

# NEWSLETTER

Summer 2009

## REDUNDANCY TAX CREDITS

If you have been made redundant anytime after 1 December 2006 and received a redundancy payment you may be entitled to a tax credit of 6% up to a maximum of \$3,600 for each redundancy. Please contact us to file the necessary forms with the IRD.

## BARTER VALUE CAUTION

Some companies offer barter deals where you swap your goods or services for someone's else's. Some clients go into these schemes hoping it will boost their sales. If you are considering using a scheme like this it is worth considering

1. The credits you receive for your sale will need to be redeemed at member organisations and if your major suppliers are not members of the scheme the redemption is likely to be considered a personal drawing. This may have implication for your shareholders current account.
2. Make sure you are getting proper value when you redeem your credits and compare the deemed price to a cash sale at the organisation.
3. Check the charges or administration fees.
4. The statements need to be coded by us and brought into your accounts just like a normal bank account so there may also be additional accounting costs to process this system.

Be very wary, in a climate where cash is king having sales tied up in a barter system where you can only redeem the credits for personal items. This can have a major impact on your cashflow.

## AUSTRALIAN SUPER FUNDS

If you have spent some time working in Australia you may have contributed to a superannuation fund. New documents signed by NZ and Australia allow for certain Australian superannuation fund contributions to be transferred back to NZ and become a credit to your KiwiSaver fund. The change is expected to be implemented by mid 2010. Similarly, NZ KiwiSaver contributions will be transferrable to Australia. Please contact us should you wish to discuss this further.

## UK AND US SUPERANNUATION AND PENSION SCHEMES

There seems to be a number of organisations advertising their ability to transfer UK and US superannuation and pension schemes into NZ with no NZ tax consequences. Don't believe it. Only Australian funds are specifically exempt from the foreign investment regime and even then a transfer can have tax implications. There is a four year window for transferring funds so the timing of advice in this area is critical. Please contact us as soon as possible on entering NZ.

## FREQUENT FLYER MILES AND REWARD SCHEMES

Many small closely held companies use a credit card to pay major suppliers and gain the rewards points for the Directors. We confirm that Fringe Benefit tax is not payable on frequent flier and membership reward schemes where employees join the scheme for their own use.

## DISPUTES TRIBUNAL LIMITS INCREASED

The maximum claimable level has been raised from \$7,500 to \$15,000. This makes it significantly cheaper and easier to pursue a claim against a customer. The application fee ranges from \$30 to \$100. If you are successful and the customer still fails to pay then an enforcement order is sought from the Tribunal and exercised by either an Order of Examination or a Distress Warrant to seize assets.

## TUNA SANDWICH - The concept of 'enough'

What is enough for you?

Do you have to keep going for more? Are you having enough holidays and family time?

Have you worked out how much you need every month so you can live the life you would like?

Our brains are hardwired for more and more, never being satisfied.

Work out your 'tuna sandwich', and remove the pressure to always want more.

Ask us for help to budget and set a retirement plan.

For the full story behind the 'tuna sandwich' visit [www.psychotactics.com/podcasts](http://www.psychotactics.com/podcasts)

## DO YOU KNOW YOUR BREAK EVEN SALES TARGET?

At present most businesses are experiencing a drop in their sales figures. Some are at the stage of just 'surviving' this recession to ensure they are still around for the turnaround. Do you know the level your sales can drop to and just be covering your fixed costs? For this purpose the classification of your costs is important. You need to ensure variable costs are separated from fixed costs in your profit and loss report. This will ensure your gross profit percentage is accurate. Once you have this percentage you can then divide your fixed costs total by this gross profit percentage to give you the break even sales level. With all indicators this does rely on the information behind the calculation. Please contact us now to ensure you have the correct information available for your business to survive these testing times.

## OFFICE HOURS

Yes, we need a holiday too and we close on Wednesday 23 December and will reopen for business on Wednesday 13 January 2010. For any urgent inquires during this period contact mobile telephones are:

Ian Waters 021 2629308  
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# HSW

Partners:  
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## PLANNING FOR CHRISTMAS

### PAYING STAFF

For those of you who employ staff we have set down a quick reminder about Holiday Pay and Statutory Holidays.

