

Newsletter

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DB CHARTERED
ACCOUNTANTS LTD

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In this newsletter we have reminders about donation rebates and provisional tax dates. We include details of our new website and cover the advantages of cashflow forecasting. Personal budgeting is also covered along with examples of how we have helped our clients save money. Not forgetting a book review, latest Use of Money Interest and mileage rates and even a joke or two.

CHARITABLE DONATIONS

Individuals can now claim 33% of the donation amount as a donation rebate. Previously the rebate was limited to \$630. Companies are able to claim a deduction for any donations made. In both cases the deduction is limited to the amount of taxable income of the individual/company.

Remember to provide us with your donation receipts so we can ensure this rebate is claimed.



TAX PAYMENTS

To help you plan your Cashflow for the next 12 months, here are the tax payment dates for the 2010 income tax year.

	31 March Balance Date	31 May Balance Date	30 June Balance Date
1 st Instalment	28 Aug 2009	28 Oct 2009	28 Nov 2009
2 nd Instalment	15 Jan 2010	28 Feb 2010	28 Mar 2010
3 rd Instalment	7 May 2010	28 June 2010	28 July 2010
2009 Terminal Tax	7 April 2010	7 April 2010	7 April 2010

"The secret of getting ahead is getting started."

Joke #1

"Japanese banks have been hit almost as hard as our banks: the Origami Bank has folded, and we hear the Sumo Bank has gone belly-up too. Bonsai Bank plans to cut some of its branches. Karaoke Bank is for sale and is going for a song. Meanwhile, staff at Karate Bank have got the chop, and analysts report there is something fishy going on at Sushi Bank, where workers fear they may be getting a raw deal."

FROM OUR FILES ...

1. **GST** – A client recently purchased a property that was subject to GST. GST on the sale was correctly paid to the IRD. On confirming the purchase details as part of compiling the annual financial statements we discovered an error in the settlement statement calculation. Our client had not received the correct amount for the sale.
Result: We advised our client's solicitor who arranged payment of the \$15,000 shortfall from the purchaser.
Lesson: For any property settlement statement, check the details to make sure it is correct.
2. **Change of Shareholding** – A client was selling his shares in a company to another shareholder. Because we were advised of this transaction well before transfer date, we were able to ensure a dividend was paid out from the company prior to a shareholding change. If this had not been done, tax credits for previous tax paid (Imputation Credits) would have been lost with full tax payable on retained profits on the wind-up of the company.
Result: New shareholder saved a possible \$25,000 in taxation that would have been imposed when he went to wind the company up (and he wasn't even our client!!).
Lesson: Check with us well before attending to any shareholder changes as this could impact on imputation credits and the ability to carry forward tax losses.

PERSONAL CASHFLOW

While this article may not relate to some of you, remember that as well as monitoring your business cashflow, you also need to monitor your personal cashflow.

In order to meet your financial goals, it is important to assess what monthly cash you have available after paying all expenses.

On a month to month basis your net income needs to be higher than your net expenses if you are wanting to improve your financial position.

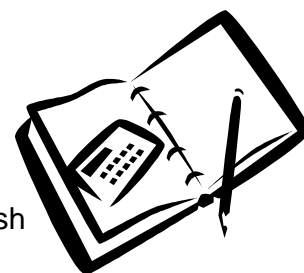
To assist you to work out your monthly position we have a template on our website. Go to www.dbchartered.co.nz/forms.php The "Personal Budget" lists out a number of the main living expenses you are likely to have as well as your sources of income. You can complete this for a 12 month period to see how your funds stack up.

As an alternative, try the "Sorted" website. Go to www.sorted.org.nz/calculators/budget. This is a more interactive model that confirms your financial progress. You can save this for future reference or updating.

At the end of this exercise you will see where your income goes and the money you have available each month to set aside for investments, retirement, savings or other purposes.

Another useful tool included in our website "Common Forms" page is a Personal Statement of Net Worth. This lets you assess your financial position at one point in time. In 12 months you are aiming to improve on where you are today.

If your finances are ok maybe you can recommend these tools to someone who doesn't seem to know where their money goes.



WEBSITE – dbchartered.co.nz

We are pleased to announce our new website is now up and running.

