

Newsletter - March 2010



Often, as we get older, it is easy to stop doing the physical pursuits that we once enjoyed. Family and work commitments, enjoyment of life's luxuries (lots of calories from food and drink!), and for me, renovating a turn of the century villa, all conspired to make it harder to get out and participate in those activities. Six years ago I decided that I would run in the Tararua Race, a 35.4km cross country race that follows the Southern Crossing of the Tararuas from Kaitoke, north of Upper Hutt, climbing over Mt Hector 1529m (5016ft) before descending to Otaki Forks. I ran in the inaugural race 20 years ago, and despite a southerly front on the Friday before the race covering the tops in snow this year, managed my best time yet of just under six and a half hours. Of interest, two of the runners have run in every single race, surely a testament to their determination and enduring fitness, as this race is described as the hardest mountain run in New Zealand. You can find some interesting personal accounts of the race here: <http://www.tararua-race.org.nz/accounts.htm#a2>.

Make time for personal fitness. Whether it be running, walking, cycling or even a round of golf, the adage, "Use it or lose it" is very true. Fitness is easy when you are young - as you get older you have to work at it. But being fit gives you the chance to participate in many activities, not to mention giving you long term health benefits.

For users in the Manawatu area, Angela Yule will be attending to family issues in the UK this year, and as this will require several visits to the UK, she feels that she will not be available for support queries, and has asked that all users who would like Sage 50 support or assistance with year end procedures to contact me directly on (04) 477 4411 or email shane@beancounters.co.nz. We will be visiting the Palmerston North area several times over the next month running year ends for clients, so please let me know if you require assistance and we will schedule time during this period.

Sage 50 v15/2009 - Automatic Updates

The default setting for receiving updates for Sage 50 is to check for updates and notify the user if a new update is available. With the last update (released just prior to Christmas) we discovered a drawback with this method, primarily for network users. If one user on the network installs the upgrade, then all users must install the update. If it is a large update this can have a big impact on access to Sage if, for instance, the boss chooses to install the updates at 3.30pm, then all sales orders cannot be dispatched until the update is installed. It also means we receive lots of concerned calls querying whether the update should be installed.

To avoid this situation, we believe it is better to not use the recommended setting, but to use the manual updates option. We will then advise clients via our newsletter that updates are available, and the updates can be installed in a planned manner.

To change the setting (this must be done on ALL workstations running Sage on a network) go to the menu bar and select:

- Tools
- Internet Options
- Change setting to "Manual"
- (Let me check for updates when I want to)

Updates will now only be installed when you specify.

Company Vehicles - Private Use and FBT

Can you use your company vehicle for private running?

Yes, but you must pay Fringe Benefit Tax (FBT) regardless of how little you use the vehicle. You can restrict private use to certain days of the week and reduce FBT. Make sure that you do this in writing. Use the IRD suggested wording in their booklet on Fringe Benefit Tax. You, the employee, should sign agreeing to the arrangement.

Some people think that a van or other commercial vehicle can be used for private running if it has sign writing on it. This is wrong unless the use is incidental to travel on business. For example, you stop on route to buy groceries. Incidentally, this relaxation of the rules does not apply to cars. All vehicles with a GVM of more than 3500kg are exempt FBT.

An employer can require that a work-related vehicle be taken home by an employee, but this doesn't confer any right to use it for private running, apart from travelling home and back to work. Again, this does not apply to cars. If they go home, FBT applies.

If you own the business and want to restrict your private use, a directors' minute approving the arrangement should be created. If your spouse is also a director, he/she should sign the letter authoring partial use, rather than you authorising it for yourself.

Some year end considerations ...

Check with your accountant

You should check with your accountant to ensure that you supply them with information in the format that they require. The more compatible your accounts are with your accountant's systems, the more efficiently they will be able to work with them (and hopefully concentrate more on tax and business advice as opposed to book-keeping issues).

Early tax payment discount for new businesses

New businesses can claim a 6.7% discount for paying their tax early. The discount applies only to sole traders or partnerships. The discount will not be taxable income. The tax has to be paid by the last day of the taxpayer's financial year (for most firms this is 31 March).

The income must be predominantly from business and the maximum amount on which the interest is paid is 105% of the final tax (known as Residual Income Tax). You can get the discount only once, unless there has been a gap of four years after the last year for which an interest payment was received.