The official Statutory Holidays are:

1. Christmas and Boxing Day, Friday 25 and Saturday 26th December. For those who would not normally work on Saturday, Boxing Day is recognised on Monday 28th.
2. New Year's Day and the day after, Friday 1st and Saturday 2nd January. For those who would not normally work on the Saturday, New Year's Day is recognised on Monday 4th.
3. Anniversary Day Auckland Monday 1st February 2010.
4. Waitangi Day Saturday 6th February 2010, no day in lieu if not normally working on a Saturday.

All current employees who go on leave are legally entitled to be paid in full for each of (1) and (2) above **prior** to going on leave.

If you ask them to work on any of these days then they will also be entitled to 1.5 times ordinary pay as well as a "Day in Lieu". This means that they can take any day as a holiday and be paid for it. **You cannot contract out of this requirement, even if you offer to pay double or triple pay for working on a Statutory Holiday.**

Part time employees that regularly work on the same days as Statutory Holidays are entitled to pay for those days in proportion to the number of hours they work on the public holiday itself x 1.5 ordinary pay, eg Joe works 5 hours each on Friday and Saturday every week. Therefore of the holiday period Joe is entitled to 5 hours pay at x 1.5 for Friday and Saturday as well as 10 hours deferred leave on a future working day.

Days in lieu that have not been taken within 12 months of the days being "earned" may be "cashed up" **if mutually acceptable** to the employer and employee.

### ANNUAL HOLIDAY PAY

Employees are entitled to a minimum of 4 weeks pay for every 12 months of service (8% of gross for the year or portion thereof). The pay rate to use for Holiday Pay shall be the **greater of:**

1. The average weekly gross earnings for that employee over the year (includes overtime), or
2. The latest ordinary weekly pay (excludes overtime).

Holiday Pay should be paid to the employee **before** they take leave.

### ENTERTAINMENT TAX

The entertainment tax provisions operate to only allow a 50% tax deduction for specified types of entertainment expenditure. The main category of expenditure relevant to Christmas entertainment is food and beverages. There are numerous exemptions from the entertainment tax provisions but these are **unlikely to apply to most cases of Christmas entertainment.**

One exemption that may be relevant is for entertainment that is subject to FBT. The FBT provisions will apply to any entertainment benefit that is consumed or enjoyed outside of the employment duties, and either:

- The employee can choose when to consume or enjoy the benefit; or
- The entertainment is consumed or enjoyed outside New Zealand.

**Staff Christmas Party** – the cost of the food and drink for a staff party, as well as incidental expenditure relating to such matters as waiting staff, hireage of crockery, glassware or utensils, travel and music or other entertainment, will be **50% non-deductible** for income tax purposes. This applies whether the party is held on the business premises or off-site.

**Christmas Lunch/Dinner for Colleagues** – the cost of taking colleagues out for an end-of-year lunch or dinner will generally be **50% non-deductible.**

**Gifts of Food & Wine to Staff** – the cost of gifting food & wine to staff to be enjoyed at their own discretion will be **fully deductible for tax purposes, provided FBT is payable on the gifts or the value is within the \$300 FBP exempt.**

In most cases, employees will be able to choose when to consume the food & wine, therefore the gifts will constitute fringe benefits. However, the \$300 per employee per quarter FBT exemption may apply. The exemption is non-cumulative and only applies where the total value of such benefits for all employees does not exceed \$22,500 per annum.

**Gifts of Food & Wine to Colleagues** – The cost of gifting food & wine to colleagues will generally be **50% non-deductible** for tax purposes.

**Other Gifts to Staff** – Generally, the cost of gifts (other than food & beverages) to staff will not fall within the entertainment tax provisions and will be fully deductible. However, in the majority of cases, the **gifts will constitute fringe benefits.** The \$300 per employee per quarter FBT exemption may apply.

**Other Gifts to Colleagues** – The cost of gifts (other than food & beverages) to colleagues will generally be **fully deductible** for tax purposes.

**Cash Bonuses for Staff** – Cash bonuses are taxable to the employees. The employer is required to deduct PAYE at the extra emolument rate.

### SECURITY ISSUES

For businesses that close other commonsense considerations over Christmas are:

- Ensuring that mail is collected and cheques are banked (or held until your return)
- Security for your premises – notify your monitoring agency
- Diverting your telephones to a message service
- Advising your clients when you will be available and leaving emergency contact numbers for customers, staff and the security company.

If you require further detail on the above please contact us.



**MERRY CHRISTMAS TO ALL**