



Income Tax - Removing the Uncertainty

'There are only two certainties in life - death and taxes!'. Although it is difficult to tamper with the sand flowing through the hour-glass of life, good habits can slow its pace. Good taxation planning can ensure that taxes can be managed so there are no nasty surprises resulting in urgent phone calls to the bank manager a few days before due date!

What processes should self employed business people adopt to plan their regular income tax commitments? Here's some direction.

• Prepare annual budgets, forecasts and a tax plan: 'If you fail to plan, you plan to fail.'

Prior to the start of each year prepare budgets and forecasts to map the business' financial performance over the next twelve months. The operational budget will project the taxable profit from which the business' tax liability can be calculated and inserted in the cash flow forecast for the ensuing year.

• Use a suitable computerised accounting system: 'What you can measure you can manage.'

The business' financial life needs to be accurately captured with regular reports produced to indicate the company's profitability, cash flow and performance in critical operational areas. Don't just run the monthly reports and file them, analyse them to ensure the business is performing in all facets and compare actual results to budget. Talk to us about your accounting system. Our team supports a number of options, including web based solutions such as Xero.

• Update your tax plan: 'If nothing changes, nothing changes.'

Businesses are dynamic. So too are the economy and the planet we all squat on. World, national and local events can significantly change business profits, so the tax plan must evolve with the business' financial performance. Re-evaluate the tax plan at least three times a year (around provisional tax due dates) to either increase or decrease your provision. This can reduce or even eliminate use-of-money interest charged in certain instances by Inland Revenue for short paid provisional tax and, conversely, reduce bank interest on tax you didn't need to pay.

• Seek Advice: 'A problem shared is a problem halved.'

We can help you with your budgets, forecasts and tax plans or prepare them for you. If you are considering a new business initiative come and talk to us so we can ensure you are using the right structure and allowing for the diverse range of taxes we can be encumbered with. Remember, taxes can be legally minimised and it's our job to assist you to do so!

RWC 2011 - Employing Staff

Rugby World Cup 2011 is expected to present opportunities for temporary work in areas such as hospitality, retail and security. If you are likely to need workers during the event, or you are looking to increase the hours of your existing staff over the period visit the Department of Labour website www.dol.govt.nz for information on employer responsibilities during RWC or call 0800 20 90 20.

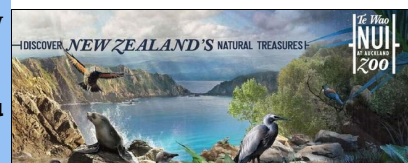
What's happening..?



Rugby World Cup 2011

Opening Night, Auckland CBD,
9 September 2011

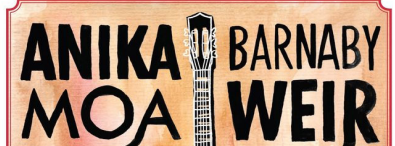
A huge party with a stunning fireworks and light show, live performances and a mass haka will mark the start of the Rugby World Cup 2011. Opening Night is a free, family-friendly event being held along Auckland's waterfront spanning the Viaduct Harbour and Quay St to Queens Wharf.



The Opening of Te Wao Nui

Auckland Zoo, Western Springs,
11 September 2011

Home to over 100 New Zealand native plant species and around 60 different animal species, visitors will journey through six habitats: The Coast, The Islands, The Wetlands, The Night, The Forest and The High Country.



Anika Moa & Barnaby Weir

The Acoustic Tour, Auckland
CBD, 15 September 2011

Jump out of the winter blues this spring when Anika Moa and Barnaby Weir strap on their guitars, strumming and humming through your town this September and October on their first acoustic tour together.

