

# Newsletter

Dec 2005 - Feb 2006

# FISHER

CHARTERED ACCOUNTANTS

# HEASLIP LTD

SYSTEMS & SOLUTIONS FOR SUCCESS



Merry Christmas and  
Happy New Year from  
everyone at Fisher Heaslip.

## Office Closure over the Christmas/New Year period

We will be closed from 12pm on 22 Dec 2005 to 8am 9 January 2006.

### 2005 Budget signalled tax changes

HERE are some highlights from the 2005 Budget. Parliament drops all Bills when there is a general election. However, we expect most of these changes will be implemented by the new administration.

#### FBT - on motor vehicles - a fairer deal

From 1 April 2006 the value of the benefit of having a company car is to be reduced from 24 percent of the GST inclusive cost to 20 percent. People have been complaining for many years about having to pay FBT on the original cost of a car, which may have been written down to next to nothing. The proposal will remedy this. It will allow you to calculate the benefit of the car at 36 percent of its reducing book value plus GST. You will pay more FBT to start but as the value of the vehicle reduces you will pay less. The minimum value of fringe benefit, under this scheme, is \$8333.

This method will be available for vehicles purchased after 1 April 2006 or that have been subject to FBT for more than 5 years on that date.

#### You can be more generous to your staff

Currently if you provide "other" fringe benefits (gold watches, etc) to your staff, you do not pay Fringe Benefit Tax, so long as the cost for each employee is not more than \$75 in any one quarter and the cost for all staff per quarter does not exceed \$450. This is to be changed. The \$75 will become \$200 and the \$450 per quarter will become \$15,000 per year. There will not be a total quarterly figure as such.

You may register for FBT on an annual basis if your annual PAYE deductions do not exceed \$100,000. This permits you to put in only one FBT return per year. If you do this, the new rules propose that you can provide annual benefits for any individual of up to \$800. The \$200 quarterly limit does not apply. The maximum of \$15,000 per annum for all employees will apply.

#### You can also be more generous to children

The child's tax exemption is to be lifted to \$2340 per year. The rebate does not apply to interest and dividend income, but it does apply to rent.

#### Pay income tax and GST at the same time

If you are registered for GST you will be able to pay your income tax with your GST. Your net profit is roughly proportional to your sales. Therefore, provided you are paying your GST at least every two months, you will be allowed to pay your provisional income tax at the same time. It has one mighty plus. If you pay your income tax this way, Use of Money Interest will not be charged. The scheme has an upper limit. When your annual income tax exceeds \$150,000 you will be back into the interest regime.

It all sounds magnificent. Regrettably, it will not apply to many businesses. Those who distribute all company income to shareholders will have no company income and therefore pay no provisional tax with their GST.

#### Government subsidy for preparing wages

If your payroll is prepared by a selected PAYE intermediary, the Government is expected to subsidise up to five employees. At this stage it is unclear as to who will be a "selected PAYE intermediary", we will advise you when we receive more information.

#### Depreciation - meagre relief

The \$200 threshold for capitalising assets is to be lifted to \$500 (it is \$1000 in Australia). This will be effective for assets purchased after 19 May 2005 provided they relate to the 2005/06 tax year. When the legislation is passed.

Some increases to depreciation rates for short life assets, such as computers, are in the pipeline.

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## Plan, Plan, Plan to Stay in Business

Running a small business can be time consuming. You've got enough to do to fill orders, buy stock, invoice customers and so on without all those other jobs like management, planning, marketing and finance.

Most small business owners just want to get on with the job!

But wait. This is why you are in business - to run a business. This, in fact, must be your first priority if you want your business to survive and move forward. Neglecting these important activities can do more to erode the business' base than anything else.

You need to find the time to devote to planning and steering the business rather than being the all-rounder who does everything.

You need to allocate quality time on a daily basis for:

- Planning where the business is going
- Developing customer relations
- Team training and development
- Reviewing actual results
- Planning effective delegation.

Research in Australia found that more than 50% of new businesses fail within the first year and after three years over 80% had failed. The results - which would be similar for new business start-ups in New Zealand - found that 80% of these failures were the result of managerial incompetence and inexperience.

If you made a business plan before you started your business - congratulations! But that is not the end of it. Planning does not stop once the business is up and running. You need to keep at it. You need to look ahead one year, maybe three. You need to constantly know where you are heading and where your goals are.

Think of it as a step-by-step process in which you need to focus on the actual steps. The critical part of any planning is in the planning, not the finished plan.

The step-by-step process also makes the business planning exercise much less daunting. People get put off the idea of business planning because it sounds difficult. Don't think the task is insurmountable. It is simply a method of analysing your business using simple concepts that you may already be using without realising.

There are many useful books on this subject, which provide easy-to-follow steps. We can also help you get started and answer any questions you may have. The important thing is to start now if you haven't already.

## Keeping Watch on Financial Affairs

There are numerous reasons for businesses incurring financial difficulties. Directors need to be aware of these so they can ensure appropriate action is taken to prevent the company trading whilst insolvent.

Reasons may include:

- Low operating profits or losses being incurred
- Problems with paying creditors in accordance with the negotiated payment terms
- Problems with meeting loan repayments to banks, financial institutions and other lenders
- Problems with paying income tax instalments
- Suppliers refusing to give the company credit
- Legal action being instigated against the company by any supplier for the non-payment of goods or services
- High debtors' amounts owing above the amount for which the company has budgeted
- High stock or work in progress investments above the amount for which the company has budgeted
- Excessive investment in capital expenditure, especially if it was not budgeted for
- Departure from the budget or cash flow forecast prepared for the business.

## Tax Dates

### January 15

GST November 2005

2005 Terminal Tax  
(December balance date)

2nd instalment of provisional tax  
(May balance date)

### March 7 2006

3rd instalment of Provisional Tax  
(March balance date)

## Office News

One of our Account Technicians David Mundy got married on 26 November, we would like to wish David and Sarah all the best for their new life together.

## Office Sports

Various members of our team regularly take part in triathlons, multisports and general sports events. Following are just a few events completed in the last couple of months:

### Motu Challenge - Opotiki ([www.motuchallenge.co.nz](http://www.motuchallenge.co.nz))

A gruelling 172km Motu Challenge. Completed by a three person team:

STAGE ONE: Mountain Bike – 65km

STAGE TWO: Run – 17km

STAGE THREE: Cycle – 52km

Stage 2 & 3 completed by same person.

STAGE FOUR: Multisport – 38km  
(27km Kayak, 8km Cycle and 3km Run to the finish.)

Fisher Heaslip Machines completed the event in 9hrs 7mins and 18 seconds.

### SUB Ride - Karapiro ([www.sarahulmerbrand.com](http://www.sarahulmerbrand.com))

Two of our female colleagues took part in the SUB ride on the 13 November.

### K2 Road Cycle Race - Coromandel ([www.k2cycle.co.nz](http://www.k2cycle.co.nz))

Two team members took part in this demanding cycle race starting this year in Whitanga and cycling anti-clockwise to finish back in Whitanga a total of 196km. Unfortunately one person had to pull out after 110km with a bad back injury but is determined to go back complete the event next year!

If you have any questions or comments, please don't hesitate to get in touch with us at any time, call 827 6006 or email us at: [admin@fisherheaslip.co.nz](mailto:admin@fisherheaslip.co.nz) or visit our website: [www.fisherheaslip.co.nz](http://www.fisherheaslip.co.nz). We'd love to hear from you!

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