

# Newsletter

March/April 2010

DB CHARTERED  
ACCOUNTANTS LTD

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## **EASTER BREAK**

*Our offices will be closed over the Easter Break, INCLUDING Tuesday 6<sup>th</sup> April 2010.*

*“Only the mediocre are always at their best.”*

*In this newsletter we have a reminder on the latest tax rates, how to make sure your PIE investments are taxed correctly and some reminders for employers. For those of you with foreign investments, there is an update on page 2 and for those planning ahead for the 2011 financial year some useful ideas on page 3. The back page has a reminder on getting your year end information together.*

## **TAX RATES**

A reminder that the tax rates in place as at 1 April 2010 are:

<b>Personal</b>	
\$0 - \$14,000	12.5%
\$14,001 - \$48,000	21%
\$48,001 - \$70,000	33%
\$70,001 and over	38%
<b>Companies</b>	30%
<b>Trusts</b>	33%

*(Note that the budget is due 20 May 2010 and may result in changes to the GST rate and income tax rates.)*

## **Changes to Personal Investor Rates – (PIR)**

### **Make sure you do not pay too much tax on your PIE Investments**

For those with PIE investments (see our June 2008 newsletter), from 1 April 2010 there are new rates to be used. Your PIE supplier should request that you confirm your correct PIR rate which, will be

12.5%, 21% or 30% for individual tax payers

0% for Companies

0%, 21% or 30% for Trusts

As the PIE income is received tax paid, you need to ensure your investment product uses the correct PIR so you do not overpay tax, which is non-refundable on a PIE investment.

## **PREVIOUS NEWSLETTERS ...**

*For back issues of our free newsletter go to our website*

[www.dbchartered.co.nz](http://www.dbchartered.co.nz) and click on “Newsletters”.

## **FOREIGN INVESTMENTS**

If you hold **overseas shares**, (excluding Australian listed shares), that **cost more than \$50,000** in your personal name, or **any overseas shares** (excluding ASX listed) **in a Trust or Company**, the taxable income to record in the taxation return from these investments is not actually the dividend income received. The taxable income from the shares is based on the market value of these shares, using the Fair Dividend Rate (FDR) method or Comparative Value (CV) method. While this can be complex, we have tried to explain by way of an example below.



Shares held UK Investments Limited

- Share value 31/3/09 NZ\$65,100

- Share value 31/3/10 NZ\$70,300

- Dividends paid NZ\$1,560

\$3,255 taxable income

\$6,760 taxable income

**FDR method** (5% return on Opening Market Value)

**CV method** (based on closing value and dividends

Less opening value)

An individual or a Trust has the option to use the FDR or CV method.

The rules have been in place for three years now but in the past two years a number of taxpayers have not had tax to pay as the Comparative Value (CV) method has resulted in no taxable income on these overseas shares. However, if the share values have improved over the past 12 months, many taxpayers may find that they will have taxable income on investments higher than the actual dividends they receive.

**WARNING:** If this may affect you, we recommend you closely read your financial advisers summary reports in relation to overseas investments to see how you could be impacted tax-wise. For clients, you may like to discuss with us the impact these rules may have.

## **EMPLOYERS**



### 1. **Changes to PAYE rates from 1 April 2010.**

A reminder that PAYE rates will change slightly from 1 April 2010 as a result of changes to the ACC earner levy.

You should ensure your payroll software is up to date and you are using the correct rates.

2. **If you file your monthly PAYE schedule on-line and pay PAYE online**, you will no longer receive the printed schedule or remittance advice from the IRD. You will need to diarise to complete and pay this from now on as the IRD will not be sending reminders and there are penalties for filing late and paying late.

## **BANKLINK UPDATE**

The latest version of Banklink is now available.

You will be asked to update this when you next receive your data file.

### **Joke #1**

Reaching the end of a job interview, the human resources person asked a young engineer fresh out of university "And what starting salary were you looking for?"

The engineer said, "In the neighbourhood of \$250,000 a year, depending on the benefits package."

The interviewer said, "Well, what would you say to a five week holiday, full medical and dental, company matching your retirement fund to 50% of your salary, and a company car leased every two years.

The young engineer sat up straight and said, "Wow! Are you kidding?"

The interviewer replied, "Yeah, but you started it."

## BUSINESS PLANNING

When assisting business owners with their business planning, among other things, we will often go through a SWOT analysis with them. This is an analysis of the business **Strengths, Weaknesses, Opportunities and Threats**. This is summarised below.