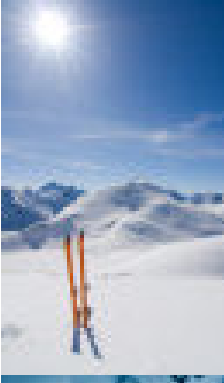
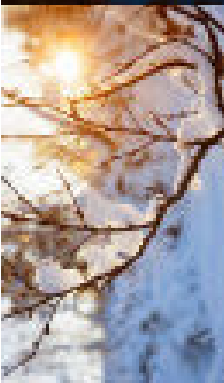


Young Artists Awards 2011

Newton, 24-25 Sept 2011
Awards ceremony: Sat 24/09/11 2pm
Viewing: Sun 25/09/11 11am-4pm
The Young Artists Awards are open to artists between the ages of 16 and 25 who live or attend school within the wider Mt Eden area.

www.eventfinder.co.nz

live
play
hope
appreciate
surprise
experience
enjoy
succeed
give
inspire
create
choose
laugh
evolve
dare
act



Direct from IRD

This information was taken from a Newsletter Chester Grey received from the Inland Revenue Department.

Paying taxes helps our economy and wellbeing

Although the economic downturn has put pressure on small businesses we know most businesses try to do the right thing. But we also know there are some who don't. Our compliance work targets those people to help ensure everyone pays their fair share. The taxes we collect help fund government programmes and services, from hospitals, schools and roads, to environmental protection and recreation.

Most businesses pay the right amount of tax, but there are a few that don't, or don't pay what they owe, or claim more than they're entitled to. This doesn't just reduce our tax revenue, it reduces funding for the services that support our communities. We all need to make sure we're contributing so we can all benefit from these services.

If you're having trouble complying, we can help. We offer a range of services and practical support, including:

- advisory services for individuals and businesses
- intermediaries and account managers for large, complex businesses
- policy proposals for new tax laws that help support business.

Detecting non-compliance

Some businesses regularly and intentionally fail to meet their tax obligations or commit fraud. Over the last year we've researched habitual non-compliers to better understand what drives their behaviour. This information has strengthened our ability to identify, monitor and respond to habitual non-compliers.

For the small number of businesses who are reluctant to comply we make sure their activities don't go undetected for long. We use a range of information, including matching data from other agencies against our own, to identify unacceptable behaviour, develop a view of their non-compliance and evaluate the most appropriate response. We regularly review businesses' tax affairs and investigate to confirm they've met their obligations.

We impose late filing and shortfall penalties where appropriate, and in more serious cases we prosecute those who commit fraud and evade paying tax. We are continually improving our ability to identify and investigate non-compliant behaviour, including exchanging information with international partners and other government departments.

Where we're looking

We keep a close watch across all businesses, especially where we've identified a higher risk of non-compliance, and target those who are cheating the system. We'll continue to focus on

the hospitality, scrap metal, fishing and aquaculture, tourism, agriculture and horticulture industries to improve their compliance. This year ACC providers and the construction industry will also be areas of interest.

We're also visiting people engaged in online trading who aren't declaring their income, and keeping a close watch on individuals and businesses who offer short-term rental and accommodation for major events.

What you can do

Businesses who realise they've made a mistake should contact us as soon as possible. If you contact us before we start investigating we may be able to significantly reduce any shortfall penalties.

If you've been operating outside the tax system you can make a voluntary disclosure by completing the **Voluntary disclosure IR281** form. Once we receive this it removes the risk of prosecution and reduces any penalties you may face.

If you deal for the most part in cash make sure you keep good records and provide customers with receipts. Good record-keeping is essential to managing a business and ensures you have the right information if you're investigated for any reason.

Hidden Economy

In a meeting today (30 August) with Chester Grey team and one of our tax advisors we were updated on the current IRD position on the Hidden Economy. Tony Morris, Head of the Hidden Economy Unit for IRD, addressed a seminar in Hamilton and noted the following;

- It is Tony's opinion that the IRD are doing too few audits and his recommendation that IRD increase the amounts of audits per year
- There is a need to increase audit activity in rural and non-metropolitan areas
- In the 2010 Budget, IRD received \$85m over 10 years for Hidden Economy audits
- IRD recovery budget for 2011 was \$800m – actual to 30 June \$1,500m
- **South Auckland is viewed as the biggest risk area for hidden economy activity!!**

In addition, our advisor related another client's experience with the IRD. The IRD invoked its Search and Seizure powers – arriving at his work place, covering all exits; taking all the paperwork on the premises and taking photos of the premises. He found it rather traumatic and then had to deal with the “second set of books” located by the IRD as a result of the visit.

