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Newsletter Team

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Community Trust of Otago

by Brian Dodds

The Community Trust of Otago (CTO) recently announced that Bill Thomson has been appointed as its new Chairman, replacing John Farry. This is a great honour for Bill and is acknowledgement of the leadership skills and sound judgement that he brings to the CTO.

The CTO administers a fund of \$190 million and last year made grants totalling \$7 million to a wide range of community groups throughout Otago.

Bill was appointed to the CTO Board in 2002 and has found the role extremely rewarding, having the opportunity to observe the good work carried out by a wide range of community groups.

We wish Bill and the CTO all the best as they face the challenges of the future.



Community Service Recognition

by Susie Johnstone

Brian Dodds was recently recognised by the Clutha District Council for his service to our community. Brian's professional expertise, wise counsel and leadership have touched a broad spectrum of groups and organisations over many years.

Most notable of these is Brian's long and continuing involvement and leadership of Clutha Health First. Brian joined the Health steering group in 1991 and became the Chairman of the evolved organisation, Clutha Health First, in 1997. He has also served as Chairman of Clutha Health Incorporated and South Otago High School Board of Trustees.

Deputy Mayor Hamish Anderson spoke highly of Brian at the recent Trustpower Community Awards.

Disclaimer

While we believe the information in this newsletter is accurate, it most of necessity be of a general nature. We recommend that you obtain specific advice on matters of concern to you, and that you do not rely solely on this newsletter.

2007 Otago Sharemilker of the Year

by Jim Johnstone

Mark Watt and Kylie May were the winners of this year's Otago Sharemilker of the Year, and they also won a special merit award for farm safety.



A field day was held on the property on 18 April, where the farming operation was showcased to the general public. The location of the different blocks of land makes the management of this property particularly challenging.

There were many outstanding features of their farm production system which made them worthy winners of this prestigious award.

Congratulations Mark and Kylie.

Rural Production Management Course

by Jim Johnstone

Brian, Gaye and Jim attended a two and a half day course at the end of June on Rural Production Management. The course was held at Lincoln University and was delivered by a range of highly qualified presenters from Abacus Bio of Dunedin.

The purpose of the course was to assist rural accountants to better understand the various farm production systems that operate in New Zealand. It covered sheep, beef, deer and dairy enterprises with a visit to the high profile Lincoln University dairy unit included in the programme. The course focussed on the day to day management decisions that our farming clients are making, and the issues and challenges that they face in optimising production and on-farm profitability.



The inaugural course was an education initiative of the Primary Sector Committee of the New Zealand Institute of Chartered Accountants. Although numbers for the course were limited to just 30 participants, the course was full within a fortnight of being advertised so it looks likely to be an annual event.

Taxing Matters

by Gaye Cowie

Change in Provisional Tax Payment Dates

Next year sees a big change in the way you will pay provisional tax. From the start of the next income year, provisional tax will be paid at the same time as GST, as part of the GST return. This is from 1 April 2008 for a March balance date or 1 July 2008 for a June balance date.

When will you pay provisional tax?

- ➔ Monthly GST with the 4th, 8th and 12th GST returns
- ➔ Two monthly GST with the 2nd, 4th and 6th GST returns
- ➔ Six-monthly GST twice a year with each GST return
- ➔ Not GST registered will pay on the 28th of the 5th, 9th and 13th month after balance date
- ➔ Terminal tax dates are unchanged (7th April for our clients).

We will provide further information and reminders regarding the new dates later this year.

Personal Tax Summaries (PTS)

The IRD is currently sending PTSs to taxpayers who are required to file one. This includes people who received Working for Families Tax Credits or have a student loan and are entitled to a interest write-off.

Some people may wish to request a PTS as they may be entitled to a refund due to one of the following circumstances:

- ➔ Had more than one employer during the year or have had income fluctuations during the year
- ➔ Didn't work a full tax year but lived in New Zealand for the whole year
- ➔ Are entitled to claim the child rebate
- ➔ Are entitled to claim the income under \$9,880 rebate
- ➔ Received income under \$38,000 and received dividends
- ➔ Can claim expenses e.g. fees for completing their return or income protection insurance

If you are wondering whether you should request a PTS, please give Karen Baughan of this office a call.