<p><b><u>STRENGTHS</u></b> This lists the internal areas of the business that it does well in. This may include good systems, products, client base, staffing, teamwork, profitability, location, relationships, management.</p>	<p><b><u>WEAKNESSES</u></b> This lists the internal areas of the business that could be improved on, similar to the categories as noted under strengths.</p>
<p><b><u>OPPORTUNITIES</u></b> This lists opportunities outside of the firm that could be pursued. This may include industry, market, client or product, opportunities as well as technological advances or changes to Government policy or the economic environment.</p>	<p><b><u>THREATS</u></b> This includes external threats to the business, whether it is competitors, competing products, changes in client base, changes in demand for products or services or other items as listed under opportunities.</p>

Taking the time out to analyse your business in this way can clarify in your mind what areas of the business you need to improve on (and what areas to keep on doing well!) and decide where the business should be heading. By noting this down you can put written plans in place for the upcoming financial year. This model can be used for any type of organization or even at an individual level. If you need assistance with your planning we are only a phone call or e-mail away.

### Joke #2

Jennifer's wedding day was fast approaching. Nothing could dampen her excitement – not even her parent's nasty divorce.

Her mother had found the PERFECT dress to wear and would be the best-dressed mother-of-the-bride ever!

A week later, Jennifer was horrified to learn that her father's new young wife had bought the exact same dress as her mother! Jennifer asked her father's new young wife to exchange it, but she refused.

"Absolutely not, I look like a million bucks in this dress and I'm Wearing It," she replied.

Jennifer told her mother who graciously said, "Never mind sweetheart. I'll get another dress. After all, it's your special day."

A few days later, they went shopping and did find another gorgeous dress. When they stopped for lunch, Jennifer asked the mother, "Aren't you going to return the other dress? You really don't have another occasion where you could wear it."

Her mother just smiled and replied, "Of course I do, dear. I'm wearing it to the rehearsal dinner the night before the wedding."

## BOOK REVIEWS

### “CHANGING GEARS – How to take your kiwi business from the kitchen table to the board room” – Irving, Kolb, Shepherd, Woods (2009)

This book acknowledges that while corporate CEO's may study at university, the majority of small to medium sized business owners have no formal qualifications and their experience and skills are learnt “on the streets”. In addition, while corporate CEO's may have a board of directors, the owner-manager usually does not have a formal executive team to refer to. The book identifies and provides ideas for various stages of a business, makes the business owner understand where the business makes money and looks at the leadership and management skills that an owner-manager needs to have to efficiently run a business. It covers why and how a balanced lifestyle should be maintained and how to grow the business when you are ready.



## END OF FINANCIAL YEAR REMINDER

We will soon be sending out our Annual Questionnaire/Checklist. In the meantime, for those of you with a March balance date, below is a reminder of some of the things you need to attend to at this time:

1. **Reconcile Bank Account** – whether you use a computerised or manual cash book system, make sure the cash book reconciles to the bank statement as at 31 March 2010.
2. **Accounts Receivable** – ensure your accounts receivable list is accurate as at 31 March 2010. If you have any bad debts, ensure these are written off prior to 31 March.
3. **Accounts Payable** – collate a list of all unpaid invoices dated 31 March and prior. We are able to claim these as expenses in the 2010 income year even though they are not paid until April.
4. **Stock on Hand & Work in Progress** - Complete a stock-take and record stock and/or WIP as at 31 March 2010. If your stock as at 31 March 2010 is \$10,000 or less you do not need to calculate a stock value – we can use last years figure.
5. **Computer Reports** - If you are using an accounting package, print out copies of the general ledger transaction report, trial balance, accounts receivable & accounts payable and bank reconciliation as at 31 March 2010 – and don't forget to do a backup, especially before rolling into a new year.
6. **Other Information to Compile**
  - Bank interest certificates
  - Dividend notices
  - Details of any other income received that has not been banked to your business account
  - Income Protection Insurance details
  - Donation Receipts for your rebate claim
  - Provide any information relevant to child support and family assistance claims

## STAFF UPDATE

Lorraine Terpend has recently left our firm to take up another position, after being with us for eight years. We wish her well as she continues her accounting career.

## DB CHARTERED ACCOUNTANTS ...

*Assisting business owners and individuals in their business and personal goals 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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