If you have undeclared income we recommend you contact us to discuss the matter.

Scam emails claiming to be from IRD

Beware—there are a number of scam emails doing the rounds that are claiming to be from the IRD.

The current ones are more believable that some in the past as the link they are using starts www.ird.govt.nz and says that you have a refund to claim.

Please know that the IRD will not contact you about a

refund if you have not filed a return, and definitely not by email. Nor will they ever refer to you as a valued member!

If you receive a refund email from IRD delete it—DO NOT click on the link. If you are at all unsure, please do not hesitate to contact Sanjana at our office and she will be able to confirm if your email is genuine or not.

Employment Agreements: A must for everyone



From 1 July all employers must keep a copy of their employees' signed employment agreements or current terms and conditions of employment. This applies to employers who may have hired employees on a verbal agreement or who do not have current up-to-date agreements in place.

Where an employer has given an employee an intended agreement the employer must retain a copy of the intended agreement even if the employee has not signed it or agreed to the terms and conditions.

The employer must keep the employment agreement or terms and conditions up-to-date and provide copies of these if requested by the employee.

There are certain clauses that must be included in an employment agreement. This includes the name of the employer and employee, a description of the work to be performed, the place of employment, times the employee is to work and the wages or salary, along with an explanation of services available for solving problems. Failure to incorporate these elements into an agreement may also result in a labour inspector taking a penalty action against

an employer.

A full list of clauses that are required in an employment agreement is available on the Department of Labour's website. Employers and employees may also choose to include additional clauses relating to minimum standards in employment law, or additional clauses that have been negotiated and agreed upon by both parties.

The Employment Relations Act 2000 also makes it clear that minimum employment standards must be met, such as an entitlement to four weeks' annual leave. Even if they are not recorded in an employment agreement, they are still enforceable entitlements.

The Department of Labour has developed an Employment Agreement Builder to help you build your own employment agreement. Please note it is best practice to ensure that an employee indicates their agreement by signing their employment agreement before they start work.

For further information visit the Department of Labour's website or phone the Contact Centre on 0800 20 90 20, or alternatively, contact Nicki Richards on 09 277 8278

Goodbye to the Ratbags!

On 1 July legislation came into effect, designed to ensure that people now giving financial advice (investments/insurances etc) have reached certain industry-related educational standards and that they behave professionally at all times.

The Securities Commission has gone, replaced by the Financial Markets Authority (FMA) which will now police the requirements of the legislation. By comparison with the Sec. Com, back in the day when finance companies, for example, got away with shocking behavior, it is anticipated that the FMA will be vastly more effective ensuring advisors, fund managers and other providers behave properly and lawfully.

If you are getting investment advice, you should ask whether the adviser is an Authorised Financial Adviser (AFA). The authorization, or licence to practice, is issued by

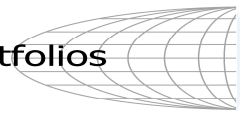
the FMA and the FMA is visiting the businesses sites of AFAs to check the new regulations are complied with.

There may be a few players out there who think they can fly under the radar and avoid the time and expense of becoming authorised but the fines for non-compliance are now substantial.

No doubt all investors will be pleased there is now a common standard to look for (AFA) and that bad behavior will be pursued by the authorities with vigor.

David Burt of Global Portfolios is Chester Grey's Financial Advisor and we are happy to recommend David to our clients. David is licensed by the Financial Markets Authority (FMA) as an Authorised Financial Adviser (AFA)

Global Portfolios



The Abolition of Gift Duty

Legislation has now passed to abolish gift duty from 1 October 2011. Government officials and Inland Revenue officers have made it clear that current NZ legislation will be used in future to prevent individuals from divesting themselves of

assets overnight to defeat creditors, relationship partners and Government agencies providing social assistance (rest home fee subsidies, student loans etc).