Use of Money Interest

You should have a fair idea of how your business has gone in the past year. If the answer is "up" and you could be liable for Use of Money Interest (UOMI), get some more money to IRD.

The threshold for individuals to become liable to pay UOMI, unless they have estimated their tax, is \$50,000. This occurs at just over \$159,000 of income, assuming they have no pre-taxed income.

The threshold for companies and trusts is still \$2500 of tax.

Businesses strapped for cash might prefer not to take this advice. The current UOMI rate is 8.91%. They might prefer to "borrow" from IRD right now and accept the interest. IRD now pays only 1.82% interest on overpaid tax, so significant over-payments are wasteful.

UOMI is tax deductible if it is incurred in the business. If it relates to shareholder salaries it is not tax deductible.

Bad debts

Write off bad debts before year end. Leave a trail to prove they were written off in time.

Company dividends

Tax credits attached to dividends fall from 33% to 30% from 1 April 2010. If you have company accumulated profits, it might be worth paying out dividends *before* 31 March 2010 to get the higher credits, particularly if most of the shares are owned by a family trust. If you have sizeable accumulated profits in your company, call your accountant if they have not discussed this with you.

Retentions

Do you have to wait for retentions to be paid to you? Any amount you have invoiced before 31 March but is not due for payment until after that date, can be held over, for income tax purposes, as income for the next year.

Stock

If your sales are less than \$1.3 million and your stock (inventory) holding at the end of the year cost you less than \$10,000, you do not need to count it. You can use the same stock value as last year.

You must keep records sufficient to show it was worth less than this amount. The best thing to do is to count the big items and note the rest are rats and mice. This shouldn't take much time. Keep a note of what you did.

In the future, have a sale and dispose of dead stock before the end of the financial year. If you don't, 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 to find.

Plant and equipment

Any item you, or any related person, no longer intend to use, can be written off if the cost of disposal will exceed any amount you might get from its sale. You cannot write down equipment by any more than its depreciation rate.

Proposal to allow Australian super fund transfers

If you have spent time working in Australia, the following could be of interest to you. A memorandum of understanding has been signed between the Australian and New Zealand governments. It allows for the transfer of certain Australian superannuation fund contributions back to New Zealand.

Previously, New Zealanders working in Australia and making compulsory contributions to a superannuation scheme could not get their money back. The proposal is for these super contributions to be paid into a Kiwisaver fund. The change is expected to be made by mid 2010.

Similarly, Kiwisaver funds will be transferable to Australia. If you migrate to Australia, you will no longer be able to withdraw your Kiwisaver funds in cash. However, you will keep the government's contribution. Previously it would have been lost.

Long term care hits 7% at 65

Seven per cent of those aged over 65 are in long-term residential care. Most would be over 75. The odds of being one of them get higher as you get older.

Long-term care is expensive. Your assets will be used to pay for that care unless you have them in a family trust. If you are interested in using family trusts, don't wait until it's too late. It's generally best to keep all your investments in your trust. Loss-making rental properties might be an exception. Over time some clients get slack about who owns what. Assets pile up in their own name when they should have been owned by the trust. Then one of the couple has to go into long-term care and there is a scramble to see how much money (if any) can be rescued.

If you have a family trust, be vigilant and make sure all significant investments are put into the trust as they arise. Currently, if one of a couple has to have long-term care, the other can keep the home they live in, the car they use and \$95,000. That's not a lot is it?

Suggestions

Please let me know if you would like a particular topic covered in our newsletter, or if you have any other suggestions that may make it better and more relevant for you.

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Best regards,
Shane Durrant

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April 7 2010

Terminal Tax for 2009
(March, April, May and June
Balance dates)

May 7 2010

3rd instalment 2010
provisional tax (March
balance date)
GST for March 2010

May 28 2010

1st instalment 2010
provisional tax (December
balance date)
GST for April 2010

Charge Out Rates

From 1 April 2010 our charge out rates will be as follows:

Sage 50 and PC support:

On-site, minimum of 1 hour
Telephone and remote
support, minimum 15 mins.
\$130 per hour plus GST

Corporate: Including Sage Line 100,
Flagship and Server Support
On-site, minimum of 1 hour
Telephone and remote
support, minimum 15 mins
\$150 per hour plus GST

Site Visit charge: \$25 plus GST