

CLIENT UPDATE SEPTEMBER 2013

Changes to online tax returns

The IRD have made changes to the way you file your GST returns.

In September last year the IRD introduced the eGST filing service. Now the decision has been made to remove the ability for the public to access the standard online form, meaning customers will need to change their filing methods and register to file their returns through MyIR.

The IRD will have sent a letter to all clients in July notifying them of the change. In addition to this a new GST email service has been established to alert customers registered with MyIR that their GST return is available, three days before it's due.

For more information on the changes to online GST returns, visit www.ird.govt.nz or ring Kathryn at our office.

Changes to parental leave and the minimum wage.

On 1 July 2013, the rate for Parental Leave and Employment Protection increased. The change has been made in line with the alteration to the average weekly wage. The maximum amount available to eligible employees and the self-employed increased from \$475.16 to \$488.17 gross a week.

The minimum parental leave payment for self-employed persons increased from \$135 to \$137.50 gross a week.

Each rate is calculated based on the employee's average weekly earnings and those eligible for the scheme are entitled to 14 weeks paid parental leave.

Tax rules on lease inducement payments and surrender payments now law.

A recent change in legislation introduced new rules on the tax treatment of lease inducement payments and surrender payments. From 1 April 2013, such payments are deductible for the payer and

taxable for the recipient and are subject to spreading rules.

If you are negotiating or renewing commercial leases, we recommend talking to us to ensure any tax considerations are correctly taken into account.

Pay ACC in instalments.

ACC now allow 3 options for payment of ACC levies. Pay in one lump sum by due date. Alternatively pay over 7-10 months. This method incurs a 5.4% administration charge.

A recent 4-6 month payment option with no administration charge has also been introduced.

Instalment options are available for monthly or fortnightly repayments, provided the total ACC invoice exceeds \$575 (\$500 plus GST).

Encouraging employers to employ youth.

The government has introduced a new initiative aimed at encouraging employers to recruit young New Zealanders, especially those who have been on a benefit. It allows the lower minimum wage rate – 80% of the adult minimum – to apply to a wider range of people. The new scheme came into effect on 1 May 2013.

The 'starting-out' minimum wage can be paid to certain categories of youth aged 16-19 years. Currently, the categories are:

- 16 and 17 year olds in their first 6 months of paid employment with their current employer
- 18 and 19 year olds who have received a benefit for 6 months or more and have not completed 6 months' work with any employer since starting on that benefit

- 16 – 19 year olds involved in a recognised industry training course of at least 40 credits per year

The starting-out wage replaces the new entrant minimum wage and the trainee minimum wage for under 20s. (There is still a trainee rate for those who are 20 years or older).

Scheme swapping across the ditch.

The Australian government recently announced that they have made changes to legislation that will allow New Zealanders to transfer their retirement savings from KiwiSaver into a compatible Australian scheme and vice versa.

This legislation is the result of an arrangement between the New Zealand and Australian Governments and removes an obstacle between the two countries, providing the ability for people to take advantage of employment opportunities in either country, while still continuing to contribute to a retirement scheme.

Australia's ruling is that it is compulsory for employees to be involved in a superannuation scheme. This means that previously, any Kiwis working in Australia who were contributing during the time of their employment had to leave that money in Australia when and if they returned to New Zealand.

The Australian Tax Office recently estimated that it is holding NZ\$21 billion in lost accounts, which has been put down to contributing Kiwis who have returned home and had to leave their contributions behind as a result. The new scheme will mean that this money can be transferred from the Australian scheme, to their scheme provider here in New Zealand.

The transferring of funds will not incur any entry of exit taxes, but the downside is that Kiwis will not be able to use their Australian superannuation fund towards a new home. However, any interest earned on the account maybe used to do so. The Australian scheme will have to

comply with KiwiSaver in order for the transfer to be made as not all schemes are compatible.

If you have contributed to an Australian superannuation scheme in Australia and want access to your funds, visit www.kiwisaver.govt.nz.

Turning client contact into great client testimonials.

Whenever you're in contact with a client or customer, take the opportunity to ask them about their buying experience.

Most customers are happy to give feedback and appreciate that you care for their opinion. You'll get valuable insight and a potentially glowing testimonial for your website or marketing material.

Testimonials build trust with future clients, sidestepping the need for 'hard selling'. As text is written from a customer's perspective, it's considered to be much more reliable than standard marketing.

Engage your customers. Any point of contact is an opportunity to upsell, again further trust or a testimonial, even if it stems from a complaint.

Don't be shy. When you get positive feedback, ask to use it for your marketing.

Ask the right questions. Be specific, how have you helped them? Focus on benefits.

Make your testimonials credible. Where possible, use names, client location and if applicable, photos. The more information you provide, the more credible you become.

Get permission first! Don't use a testimonial unless you have asked the client. Think about sending a gift and be sure to thank them for their feedback. They're endorsing your brand, after all.

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Recognising burnout – before you get burnt.

Burnout is a contributing factor in the downfall of many SMEs. What once made you joyously jump out of bed can leave you hitting the snooze button on the alarm clock, post-work related nightmare.

There are reasons for burning out:

- **Burning the candle at both ends.** Driven workaholics often find their ambition pushes them over the edge.
- **You're tired and bored.** You've been a mouse on the same wheel for too long, and productivity is probably slipping along with your enthusiasm.
- **You're under-stimulated.** Your current role offers few challenges and little recognition of your skills. You feel unmotivated, on a one-way trip to nowhere.

Minimising human capital risk when buying a business.

Buying a business in NZ? Chances are you'll be buying a Small to Medium Enterprise – a business with between 3 and 50 employees and a turnover of \$250,000 to \$10,000,000.

One of the most substantial risks facing SMEs is the loss of key people. A profitable, solvent business can quickly begin sinking if key human assets jump ship. Minimise your human capital risk at the outset by undertaking and implementing prudent risk management processes.

Things to consider:

1. **Shareholder purchase and sell agreements.** If you are buying a business with other investors make sure you seek legal advice on your shareholders agreements for the buy and sell of shares following major events such as death or serious incapacity.

2. **Key person risk.** As a new owner, you may not be the 'key person' on day one. Establish who has the expertise or business knowledge that is vital to your business' success as a part of due diligence. Who does the business rely on? What is the current process for managing human capital risk?
3. **Business debt.** Bank funding for the purchase of a business might require you to personally guarantee, offering your personal assets as security against a loan. You may also need to guarantee leases and supply agreements. Carefully consider what you are agreeing to.
4. **Insurance factors.** Unfortunately, you can't buy insurance to protect against failure from bad decisions or poor management but you can protect against serious events affecting key people that could cause the business to fail and you to default on your debt.

When purchasing a business, it pays to engage a human capital risk specialist and implement a robust key person analysis process. This will enable you to understand how and why a business is vulnerable and the potential financial risks of not acting in advance, while enabling you to minimise risks and make informed decisions going forward. Check out www.triplejump.co.nz – a reputable specialist risk management company.