FBT & UOMI Rates

The prescribed FBT interest rate increased to 9.79% from 1 July 2007.

Use of money rates from 8 March 2007 are 14.24% for underpayments and 6.66% for overpayments.

Certificate of Exemptions from Withholding Tax

Those clients who are required to hold a certificate of exemption (e.g. agricultural and shearing contractors) will note that the new style certificate is a credit card size with the exemption period ranging up to five years, which saves you from having to apply each year.

When making payments to people who hold a certificate of exemption (e.g. agricultural and shearing contractors not operating as companies), you should ask to see the certificate of exemption or else deduct withholding tax. **The liability to deduct lies with the person making the payment.**

A recent case has arisen where the farmer did not deduct withholding tax from a contractor, and an IRD audit picked this up. The farmer was required to pay the missed withholding tax plus penalties and interest. After a period of time the contractor was able to obtain a refund from the IRD and settle with the farmer but this serves as a warning for us all.

Family Assistance no longer

Family Assistance has been renamed as Working for Families Tax Credits. There are four parts to it:

- Family tax credit - main payment for parents of children under 18 years of age, based on age and number of children
- In-work tax credit - payment for families where one or both parents work a minimum number of hours per week (30 hours per couple, 20 hours for sole parent)
- Minimum family tax credit - a top-up payment (to \$22,119) for lower income families to ensure a minimum annual income, not available to self employed parents.
- Parental Tax Credit - up to \$1,200 on the birth of a baby (not available if paid parental leave is received).

All parts of Working for Family Tax Credits are calculated based on annual parental income, adjusted for child support/maintenance paid or received.

We will calculate your entitlement as part of the preparation of your financial statements.

"Computers in the future may weigh no more than 1.5 tons." - Popular Mechanics, forecasting the relentless march of science, 1949



KiwiSaver Facts

by Rachel Lee

What is it?

KiwiSaver is the new voluntary retirement scheme which began on 1 July 2007. It is open to all New Zealand residents and people entitled to be here indefinitely aged up to 65, the age of eligibility for NZ Super.

What does it mean for the self-employed?

You can join KiwiSaver by contacting a provider directly (there is a list of providers on www.kiwisaver.govt.nz) and the provider will assist you in determining the amount to save. The agreement with your provider will most likely set a minimum annual sum and the payment periods will be monthly or quarterly.

KiwiSaver benefits (such as the \$1,000 kick-start from the government, annual member tax credit of up to \$1,024.86, \$40 annual fee subsidy) are available to self-employed members of the scheme.

What does it mean for employers?

From 1 July 2007, if you employ new people who are 18 years or over and who are subject to automatic enrolment, you must give them a KiwiSaver pack, and send their details to the IRD.

There are some exceptions to automatic enrolment. An employee won't be automatically enrolled if they:

- are a casual agricultural worker, election day worker or private domestic worker or are employed on a temporary employment basis of 28 days or less
- receive payments subject to withholding tax or are not required to have tax deductions made from their salary or wages under the PAYE rules
- are not a New Zealand resident

New employees will have eight weeks to decide if KiwiSaver is right for them. If they decide to opt out, they will need to fill in the opt out form in the information pack (KS3) you give them. Alternatively, they will be able to opt out online on the KiwiSaver website.

You will need to start KiwiSaver deductions from a new employee's first pay onward. If they later decide to opt out you will need to pass the form on to the IRD. If an employee opts out within eight weeks you may refund any contributions you still hold. If you have already passed the contributions on to the IRD they will refund them directly to the employee's bank account. If you have made any employer contributions, the IRD will refund these to you.

All existing employees can join KiwiSaver by contacting a KiwiSaver scheme provider directly (there is a list of providers on www.kiwisaver.govt.nz). The employee will then need to ask you to start deductions from the first pay after they join KiwiSaver.

