

Newsletter

March - May 2007

FISHER

CHARTERED ACCOUNTANTS

HEASLIP LTD

SYSTEMS & SOLUTIONS FOR SUCCESS

Best wishes for 2007, we trust it will be a very successful and prosperous year for you. Remember we are here not only to do your regular compliance work, but also to assist you in achieving your business goals.

Amendment to GST filing and payment due dates

For all GST periods ending on or after 31 March 2007, the return filing and payment due dates are:

- For GST periods ending 31 March returns and payments are due by 7th May
- For GST periods ending 30 November returns and payments are due by 15th January
- For all other months the returns and payments are due 28th of the following month

Aligning GST and provisional tax

FROM 1 April 2007, GST return dates will be progressively aligned with business balance dates as the year proceeds. People who complete returns to 28 February and have a 31 March income tax balance date will have to do a one-month return some time during the year. This is in preparation for changing the dates for provisional tax payments starting 1 April 2008 so businesses can pay income tax and GST at the same time. Some small businesses will be able to avoid paying Use of Money Interest.

Your financial year end is coming

CHECK the following:

Accounts Receivable

Every year we have clients who do not understand they must pay tax on all their earnings, including money not yet received. April invoices for March work are part of March year-end income.

Bad Debts

Write off bad debts before your balance date. This does not stop you from continuing to try and get payment. For a debt to be bad, you must show you have taken every reasonable step to get paid.

Use of Money Interest

If you expect your business income, after deducting expenses, will exceed \$112,000, you might have to pay Use of Money Interest (UOMI). Ring us now if you have not previously been affected by UOMI.

Stock and Work in Progress

You must count and value your trading stock at balance date, unless it will be worth less than \$5000. Keep your stock sheets to show Inland Revenue you are asked for them. Dispose of dead stock now as it must be valued at its cost, unless you can prove it has a lower market price. A guess is not acceptable. You have to find evidence to support the price. This can be difficult.

Work in progress must be valued unless your business is only providing services which cannot yet be billed.

Bonuses

If you want to pay staff bonuses relating to the 2007 year, they must be paid within 63 days of the business's tax balance date to be claimable for that year.

Company dividends

If you plan to pay a company dividend, you might be able to get a tax refund for a person whose income is less than \$38,000, if the dividend is declared by 31 March. If a family trust owns shares, you might be able to allocate the dividend to a low-income member of the family. The law is complicated, so check with us.

Contents

Amendment to GST filing and payment due dates

Aligning GST and provisional tax

Your financial year end is coming

Tax Tips & Traps - FBT and cars

Family trusts at risk of being challenged - expert

Tax Dates

Do you own overseas shares?

More holidays

Office News



Tax Tips & Traps

FBT and Cars

IF your company owns a car costing more than \$15,000 and it is available for your private use, base Fringe Benefits Tax on the original cost, not Tax Book Value. After five years you may change to Tax Book Value. It pays to do this. If you keep cars a long time, make a diary note to remind you to switch. If you have already been paying FBT on your car for five years, you can switch now.

Tax Book Value is the value of the vehicle as shown in your financial statements. If it appears

as a GST exclusive amount, you will have to add 1/8th (to allow for GST) for the FBT calculation. There is a minimum figure of \$8333 including GST.

Repairs after bad tenants

If you rent out a property and have to make repairs, do so before the rental ceases. Remember this when changing from rental to private use. If you want a tax deduction, it is no use doing the repairs after the tenant has gone, unless you are going to continue to let the property.

Family trusts at risk of being challenged - expert

The majority of family trusts in New Zealand may be at risk of being successfully challenged according to a trust expert.

Integrity Trust chief executive Mark Maxwell said they encountered problems with the management of 75 per cent of trusts reviewed and 22 per cent of trusts they saw were at serious risk of a successful challenge.

"People will challenge trusts when relationships end or a business fails in order to access the assets held in the trust", said Maxwell.

"What a lot of people will try to prove is that in fact no trust exists - that I've carried on using those assets as though they were my own," he said.

Maxwell said if trustees don't carry out the duties of a trustee, such as holding meetings and involving trustees in decision making, it makes it easier to prove no trust exists and assets are considered part of the personal property.

Maxwell said a major problem within the trust industry is people are being sold trusts but aren't being educated about their role.

Trustees need to be sitting down together at least once a year to consider and record their decisions, he said.

"People are going to their lawyer or trustee company, signing the trust deed and because they've got that collection of 30 pieces of paper they believe they're protected because that is what they think the trust is," he said.

"But the trust is more your actions and the actions of trustees afterwards. It's an ongoing commitment for the life of the trust."

Maxwell said family trusts have become an increasingly popular option for asset protection among elderly people, business owners and single people entering de facto relationships.

He estimates between 250,000 and 300,000 family trusts operate in New Zealand.

