

# 07 Autumn NEWSLETTER

## New Financial Year

As the new financial year approaches we will be sending out annual questionnaires and folders to assist you in the collection of information that we need to prepare your financial statements. Completion of these questionnaires will ensure that we have all the necessary information and will help to complete your work efficiently. We are all looking forward to the new financial year with great anticipation, as I am sure you all are!!!



## GST DUE DATES AND CHANGES TO GST RETURNS

Just a reminder that GST return and payment due dates will be changing for taxable periods ending on or after 31st March 2007.

For most months GST return and payment due dates will fall on 28th (or the next business day) of the month following the end of the return period, except for the periods ending:

**30th November** – the due date remains **15th January**

**31st March** – the due date will be **7th May**

This is the first stage of aligning the due dates for GST and provisional tax payments.

It will be important to get your records to us as early as possible as we now have 3 days less each month to work with.

## New Tax Rules for Overseas Investments

From 1 April 2007 individual investors who have portfolio share investments in international equities that have a cost exceeding NZ\$50,000 will be subject to the foreign investment fund ("FIF") rules. Trust and companies cannot take advantage of this minimum threshold. Investments in listed Australian equities that meet certain criteria are excluded from rules.

Generally investors will adopt what is called the Fair Dividend Rate (FDR) method of calculating the new tax, whereby the investments are deemed to return 5% per annum on their opening value, including any dividends received. If the return is less than 5% another approach can be used for individuals and Trusts, which is called comparative value.

Where it is not possible to obtain market values for an investment, a cost based option is available. Under this method, tax is payable on 5% of the cost of an investment, with the cost base increasing by 5% every year.

There are specific transitional rules for investors to bring their investments into the new regime. Essentially, investments are deemed to be disposed of and reacquired at market value on 1 April 2007 for those taxpayers with a 31 March balance date.

Under the FDR, investors will need to be able to obtain portfolio valuations of their investments in New Zealand dollars on an annual basis. If the shares are exchange listed, this should be straight forward.

"Quick Sale" adjustments are required for investments that are purchased and sold in the same year, so that tax is paid on these.

A full commentary has been mailed to Bright Wild Thomas Financial Services clients who maintain diversified Portfolios with us. In general terms the new tax regime has been assessed as having a relatively immaterial impact to the overall return.

For clients who maintain their own investments, and would like to discuss their own particular situation with us, please contact a partner here. If you are considering any transactions for the sole purpose of minimising or negating FDR, we strongly recommend you contact us first.

## Property, Gst & Going Concerns

This is a very complex area of GST law and it is extremely important that all documentation is correctly in place. There have been a few incidences recently where the Inland Revenue Department have questioned whether property transactions can be zero-rated. If they are disallowed the vendor faces substantial penalties.



Briefly, the supply of a going concern is one where:

- There is a supply of a taxable activity or part of a taxable activity
- All goods and services necessary for the continued operation of the activity are supplied
- The vendor carries on the activity up to the time of the transfer
- Both parties must agree, in writing that the supply is a going concern – Clause 13 of a standard Sale and Purchase agreement
- Both the purchaser and the vendor must be registered at the time of the supply and warrant that they are – Clause 12 of the standard agreement
- Any tenancies must be listed in the agreement (otherwise how can the activity continue in the case of commercial rentals?)

In other words the property must be part of an existing taxable activity and the purchaser must be able to carry on the supply of, or part of, that taxable activity. It is a supply that would otherwise have GST on it but for the above conditions the IRD allow it to be zero-rated.

The sale and purchase agreement is an important document and you should have your lawyer and accountant review it prior to signing.

One area where mistakes are often made on the agreement is the PLUS GST (if any) or INCLUSIVE OF GST (if any) and IF NEITHER IS DELETED THE PURCHASE PRICE INCLUDES GST (if any). In the event of a going concern the vendor must ensure that the agreement is PLUS GST (if any). This way if the sale transpires not to be a going concern for any reason the vendor will not be out of pocket as the purchaser will have to pay the GST.

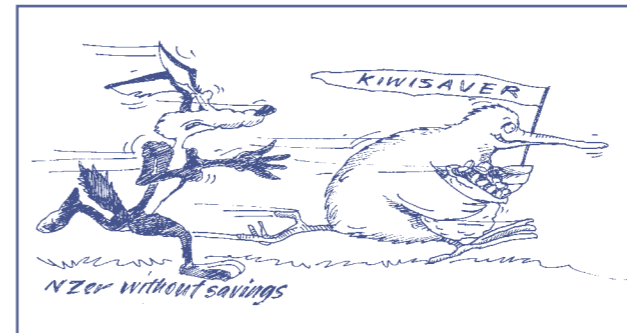
From the purchasers point of view they have warranted they are registered for GST. This means that the entity must be registered for GST at the time of entering into the agreement. This can cause problems particularly where a nominee company is elected after the fact (all agreements should be signed and/or nominee with the purchasers name). GST registration can be back-dated to a limited extent, however it cannot be in the case of a company that was not incorporated at the time. If you find yourself in this situation please contact us immediately.