The IRD will hold contributions deducted in the first three months while a new member is deciding which scheme to join. The contributions are then paid, with interest, into their KiwiSaver account with their scheme provider.

The biggest differences you're likely to notice at a day-to-day level are that you will need to:

- provide information to new staff and pass their details on to the IRD
- pass any enrolment requests from existing staff who want to join KiwiSaver to the IRD
- deduct KiwiSaver contributions along with PAYE.

Employers can choose to help employees save through lump sum payments or by providing part or all of an employee's regular contribution, which can count towards the employee's minimum contribution of 4%. Employer contributions to an employee's savings are exempt from specified superannuation contribution withholding tax (SSCWT) up to a cap of 4% of the employee's before-tax pay. The 2008 budget included plans for employer contributions to be compulsory from 1 April 2008.

If you already offer a registered superannuation scheme to your employees you can convert your scheme to KiwiSaver or add a KiwiSaver section or you can apply for a KiwiSaver exemption.

What does it mean for employees?

You will receive information about KiwiSaver from your employer, and your KiwiSaver contributions will

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come straight out of your pay.

The default rate for contributions will be 4% of your before-tax salary or wages (that means total salary, including bonuses, commission, extra salary and overtime). Or, you can choose to save 8%. You can also switch between savings rates, or make one-off lump sum payments any time.

KiwiSaver members can choose their own savings scheme to suit them. There is a range of scheme providers and several investment types, from conservative risk to growth. Members can change schemes but can only belong to one scheme at any time. There are six default providers for people who join KiwiSaver without notifying their preferred savings scheme. They are ASB, AMP, ING, Mercer, AXA and Tower. Other available providers are listed on www.kiwisaver.govt.nz.

If you join Kiwisaver, there are membership benefits to encourage you to get saving, including a \$1,000 tax-free kick-start and subsidised scheme fees, and some tax credits. Some people may also be eligible for help with the deposit on their first home, and some scheme providers may offer a mortgage diversion option where up to half of your regular contribution goes towards your mortgage.

Generally, KiwiSaver members can't access their savings until they're 65 or have been with KiwiSaver for five years - whichever is later. An early withdrawal may be allowed to help with the purchase of a first home, or in cases of significant financial hardship or serious illness (however you won't get to keep the government's \$1,000). Members can also withdraw their funds after 12 months if they move permanently overseas, and in this case you can keep the government kick-start contribution of \$1,000.

When their savings mature, KiwiSaver members can withdraw them in a lump sum. Alternatively, some KiwiSaver schemes may offer the option of regular pension payments. If a KiwiSaver member dies before they are 65 their savings will be paid to their estate.

People who have been saving with KiwiSaver for 12 months can apply for a temporary break from saving, called a contributions holiday, of between three months and five years. Contributions holidays are flexible and you can re-start deductions at any time before the holiday period expires by advising your employer.

There are some helpful websites - see www.kiwisaver.govt.nz or for information on the cost of retirement, see www.sorted.org.nz

KiwiSaver Seminar

by Brian Dodds

On 8 May we hosted a seminar to help clients to be more aware of how the KiwiSaver scheme will operate and what their role will be in this. It was a successful event with 130 people attending.

The presenters were Christine Ringdahl and Peter Harland from Willis NZ, with Jeff Seymour finishing with some examples of the potential benefits from long term savings.

The afternoon concluded with a social hour.

If you would like a copy of the slides and handouts please contact us.



Maree Milligan and Gaye Cowie welcoming seminar attendees

GST News Flash

by Gaye Cowie

GST Filing Date Changes

Just a reminder that GST returns are generally now due on the 28th of the month.

The two exceptions are the return to 31 March (due 7 May) and the return to 30 November (due 15 January). When the 28th falls on a weekend or public holiday, the due date is extended to the next working day.

Photocopy of GST Returns

The Inland Revenue have changed the format of the pre-printed GST returns to a one page form. We strongly recommend that you make a photocopy of the original before you send it to the IRD. Then, if there are errors in processing, you will have a copy of the return to check.

