

CLIENT UPDATE DECEMBER 2012



Well another year has almost gone. The pace of work has been quite frenetic. Tax changes always seem to have that effect.

The global financial crisis (GFC) has been going for over 4 years. For some clients this latest year has been every much a struggle as the previous years. Conversely there are some people who continue to do well.

The promise of a new year tends to give people reason for optimism and hopefully the economic environment will show further signs of improvement. Farming has been doing alright and building activity seems to be picking up. Let's hope this positivity flows to other sectors of the economy.

October / November 2012 GST Returns.

We are hoping to get these completed and out to you before 21 December 2012. Please assist us by getting your information to us early in December.

15 January 2013 Provisional Tax Letters.

We are aiming to get most of these out to clients in the week ended 7 December. Some may be slightly later to enable us to review the GST results and calculate whether the 15/1/13 tax payments need to be modified. If your provisional tax notice is of concern, please contact us to discuss any payment adjustment alternatives that may be available to you.

Do not ignore the notice!!!

The IRD are prepared to receive instalments for provisional tax provided an agreed payment arrangement has been entered into prior to 15 January 2013.

Overdue Tax Returns.

While on the subject of the IRD, it is increasing its efforts to chase taxpayers who have overdue tax returns. This process includes sidestepping accountants and contacting taxpayers

directly. If you have an overdue return, get your information to us now so if the IRD does contact you, you are able to demonstrate you are taking some action. This could help if there becomes an issue over late payment penalties.

Donations.

At this time of year many charitable organisations seek donations from the public including business people. If you operate as a company and wish to make a donation, we suggest you do it in your personal name rather than in your company's name. The reason is that donations by a company may not be treated as a tax deductible expense and there could be occasions where you miss out on the tax rebates from making a donation. You are less likely to miss those benefits as a donor in your individual name.

Student Loan Payments – Discounts still available – Get in Quick!

Voluntary student loan repayments above the minimum repayments required, are entitled to a 10% discount, but only prior to 31 March 2013. So if you are thinking of paying off that student loan, or making an extra voluntary payment, ring Kathryn Pinkerton at our office. Helping your kids pay off their loans could be a pretty sound investment and a good Xmas present.

On Line Trading can be Taxable.

If you're selling goods online, do you know what taxes you may have to pay? As a guide, if:

- you bought the goods with the purpose of selling them or
- the purpose was to make a profit or
- your business deals in these goods

then you will be regarded as being in business and should include sales from online trading in your tax returns. Your tax obligations are the same as if you sold goods in a shop.



If your sales by internet or otherwise exceed \$60,000 in any 12-month period you are required to register for GST and file GST returns.

If you've been trading online for some time and think you might have tax obligations you've overlooked, contact us as soon as possible.

If you are simply clearing out personal possessions there are generally no tax obligations. IRD are watching sites such as Trade Me to catch people they believe are in business.

IRD Audits.

The current Government has provided additional funding to IRD to increase its audit capacity. The result is that more business people will be subjected to IRD audit, or reviews which may lead to an audit.

Our experience is that IRD audits are time consuming, invasive and expensive, even if your taxes are correct.

In response to this increased audit activity an insurance product called Audit Shield is available. This is for business people to insure their businesses. The Audit Shield covers:

- Our accounting fees in responding to audits, reviews and investigation of your lodged returns, including those from previous years.
- Specialist's professional fees if we need to engage a tax expert or lawyer for an opinion or defence.

Premiums for this cover starts from as little as \$295 for a business group.

We intend to write to our clients early in the new year to see if they wish to take up such insurance. Clients should not perceive our letter as a suggestion that there may be a tax problem; rather it is more of a conservative approach to risk management.

Gifting and Rest Home Subsidies.

Elderly people are only entitled to rest home subsidies where their personal assets do not exceed certain values. These are as follows:

- A couple where one person is going into care then the allowable asset threshold is \$116,806 excluding the family home and

car, provided the house is the principal residence of the other person.

or

\$213,297 including the family home and car

- A person going into care where their partner is already in care then the threshold is \$213,297 including the family home

If the home is owned by a family trust it is treated as not being the parties' principal residence and previous gifting to the trust will impact the allowable asset threshold.

ACC Levies too high?

Many business people are concerned about the level of ACC levies payable. ACC levies are an insurance policy which activates in the case of an accident. It is possible to reduce ACC levies by paying for a Cover Plus Extra policy from ACC as well as also purchasing a combination of life and accident cover from other insurers. We are aware that Goldridge Wealth Management is advocating this as means of reducing ACC levies. If you are considering changing your ACC cover, it is important to firstly determine exactly what current ACC cover you have in the event of accident or death and secondly to ensure you have the same levels of cover if using a combination of ACC and other insurance products.

This option is not available to shareholder / employees who receive PAYE deducted wages or salaries. If you are considering, please talk to us to ensure we have your provisional taxes under control.

Xmas Closure.

Please note our office will be closed from 2:00 p.m. on Friday 21st December and re-open 8:00 a.m. Monday 7th January 2013.

We would like to thank all our clients, contacts and business associates for your continued support to our business and wish you a very Merry Christmas and a safe holiday season.

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