

Newsletter

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ACCOUNTANTS LTD

Contents:

- If It Sounds Too Good To Be True ...
- Property Investment Expense Deductions
- Secondhand Goods and GST
- Words of Wisdom #3
- Book Review
- Murphy, The Poor Sod
- Donation Rebates

Our newsletter this month covers off scams and what to watch out for, rental property expenses and claiming GST on second hand goods. Useful words of wisdom, a book review and a reminder on donation rebate requirements is also included.

IF IT SOUNDS TOO GOOD TO BE TRUE ...

It seemed simple enough; a retired gentleman requested an appointment to discuss budgeting.

But as his story unfolded our alarm bells rang. He had 'met' a young lady from Perth on the internet and she had a business proposition for him. She needed funds to export containers of clothing from Australia **TO** Malaysia. She told him that customs duty was required to be paid before the goods could be imported and she needed funds for this.



He transferred his entire savings to this 'lady'. She contacted him again as 'unfortunately the rules had changed again in Malaysia and the percentage was now higher' – more funds are needed.

He had given her everything he could, had no further money and was now struggling to meet day to day living costs. Despite being told that this is a scam, he has yet to accept that he will never see his savings again.

Scammers these days are not as obvious as the Nigerian Prince who has been trying for many years to get his elusive inheritance. Scams are constantly evolving and becoming more advanced.

We often hear these real-life stories and might think this could not happen to us, we would never fall for such an obvious scam. The reality is that these scammers can be incredibly well practised and very convincing. They can glean information about you from the internet and appear to know you or be familiar. They can pretend to be a real person you know well. Facebook pages, bank websites, personal profiles can all be cloned. The change can be unrecognisable. Hackers can observe emails and texts undetected until an opportunity arises. They place ads in local papers and websites with offers of jobs and business opportunities that may seem initially to be valid. They use names and logos of well known, reputable brands to make ads and correspondence look legitimate.

(Continued Page 3)

“You can't hire someone else to do your push-ups for you.”

PROPERTY INVESTMENT EXPENSE DEDUCTIONS

To ensure that your rental income is not overstated, remember that the following expenses can be deducted from your rental income:

- Rates and insurance
- Interest paid on money borrowed to finance the rental property (but not the loan principal repayments)
- Management fees and commission relating to the rental of the property
- Power between tenancies
- Repairs and maintenance (except if they substantially improve the property)
- Motor vehicle and travel expenses relating to the rental property
- Legal fees for buying and selling a rental property or arranging finance to buy the property (subject to total legal costs for the year being no more than \$10,000)
- Mortgage repayment insurance in some circumstances (but not life insurance on a loan)
- Accountancy costs for the preparation of the financial statements
- Depreciation on chattels but not on the building



These expenses are deductible while the property is earning rental income. If the property is not tenanted but is actively being advertised as available for rent, the expenses are also deductible. The test here is the word “actively”. The IRD test is if the property is either rented or available to be rented.

There is a grey area between the time a rental property is vacated and the date of sale. Technically any expenses incurred would be related to the sale of the property and therefore, capital expenditure. Timing is everything in this situation.

These rules do not apply to mixed use assets (e.g. holiday homes). There are a substantially different set of rules in this situation.

SECONDHAND GOODS AND GST

We are sometimes asked if GST can be claimed when purchasing goods from a non-GST registered person (e.g. on TradeMe), as no GST tax invoice will be issued.

For GST purposes, secondhand goods are defined as goods previously used and paid for by someone else.

If the purchaser is GST-registered they can claim a credit for GST. To do this the purchaser must record:

- The name and address of the supplier
- The date of purchase
- A description of the goods
- The quantity involved
- The price paid

Note that the following are exempted from the secondhand goods rules and, therefore, you are unable to claim the GST: New goods, Primary produce, Livestock, Goods supplied under a lease or rental agreement and fine metals. There are also certain rules for land.

It does not matter which accounting basis you use for GST, you must make the payment before you can claim an input credit for the purchase of secondhand goods.