Put in the Zeros

The IRD is using an imaging machine to "read" GST returns, therefore it is important that cents are added to all figures (e.g. 1263.00 not 1263) and that 0.00 is entered into boxes with nil amounts.

Alignment of GST taxable periods to Balance Dates

The Inland Revenue is in the process of changing taxpayers' GST periods to line up with their balance dates. If a change is required, the IRD will contact you during this income year.

Charities

by the Editor

This is a reminder that if your organisation needs to register with the Charities Commission, it is time to get onto it. The registration period closes on 1 July 2008. Anecdotal evidence is that registration can take 6 to 8 weeks, and it could be longer if you leave it until near the closing date as the Commission may have a backlog.

If you need to know more about registration, or need assistance, see www.charities.govt.nz or contact Karen Morgan of this office.

Vertical Streaming

By Mike Seddon



"So which is the one that Picasso is supposed to have lived in?"

Budget News

by Gaye Cowie

The Good News

- The \$1,890 rebate threshold on donations made by individuals will be removed from 1 April 2008
- The charitable donations deduction available to companies will be extended to include unlisted companies with five or fewer shareholders
- A deduction will be available for Research and Development (R & D) from the 2008/09 income year. To qualify for a 15% rebate, taxpayers must make payments to listed research providers or incur 'eligible' R & D expenditure of at least \$20,000 annually
- The company tax rate will reduce to 30% from the start of the 2008/09 tax year.

And the Bad News

- The reduction in the company tax rate means that the 'tax shortfall' will increase to nine cents in the dollar when paying dividends to individuals on the highest tax rate of 39%. Dr Cullen announced at the same time that companies could still attach a 33% imputation credit to dividends until 1 April 2010. This means that company directors may wish to pay dividends to take advantage of this prior to 2010. We will be discussing this with those clients that this applies to.

Wages Paid to Children

by Jim Johnstone

From 1 April 2006 the child rebate increased to \$351. The new rate of rebate means a child can earn up to \$2,340 per annum without paying any tax.

The rebate does not apply to "resident withholding income" (interest or dividends) but is available to a child who derives income from wages, rents, businesses etc.

When paying wages to children, employers are entitled to ignore PAYE deductions subject to certain conditions, that is, the amount paid must not exceed \$45 per weekly payment, \$90 for fortnightly payments or \$195 monthly.

The effect of this rule is that periodic lump sum payments in excess of any of the above levels do not qualify for the "exemption" from the requirement to deduct PAYE, even though the total annual payments to a child may be less than \$2,340.



Enduring Power of Attorney

by Craig Myles, Myles Wealth Management

Most of us go through our lives making independent decisions about where we live, what we spend and what we save.

But what happens when we are not able to make those decisions? What happens to our lives and property then? Who will pay our bills and arrange long term care?

Unfortunately serious illness often turns up uninvited and unannounced. As uncomfortable as preparing for the worst can be, the consequences of not taking time to make important decisions while we can makes the situation distressing for loved ones should it occur.

➤ For Property

The appointment of a person (or jointly to two people) or a professional trustee company to act on your behalf in regards to your property. This can include writing cheques, maintaining your investments, even selling your house, depending on the power given or excluded in the document. You can decide how much control the individual or organisation has over your assets and when it comes into effect. For example, if you feel worried about family heirlooms being sold make sure the relevant restrictions are included in the document.

➤ For Personal Care and Welfare

The appointment of an individual to make decisions on your behalf in regards to your personal care and welfare (e.g. choosing a rest home and medical decisions). You need to appoint someone you trust implicitly, such as a close relative. Organisations cannot be selected.

Both of these powers can be given to the same person if desired. However, you need to grant each power specifically and separately.

Why Bother Having An EPA?

Many people think their partner will be able to step in automatically. But that isn't the case. Even if you've been married 50 years, your spouse will not be able to deal with any accounts, policies or possessions if they are in your own name. They would need to go to court to be given that power. This could take months and cost a lot.

Who Should Have An EPA?