Top Five Trust Issues:

- Not all trustees are involved in decision making.
- Formal trustee meetings are not being held.
- Trustee decisions are not recorded in writing.
- Gifting is not being completed either on time or at all.
- Widespread intermingling of trust and personal and/or company finances.

Tax Dates

April 7

1st Instalment 2008
Provisional Tax
(December balance date)

Terminal Tax 2007
(March to June balance dates)

May 7

3rd instalment of provisional tax
(May Balance Dates)

June 7

3rd instalment of provisional tax
(June Balance Dates)

Do you own overseas shares?

NEW tax laws apply from 1 April 2007 to people owning less than 10 per cent of the share capital of overseas companies. If you have a portfolio of overseas shares which cost you more than \$50,000, the change will affect you. The same applies to a very limited number of family trusts, but for companies there is no relief for a low-cost portfolio. Few clients are expected to be affected and the new rules are complex, so we do not intend to explain the details here.

Please ask us if you think you might be affected?

More holidays

DO you know how the new four-weeks holiday is calculated?

Find out the date each of your employees started working for you. They are entitled to the extra week from the anniversary of commencement with you. Instead of calculating holiday pay at 6 per cent, use 8 per cent from that date.

Office News

Some changes have happened within the office since our last newsletter. Anna Shuker has joined us to replace Jenni as our new friendly receptionist. Jenni has not left and is still here after accepting the role of Tax Administrator.

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 or visit our website: www.fisherheaslip.co.nz. We'd love to hear from you!

If you have received the hard copy of this newsletter and wish to receive as electronic format please let us know.

PS. If there are other people you know who would like to subscribe to this newsletter, they can sign up by emailing us at: admin@fisherheaslip.co.nz

Tasman Broker Group Ltd

For a comprehensive analysis of all your mortgage, risk management and investment needs call one of our professional advisers now.

John Brouggy 07 839 1689

Duncan Otto 07 850 6199

- Mortgage Finance & Insurance
- Life & Trauma Insurance
- Medical Insurance
- Income Protection
- Partnership & Key Person Insurance
- Rental Property Investment
- Retirement Planning
- Lump Sum Investment
- Children's Savings Plans
- Business Succession Planning

Call us before you need us!

Fax: 07 858 2653

318 Grey Street, Hamilton East • PO Box 9312, Hamilton

Members of Professional Investment Services Ltd

Need a...

Telephone System?

Security Alarm?

Rural Security System?

Data Cabling Network?

Then Call AXIScomm Today

AXIScomm

Chris Lorigan - Managing Director

11 Somerset Street

P: (07) 846 0150

F: (07) 846 0151

E: office@axiscomm.co.nz

W: www.axiscomm.co.nz



Innovative Communication Solutions

Peter's Upholstery Limited



For all your furniture Upholstery needs
Free Quotes • Pick-up & Delivery

**Call Peter Hoebergen
on 07 846 3508**

or email: peterhoebergen94@hotmail.com

4 Prospect Place, Western Heights, Hamilton

CAMBRIDGE Custom Cabinets & Joinery

Quality manufactures of all types of:

- Kitchens
- Vanities
- Pre-Hung Internal Doors
- External Timber Joinery
- Entrance Doors
- Stairs

Full Quotation & Design Service Available

Partners: Russell Thomas & Chris Warmerdam

Phone: 07 827 3081 • Fax: 07 827 3082

Cook Street, PO Box 447, Cambridge

A & F Productions
Digital Films
Wedding Videography

Digital videography is the NOW technology.

In the past stills photography has been the only choice to record your Special Day...

Now we can capture your wedding on HD widescreen 1080i & create a personalized DVD of your Special Day.

A DVD that will preserve the romance & excitement of your wedding day for a lifetime.

www.go4lifetoday.com

Adrian & Faith Young
 E-mail: A.F2@extra.co.nz • Phone: 07 823 5375



improve your business
 using the internet

web design > web solutions

- we create web sites from start to finish
- we can re-design an existing web site
- we can update an existing web site
- we can also do web design promotion

www.ebesign.co.nz

contact liam:
 (09) 940 8755 • info@ebesign.co.nz
 unit 5 / 11 hayden street, freeman's bay, auckland

MD Contracting

Mini Digger Hire

Cobblestones and Pavers

General Siteworks

Driveway & Lawn Preparation

Contact:

Michael Dolan
021 188 0238

Efficient Service

Free Quotes

Harcourts
 SINCE 1886

KEVIN DEANE REAL ESTATE (CAMBRIDGE) LTD MIR12 A MEMBER OF THE HARDCOURTS GROUP

*Friendly and local
 with proven results*



Philip Coles

Rural Marketing Consultant

Email: philip.coles@harcourts.co.nz • Mob: 021 432 767
 Direct Dial: 07 823 3859 • Home: 07 827 7331
 57 Duke Street, Cambridge