WORDS OF WISDOM #3

A long established client shares their views:

- Be firm in decision but considerate in execution - the other guy has feelings too.
- There is no profit in conflict - stay out of the courts !
- Always leave something on the table for the other guy - a one sided deal is never a successful one.
- Listen to your intuition, but qualify it before you act.
- Walk your talk - make sure your actions reflect your values.
- Beware of the recommendation “This guy’s really bright, his people skills could be better but man is he clever” - avoid him like the plague!

Additionally:

A “Worthwhile Company” is one that is worthwhile because;

- It conducts its business with integrity
- It honours its suppliers by paying its bills on time, every time
- It treats its employees with dignity and respect
- It honours its commitments to its customers
- It invests in its community
- It is sustainable



JOKE #1

“Marriage is like a deck of cards. In the beginning all you need is two hearts and a diamond but by the end you wish you had a club and a spade.”

IF IT SOUNDS TOO GOOD TO BE TRUE ... (Continued ...)

You may receive an intimidating call from IRD or a cordial call from the bank wanting personal information. They send invoices to small businesses that on brief inspection may appear valid – it could even be for a real ad you have placed! If you receive a letter to update a suppliers bank account details – it could be a scam.

Today, using the internet, email and phones for our business is a familiar, often daily occurrence so it can be easy to become complacent with something we feel comfortable with. It is a good reminder to be vigilant, not only for ourselves but also older parents, friends or relatives who are the most vulnerable group and most often targeted by these scams.

Avoid being an easy target:

The moment someone asks for money to be sent via a transfer or Western Union your alarm bells should be soundly ringing

Do not reply to suspect emails as this only confirms that your email address is active

Unless an email is from a trusted source do not open attachments or click on links

Do not send money or give personal information to anyone you do not know

To look up information on known scams or report a scam go to:

<http://www.consumeraffairs.govt.nz/scams>

<http://www.dia.govt.nz/Services-Anti-Spam-Reported-Scams>



BOOK REVIEW

“Screw Business As Usual” – Richard Branson (2011)

Richard is the founder of various Virgin Group Businesses, including music, media, airlines and also a Charitable Foundation called Virgin Unite. In this book Richard explains that we can't leave saving the world to the government and politicians and that it is now the responsibility of business to do what they can to assist in the community, both locally and globally. The book provides examples of how this is done around the world from businesses partnering with charities or people in need to make a difference to tackle specific problems in a community or country. Also covered is the contribution that business can make to improving lifestyles (especially in third world countries) and by taking an active interest in improving their carbon footprint. All food for thought.



MURPHY, THE POOR SOD

“Anything that can go wrong will go wrong”, and even before Murphy's Law there was Sod's Law, which states 'any bad thing that can happen to some poor sod, will'. More recent additions to Murphy's Law include...

- The other queue always moves faster
- The repairman will never have seen a model quite like yours before
- In order to get a loan you must first prove you don't need it
- The light at the end of the tunnel is the headlamp of an oncoming train
- By making something absolutely clear, somebody will get confused
- If everything seems to be going well, you have obviously overlooked something

We know that sometimes things can run very smoothly and then at other times Murphy will come along to test us. If you ever need to discuss an issue, problem or options going forward we are only a phone call away. Often a problem shared is a problem halved.

DONATION REBATES

If an individual is making a donation to a charitable organisation they are able to claim a donation rebate of 33.3% of the donation. In order to meet IRD requirements the donation receipt must contain:



- the name of the donor(s) – i.e your name
- the amount and date of the donation
- a clear statement that it is a donation
- the signature of an authorised person, and
- an official stamp with the name of the approved donee organisation.

For school donations it is only the donation (or school fee) component that is able to be claimed as a donation rebate – not the activity fee or resource fees.

For overseas donations the IRD has a set list of approved organisations who are considered to have charitable status.

MINIMUM WAGE UPDATE

Currently the adult minimum wage is \$14.25 an hour or \$570 for a 40 hour week. The weekly calculation is changing to a fortnightly calculation (to be \$1,140 for an 80 hour fortnight). This covers the situation where a shift worker might work 30 hours one week and 50 hours the next and confirms the intention of the rules.

JOKE #2

“A recent study has found that women who carry a little extra weight live longer than the men who mention it.”

If you would like to discuss anything mentioned in our newsletter, or you have a suitable joke you would like to contribute, please contact us at:

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