Prior newsletters are available on our website and if you want to refer to previous newsletters these all appear in the “Newsletter” tab of the website, along with a brief description of their contents.



So if you can't remember the difference between provisional tax and terminal tax, want to confirm how ACC CoverPlus Extra works or check what happens to depreciation when an investment property is sold, you can go to www.dbchartered.co.nz/newsletters.php.

“Common Forms” appear on a separate tab and include common IRD forms and other information that you may need from time to time.

We appreciate the number of testimonials from our current clients on our website. If you would like to add a testimonial to our website please e-mail us at office@dbchartered.co.nz.

If you would like other information to be included on our website, e-mail us at office@dbchartered.co.nz

NEW CLIENTS – From time to time a client of ours will retire, move away or move on. This creates a vacancy for a potential new client.

We often receive inquiries from existing clients about referring a new client to us and we welcome these. If you know someone who is thinking of going into business, is unhappy with the service from their accountant or needs sound financial advice, we are happy to meet with them for a free initial (no obligation) interview to discuss their situation and see if we can assist them.

PLANNING FOR CASH FLOW

Often businesses overlook the need to plan ahead to determine their expected cashflow and position for the months ahead.

A cashflow forecast lets a business owner know the timing of income and expenses throughout the year and assess in which months funds will be leaner (or short!). By identifying where cash trouble spots are likely to be, the business owner can possibly arrange short-term finance (or reduce other drawings) so the business funds are not overstretched. This can be an issue when a business has good income and cashflow, for example, in the April to December period, but then has tax to pay in January, April and May. By forecasting ahead the business owner can plan what funds they will need and when. If you want to put a cashflow forecast together for your business contact us to see how we can assist.

Joke #2

Letter from a customer to the bank: “Dear Sir, in view of the current developments in the banking industry, if one of my cheques is returned marked “insufficient funds”, does that refer to me or to you?”

You can now receive our quarterly newsletter via e-mail. To do this go to dbchartered.co.nz, and select ‘Subscribe to Newsletter’ on the left hand panel.

BOOK REVIEW

“INVESTING FOR TWENTY GOOD SUMMERS” – Martin Hawes (2009)

In this book Martin looks at what someone needs to do when they finally retire. What should they invest their money in to make sure they have enough money to do the things they want over the next 20 summers?



It identifies that the investment strategy for someone who is retired is completely different to someone who is still building a retirement fund. The main themes that Martin covers includes types of investments (including cash, bonds, shares and property) and how the allocation of your investment portfolio between these groups is a main contributor to the likely returns you will achieve. The book touches on things to consider regarding your income requirements in retirement and the benefit of dollar cost averaging. It reminds new investors that it is not necessarily a good idea to put all your funds into a newly arranged portfolio all on day one. Investing over a period will ensure you buy into different investments at different prices to make the most of dollar cost averaging.

MILEAGE RATE INCREASE

The IRD have updated the mileage rate that can be used for work related mileage to **70 cents per kilometre from the 2008-2009 financial year**. The rate used to be 62 cents for the first 3000km and 19 cents thereafter.



There is no threshold for reimbursing employees and shareholder-employees who receive regular wage payments. However, self-employed people and shareholder-employees who do not receive a PAYE salary are limited to a maximum of 5,000 km per annum. Otherwise they must claim expenses based on actual costs.

Self-employed taxpayers have the options of keeping actual records or keeping a log book if their business related travel is over 5,000 km per annum.

Employers can reimburse employees for their actual expenditure if they do not wish to pay mileage.

USE OF MONEY INTEREST

The Use of Money Interest rate on underpaid tax has been reduced from 9.73% to 8.91% from 28 June 2009. The Use of Money Interest rate on overpaid tax decreases to 1.82%. This will affect Companies, Trusts and individual tax payers who have estimated their tax or have untaxed income greater than \$110,000.

DB CHARTERED ACCOUNTANTS ...

Assisting business owners and individuals in their business and personal affairs by providing quality accounting, taxation and planning services.

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GIVE US YOUR FEEDBACK

Remember to let us know what topics you would like covered in the future, and if you need to discuss anything mentioned in the newsletter, give us a call.

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