Gifts defined as 'extraordinary', i.e. they exceed \$27,000, may be subject to claw back at any time and legislation such as the Insolvency Act, the Property Law Act and Social Security regulations will be used in future to police this area.

The message is clear - with the abolition of gift duty, current legislation will increasingly be used along with organisational changes to police this area by the likes of WINZ, IRD, the Official Assignee and other agencies. Long story short - substantial gifts should not be undertaken without seeking professional advice.

Xero puts you in control of your business

Tired of your accounting system and having to manually send files and data to us each month? Try Xero. It's an online accounting system that gives you and authorised users, such as our team, easy access to your bank transactions, invoices, reports and even your GST.

Three great reasons to try Xero:

1. Real-time view of your cashflow.

Xero's dashboard gives you a summary of all your bank account details and balances, and shows you how much money you have coming in and going out – plus the ability to drill down to see transaction details.

2. Manage your own billing simply.

Xero lets you enter your invoices quickly and efficiently,

letting you create a schedule to automatically generate invoices on a regular basis – you can even email formatted invoices directly to your customers from within Xero.

3. Anywhere, anytime.

Xero is web-based so you can work where you want, when you want with 24/7 access from any internet connection in the world – PC, laptop, Mac and even a smartphone. Xero requires no installation, manual backups, maintenance or additional software – all you need is a modern internet browser.

For more information call us 0800 55 22 88 and arrange a free demonstration



The world's easiest accounting system

Be Able to Work and Get paid by ACC

All shareholder employees and sole traders should consider moving to ACC Cover Plus Extra. The major advantages are greater certainty, the ability to save on your premiums, and get paid by ACC while you are working.

We will focus on how ACC will pay you while you are working. If you have been on claim with ACC and return to part time work, ACC Cover Plus Extra continues to pay your full benefit entitlement. This is regardless of how much you are earning from your own business. You may work up to 30 hours a week and receive the ACC benefit. It is like getting paid twice.

Don't Forget.....

Gerard Gill is offering one years free \$100,000 Accidental Death Cover if you have your personal or business insurances reviewed by Designer Protection Limited.

If you would like to take advantage of this offer, or find out more about ACC Cover Plus Extra, please contact Carole at our office by phone 277 8278 or email carole.smith@chestergrey.co.nz to arrange a meeting with Gerard.



GST & Beach House

Some of the changes to the GST legislation which came into effect 1 April 2011 relate to property.

New Compulsory Zero Rating rules now apply to land sales meeting set criteria.

Also the definition of "dwelling" has been amended. The effect of this is to bring the rental of holiday homes into the GST net in some cases.

If you are GST registered and you own a holiday home that you rent out as a holiday home the income from the holiday home must now be included in your GST returns. There are also implications regarding the sale of these holiday homes.

If you have concerns about what needs to be included in your GST returns, please contact us ASAP

Directors: margaret.pepper@chestergrey.co.nz
stephen.grey@chestergrey.co.nz
peter.lineen@chestergrey.co.nz

Practice Manager: nicki.richards@chestergrey.co.nz

Account Managers: dianne.barlow@chestergrey.co.nz
deborah.fussey@chestergrey.co.nz
tim.appleton@chestergrey.co.nz
cassandra.eade@chestergrey.co.nz

Accountants: venay.nair@chestergrey.co.nz
michael.cheng@chestergrey.co.nz
jingjing.pan@chestergrey.co.nz
susan.arudas@chestergrey.co.nz

carole.smith@chestergrey.co.nz **Administration Manager**
sanjana.singh@chestergrey.co.nz **:Tax Desk**
reception@chestergrey.co.nz Donna Williams: **:Reception**
christine.p@chestergrey.co.nz **:Credit Control**

Scott Mai
Mohammed Faruk

CG Biztech Ltd
info@cgbiztech.co.nz
info@cgbiztech.co.nz

Chester Grey Chartered Accountants Limited

Level 2 65 Upper Queen St Auckland p. +64 9 307 1180
Level 2 652 Great South Road Manukau p. +64 9 277 8278
PO Box 97 999 Manukau City 2241 New Zealand