerous or serious violations;
- Education verification for degrees from accredited institutions;
- Employment verification of positions, length of employment and reasons for leaving.

**(4) Perform regular and irregular audits.** Every employer should have regular assessments, but random, unannounced financial audits and fraud assessments can help identify new vulnerabilities, and measure the effectiveness of existing controls. It also lets employees know that fraud prevention is a high priority for the organisation.

Implementing these recommendations can dramatically reduce the opportunity for employee theft and protect the assets of your business. If you suspect fraudulent activity by an employee, seek professional assistance to conduct the investigation. Determine what's necessary to protect your business and prevent a reoccurrence.

# KiwiSaver – Budget Update

WITH THE RELEASE of this year's budget the Government has made several changes to the KiwiSaver scheme that comes into force on the 1 July 2007.

Further to the KiwiSaver article in our March 2007 issue (issue 18). Some of the main changes to KiwiSaver are listed below:

From 1 July 2007, all employee contributions to a KiwiSaver scheme will be matched by a tax credit of up to \$20 per week (\$1,040 per year). This amount will be paid directly into their KiwiSaver account.

From 1 April 2008, employers will be required to match employee contributions to a KiwiSaver scheme. This compulsory matching will be phased in over the next four years. The compulsory contribution will start at 1% and by April 2011 will be 4%.

All employers contributing to an employee's KiwiSaver scheme will be eligible for a matching employer tax credit of up to \$20 per week per employee from 1 April 2008.

From 1 April 2008, employer contributions will no longer be able to count towards the minimum contribution of the employee's 4% of gross salary.

KiwiSaver will be compulsory for all new employees employed on or after 1 July 2007. Current employees can elect to join a KiwiSaver scheme.

Please contact your regular accountant if you need further information.

Source: Prince & Partners RSM

# Business Plans & Budgets

PLANNING FOR THE FUTURE is one of the most important things that individuals and businesses need to do in the present climate.

To be successful, you need to know where you want to go and how you are going to get there.

All businesses should have a business plan which will need to be flexible enough to cope with the changes that will need to be made to it on a regular basis.

Incorporated in the business plan will be financial budgets (Budgeted Profit & Loss, Cash Flow and Balance Sheet). These budgets will usually be for a one year period with a longer 5 year plan available as a supplement. It is essential that all businesses have at least this component of the business plan.

Source: Prince & Partners RSM

# Directors – Duties and Responsibilities

The need for directors to understand and carry out fully their duties and responsibilities is paramount in the business world of today and tomorrow.



of the company.

- Avoid conflicts of interest.
- Exercise suitable degree of skill and care.

## A Director could be personally liable if:

They knowingly allow the company to carry on business in a reckless manner.

They alter, falsify or destroy company records with intent to deceive.

The company :

- acts without resource consent when one is required.
- pollutes or releases harmful substances.
- fails to provide a safe working environment.
- attempts to fix a minimum resale price.

## Directors' Rights

- To receive all internal information concerning the company's affairs.
- To appoint an auditor.
- To be indemnified by fellow directors for breach of duty.

## Insurance

A company or the individual director can now take out insurance to cover the costs associated with a claim for acts in their capacity as a director.

The insurance is generally called Directors & Officers Insurance (D & O Ins).

## Responsibilities

Following are some points to bear in mind when carrying out the role of a director.

- Evaluate your fellow directors.

- Check quality of internal control systems.
- Consider the risks facing the company, and how they are managed.
  - Are there adequate controls in place to ensure financial statements comply with the appropriate legislation?
  - Consider the question of solvency before making distributions from the company, redemption or repurchase of company shares.
  - Is the company funding requirement reviewed on a regular basis?
  - Is the funding appropriate given the forecasts and purpose, and overall risk management strategy?
  - Is there a strategic plan or business strategy in place and is it appropriate?
  - Does the company have policies for such things as Risk Management and Occupational Health and Safety Employment Relations.
  - Is there a formal budgeting process?
  - Is your understanding of the business of the company clear?
  - Is the company suitably insured?

## Insolvent Trading

If the company's accounting and other financial records are kept up to date, suitable financial statements can be prepared on a regular basis and so monitor the solvency of the company.