Any adult should consider appointing an EPA. If this is not in place and something happens, the court will appoint one for you. This can be a stressful experience for your loved ones and may not be who you would choose yourself.

Choosing An Attorney

You can choose anyone you like as your attorney although they must be 20 years or over when taking on the role, a New Zealand resident and not bankrupt. As long as you are capable, you can change the EPA at any time. Remember that creating an EPA gives considerable power over your property, affairs and welfare and this needs to be handled by someone you trust.

How Do You Set Up An EPA?

Before you create an EPA, it is wise to get legal advice. After all, the attorney you appoint and the powers they have could have enormous influence on the rest of your life.

Going through this simple process now can make a huge difference to your welfare and peace of mind further down the track. An EPA should be considered an essential document for life. We strongly recommend that you hold one. Should you have any further questions regarding setting up an EPA or protecting your financial or personal future, please contact your solicitor.



The Grapevine

Welcome to three new members of the Shand Thomson team.

Debbie Ferguson lives in Kaitangata with Glen & children Jade, Shannon and Chanelle, and is studying part-time at Otago Polytechnic. Li Chen is a qualified chartered accountant from China. She has been living and studying in Dunedin since 2002. Damien Rillstone is originally from Wellington and now lives in Benhar with his wife, Tamzen and baby daughter Isabella. Debbie, Li and Damien are all involved with annual accounts and GST return preparation.

We have recently farewelled Liz Maloney and Maria Korevaar, and in June Kathryn Bain left us to embark on her "Big OE", first stop London to stay with another old staff member - Deryk Cleland!

Welcome to Nicole, a new arrival in April for Megan & Alistair Carey. April also saw the arrival of Cayden, a son for Tanya McVicker & Blair Turner. A very recent arrival is Bree, a daughter for Bronwyn & Ken Campbell. Congratulations to all the new parents!



Associate Chartered Accountants

by Susie Johnstone

Congratulations to Tracey Murray and Hannah Lawrence who were recently admitted to the New Zealand Institute of Chartered Accountants (NZICA) as Associate Chartered Accountants (ACA).

ACA membership requirements are rigorous and Tracey and Hannah had to hold specified tertiary qualifications, demonstrate a depth and breadth of professional experience and competence and also be validated for integrity and ethical behaviour.

Tracey has a Bachelor of Business degree from the Open Polytechnic of New Zealand and Hannah has a New Zealand Diploma of Business which was cross-credited from her British qualification. Both ladies have many years experience in public practice.

Tracey has worked at Shand Thomson since 1998 and Hannah joined us in 2005. Tracey is Accounting Manager for Jim and Susie, after many years of working with Brian. Hannah is currently on parental leave, as her daughter Heather was born in February 2007.

Both Tracey and Hannah have worked very hard to attain the status and we are very proud of their achievements. Well done!

Honour Roll

Brian Dodds

Brian was honoured recently with a Trustpower Community award. This was recognition for his efforts in the community and more particularly the health sector.



Bill Thomson

Bill has taken on a challenging new role as Chairperson of the Community Trust of Otago, after five years as a Trustee.



Tracey Murray & Hannah Lawrence

Tracey and Hannah's academic qualifications, together with their practical experience have been rewarded with membership of the ACA (Associate Chartered Accountant) College of the New Zealand Institute of Chartered Accountants. This represents a great deal of work by both women, and we congratulate them on their achievements.



Lauren Anderson

Lauren recently celebrated five years with Shand Thomson. Lauren is a graduate from Lincoln University. She is currently studying part-time at Otago University, and works mostly in our Dunedin office.



Vicki Philip

Vicki recently took part in a four day Aspiring Leaders' Forum which included a session at Parliament, held in Wellington in July. She commented that it was a fabulous opportunity and she is now keen to get more involved in the community.



Kristy Hare, Michelle Kelly, Megan Carey, Tracey Murray, & Vicki Philip

The above are members of the Project Clutha team which organised the 07 River Festival in February. The team won the supreme Trustpower Community Award for the region recently, and will take part in the final in Wanaka next March.