Documentation is the key and the following are required:

- A zero-rated tax invoice which includes the purchasers name and address, the vendors name and GST number, a full description of the goods, the sale price indicating that it is zero-rated, the words 'tax invoice' and date
- Sale & Purchase agreement with the appropriate clauses (as above) stating PLUS GST (if any)
- Where a nominee has been elected a Deed of Nomination

It is always advisable to seek advice prior to entering into an agreement or if you are unsure of anything. Please contact us.

## KiwiSaver



Further to our main feature in our summer Newsletter, we are now in a position to offer all employers their own branded super scheme, no matter what their size.

With many employers in the process of, or about to undertake pay reviews with their staff, a KiwiSaver compliant scheme such as those we are able to offer, provide additional flexibility to remuneration packages for all staff who have PAYE deducted at source.

Please phone either David or Jessica at this office for more information about KiwiSaver, and/or a super scheme we can design for you.



## Staff News



**Kim Ogilvie**

We farewellled Kim after 11 years with Bright Wild & Thomas. Kim has left us to work for her partner and assist him with the managing of his business.



**Dulcine Perfect**

We welcome Dulcine who is to replace Kim. Dulcine has lived in Rotorua all of her life working for Fletcher Challenge Forests, a Graphics Company, and her last employment being at Supportive Employment Agency. Dulcine is married to Richard, and they have two daughters Erica and Logan. Dulcine's interests include a Junior Tennis Committee, Fishing and 4 Wheel Driving.



**Nicky Old**

Nicky commenced maternity leave on 7th March to prepare for the birth of her first child due 25th March. Nicky will be away from the office for at least 3 months.



**Sue Baty**

We are delighted that Sue has returned to work with us on a permanent part-time basis.

## MYOB Payroll 2007

Clients with MYOB Payroll support will receive their upgrade during March 2007.

**IF YOU PURCHASE MYOB PAYROLL BETWEEN 01 MARCH AND 30 APRIL 2007 MYOB ARE OFFERING \$100 CASH BACK!**

### WHAT'S NEW

#### KiwiSaver Ready

New KiwiSaver pay codes for easy deductions IRD Employer Monthly schedule and IR-File are KiwiSaver ready KiwiSaver payments will be included with direct credits of PAYE to the IRD from 1 July 2007. Ready to handle voluntary KiwiSaver payments and Employer contributions to KiwiSaver.

#### 4 Weeks Annual Leave

Employee's Holiday Pay and Annual Leave entitlements are automatically adjusted when the new financial year begins on 01 April 2007.

#### Update Tax Tables for the 2007/2008 Tax Year

Keep your payroll compliant with the latest tax changes. For 2007/2008 there have been changes to the ACC Earner Premium threshold and to Student Loan thresholds.

#### The Upgrade

The upgrade must be installed before you process your payroll end of year. If you haven't received the upgrade or have any concerns please contact Trudi at our office.



## When there is over a 100 years experience and expertise among you but your skills no longer fit the parent company's new focus, what do you do?

Well, management buy-out is the option taken by the principals (Alison Forster, Robyn Gaskin and Jerzy Zabkiewicz) at Plant Protection Chemistry NZ. Sounds simple? Well, not exactly as the negotiation process took nearly two years from suggestion to formal sign-off. Complicated at times by changes in corporate senior staff, the necessity to negotiate mutually acceptable operational relationships, and by both parties learning the ropes as they progressed. PPC<sub>NZ</sub> used the services of BWT as well as local legal firms to enhance their business plan and negotiation tactics. The result? Well, PPC<sub>NZ</sub> have moved seamlessly from a small cog in a large corporate (formerly the Forest Research Institute), to an independent owner-operated research company. The win-win situation has produced a symbiotic relationship between the two sides, and both gain financially and scientifically. PPC<sub>NZ</sub> remains on site, and are allowed access and use of system facilities such as the internal computing network, access to library and store facilities, support services and by leasing office and laboratory space they do not have to worry about land or property maintenance issues.

PPC<sub>NZ</sub> provide specialised R&D services related to the use, formulation and application of agrichemicals...pesticides to you and me. Sounds very non-PC but in reality it is a major contributor to the reduction in pesticide use in New Zealand for over two decades. Starting with forest weed problems in the 70s, its research identified much better additives for the new herbicides then being developed (like Roundup by Monsanto) that enabled them to act so well on NZ weeds, such that 2,4,5-T became history even in NZ. Since then they have continued to innovate and provide solutions (quite literally!) for the horticultural, crop, agriculture and related sectors. Their clients are national and international and they participate in government funded fundamental research that is world class.

As a business enterprise, it is completing its third financial year, has been profitable each year, and looks likely to be so for the forthcoming years. Although getting the right mix of staff is at times a challenge, it has a stable core group of eight, with extensive networking links to other specialist contractors. And it plans to be contributing to good science for many more years to come.

\* If you want to know more about Plant Protection Chemistry<sub>NZ</sub> why not have a look at their web site [www.ppcnz.co.nz](http://www.ppcnz.co.nz)