## Taxation

Directors have an obligation to:

- Correctly calculate and pay the tax due on time.
- When required deduct tax from payments and remit the tax to IRD on time.
- Maintain appropriate books and records in the English language.
- Provide information to IRD.

## Duties:

- Prepare and issue the company Annual Financial Report and ensure it complies with the Financial Reporting Act, Companies Act, and generally accepted accounting practice in New Zealand.
- Prepare and issue Solvency Certificates as and when required.
- Ensure appropriate measures are in place to prevent and detect fraud.
- Ensure the company does not trade in a reckless manner which could cause serious loss to creditors and shareholders.
- Certify that directors' remuneration is fair to the company.
- Ensure the company incurs debt only on the grounds that the company can meet the obligation.
- Act in good faith in the best interest

## How to Lose your Imputation Credits

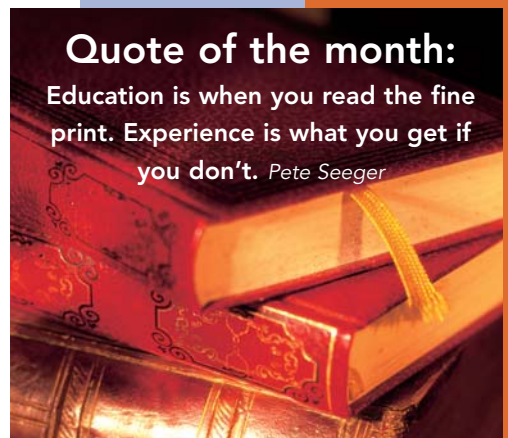
CHANGE YOUR shareholding by more than 34% under the continuity test.

The loss of imputation credits is suspended for qualifying companies. However, if you infringe the 34% limit and lose Qualifying Company status you will lose your imputation credits.

**WARNING:** If you deliberately wish to give up your Qualifying Company status, clear your imputation account first, pay out the dividends and change the status in the next imputation year.

## Quote of the month:

Education is when you read the fine print. Experience is what you get if you don't. *Pete Seeger*



# Provisional Tax based on GST Return

FROM THE START of the 2008/2009 income tax year some provisional taxpayers will be allowed an alternative method of calculating their provisional tax by basing it on a percentage of their GST taxable supplies.

The reason for this option (GST Ratio method) is to help address issues taxpayers had with provisional tax payments not being aligned with cashflow. This will also reduce the taxpayer's exposure to use of money interest (UOMI).

To qualify to use the GST ratio method a taxpayer will have to meet the following criteria:

- Have a residual income tax liability for the previous year that is between \$2,500 and \$150,000.
- To have been registered for GST for the whole of the previous income tax year and did not begin operations in that tax year.
- Have been liable to file their GST return on either a monthly or two monthly basis.
- Have a "GST Ratio" for the current year of

between 0-100%. You will need to see your usual accountant for this calculation.  
Source: Prince & Partners RSM

## Donations

THE \$1,890 THRESHOLD for donations made by individuals has been removed. From 1 April 2008, individuals will be able to claim a 33% rebate on donations up to their annual net income. The 5% limit for company donations has also been removed. Companies will now be able to deduct donations up to its net income and it appears that the close company restriction will be removed.

Source: NSA Limited

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NZ CA Limited is an association of independent chartered accountants' practices with members located throughout New Zealand. There are 27 firms practising in 37 locations.

NZ CA members have agreed to co-operate together to develop a national working relationship. Membership enables firms to access one another's skills and information whilst maintaining client confidentiality.

NZ CA Limited is associated with NZ LAW Limited, an association of independent legal practices. NZ LAW has 54 member firms practising in 78 locations throughout the country.

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## The way you think

THE WAY YOU think determines the life you live. It is a fundamental law of life and 'it is you'

and you alone who decides 'the way you think'. You have total and exclusive control and it is the most powerful influence in your life. You are what you think about.

"Thinking is the hardest work to do, which is why so few people do it". Henry Ford.



## Vision

"The greatest tragedy to befall a person is to have sight but lack vision". Helen Keller.



## Changes in Particulars

Please remember to let us know of any changes in:  
\* Physical address \* E-mail address \* Phone and/or fax numbers \* Shareholdings \* Directorships \* Trustees  
Or anything else that may be relevant.

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