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OM-IP - Last Call

We wish to remind investors in OM-IP funds that although they are managed in Australia, they are resident in the Cook Islands and are not exempt from taxation under the FIF rules in New Zealand.

This has been an area of focus within the Inland Revenue Department for some time and continues to be an area that is to be targeted. The Inland Revenue Department has been trying to encourage investors to disclose any interests they hold in OM-IP and pay any tax that arises under the FIF rules.

The Inland Revenue Department advises it has details of the significant number of New Zealand resident investors who have OM-IP investments which are taxable under the FIF rules. To date, despite numerous requests for voluntary disclosures, we understand that a very small proportion of taxpayers have fronted with the Inland Revenue Department. New Zealand has entered into a Tax Information Exchange Agreement (TIEA) with the Cook Islands. We understand that the Inland Revenue Department intends to increase audit activity in this area once the TIEA comes into force. This is expected to happen later this year.

If you have an investment in OM-IP, we strongly recommend you contact us so that you can make a disclosure to the Inland Revenue Department. If you don't, you are likely to receive a letter from the Inland Revenue Department requesting details of your investment and requiring you to return your FIF income. Once that happens, you will have lost the chance to have late payment penalties automatically written-off and shortfall penalties may be imposed.

Have Your Insurances Reviewed and Get \$100,000 Accidental Death Cover for Free!

Conditions Apply:

- Policy covers accidental death only and is valid for one year.
- Person to be insured must meet with a representative of Designer Protection to complete the application.
- Insurance may not be transferred or exchanged.
- Accidental death cover is offered up to age 60.

Accidental Death Cover is offered in-conjunction with Chester Grey Accountants Limited, Designer Protection Ltd and AIA NZ Ltd.

If you would like to take advantage of this offer, please contact Carole Smith at our office carole.smith@chestergrey.co.nz or (09) 277 8278 and she will arrange a review meeting with Gerard Gill of Designer Protection.



What's happening.?



On The Wing - Birds Through the Eyes of West Auckland Artists

Piha
16 July - 14 August 2011
Calling all West Auckland artists to be a part of our July exhibition, "On The Wing". Draw, paint, carve, sculpt, photograph, sew or assemble your birds in any way - mixed media is encouraged and there's also a Children's Section.



International Ice Hockey, Auckland CBD, 23 July 2011
International ice hockey is set to hit our shores in July 2011. USA will take on Canada in an event never seen before in New Zealand. Be there to see the fastest team sport in the world in a three game series set to hit Auckland Vector Arena.



Blues Indigo, Newton,
8 July 2011 - 10 July 2011
Welcome to Auckland's first ever blues only exchange; two sets of international blues teachers; three nights of blues social dancing @ Galatos basement bar; seven blues workshops @ Viva Latino; live blues band and some of Australasia's best blues DJs all in one weekend just for you!
www.eventfinder.co.nz

Risk & Reward: Family Trusts - the story continues

The Law Commission's review of Family Trusts continues. A paper on Trustees' duties, the office of Trustee, trust administration, and trustees' powers is due out shortly, with the final analysis - on trading trusts, the potential registration of trusts and the obligations of trust advisors - to be delivered to Government in approximately 3 months' time.



It appears we are heading for a major shake up on the entire manner in which trusts operate and are administered. As your accountants (and for some of you, your professional trustees) we're on a mission to ensure your Family Trust's administration processes are robust. If you haven't heard from us yet, you may well soon....

TAX TALK

Substantial depreciation allowances still available

While depreciation allowances on most building structures ended on 1 April this year, depreciation can still be claimed on a wide range of commercial and industrial building fit-out assets.



Just before Christmas, legislation was passed confirming that depreciation will continue to be allowed on building services assets such as lifts, air conditioning systems, plumbing and electrical reticulation in commercial buildings. The legislation recognises the practical reality that fit-outs in commercial, retail and industrial buildings suffer significantly higher wear and tear when compared to residential property.

Those clients who have never separately itemised the building fit-out assets acquired at the same time as the building can now take 15% of the building's adjusted tax value (that's the original cost price of the building less any depreciation claimed so far) less the adjusted tax value of any separately itemised fit-out assets acquired subsequent to acquisition of the building, call it fit-out and depreciate it at the rate of 2% for the 2011-12 year onwards.

For all new property purchases, building and fit-out assets should be properly segregated at acquisition date.

Proposals to make the tax system fairer

The 2011 budget included some measures to protect the tax base. The Government is concerned about three areas and proposes to release public consultation documents on each of these later this year. Livestock elections are covered separately and we summarise below the other two areas of Government concern.

The first concern is whether non-cash benefits should be added to income for social assistance purposes, such as Working For Families and whether salary that is traded for non-taxed in kind benefits should be subject to income tax. Typical non-cash benefits may include company cars, gym and sporting club subscriptions, staff discounts, use of company owned holiday accommodation and subsidised health insurance to name a few. Some employees choose to receive a company car by taking a salary sacrifice thereby reducing PAYE deducted from salary.

The second relates to mixed-use high value assets such as holiday homes set up as rental properties that have a very low occupancy or are used privately during their peak season when high rentals would be received. Yachts and launches that are chartered may well come under scrutiny in this document too.



Company Shareholding Changes

We've recently seen cases where clients have decided to make shareholding changes in their companies, have gone online to the Companies Office website and Bob's your Uncle, shareholding changes updated! Actually, it wasn't such a smart idea as it turns out.



Changing shareholding in your company without talking to us first can have dire tax consequences. These consequences can be far reaching. Continuity of losses carried forward can be affected,

imputation tax credits can be lost forever, and under the new Look Through Company regime the flow of losses will be affected.

Shareholding changes also need to be fully documented with Share Transfer documents and minutes signed and filed in your Company Minute Book as well as the Share transfers recorded in your company registers to make the transfers legally binding.

Moral of the story? Talk to us when you're contemplating share changes. Even better, get us to be your Registered Office. In fact, we do this for most of our clients. We'll file your annual return for you, and we'll make sure you comply with all of your statutory records requirements under the Companies Act.

Risk Management Basics

We should all now realise what business disaster recovery planning really means and that a pre-emptive strike can positively influence your recovery. There are *many* aspects to review when it comes to your business recovery plan with no 'one size fits all' model available. Below are some important basics that you can implement readily.

- Internal safety - Have you reviewed your premises to be sure the fit-out is safe and items are secured? Do you have the regulatory fire equipment? Do you have food and water stocks on-site? First aid? Do you have a clear and documented evacuation plan? Review and cement your plans as a team. Impose regular reviews and discussions of the plan, keeping new team members up to speed.
- Evolving cloud technology and the virtual workplace have had a hugely positive effect on the recovery process. Important documentation can now easily be stored offsite 'in the cloud' as well as there being a definite trend towards web based software. At the very least, review (and test!) your current backup procedures.
- Which of your staff could work remotely with minimal disruption? Why not investigate remote computer connections in the short term rather than as a reaction to a disaster? There can be positives to having the right staff work remotely. It's also easier than it seems and for some industries it's becoming the way of the future.
- Have you reviewed your paperless possibilities? What do you currently store in hard copy that should be scanned and sucked into your server or a 'cloud' based backup solution?
- What about your most vital of business documents? Do you have the originals stored in a safe location as well as 'soft' copies (stored in your computer server with adequate backup of course)? Examples include: insurance policies, key client and staff contracts.
- Insurances - Do you have cover for site and equipment, vehicles, electronics, furniture and fittings, stock, wages and salaries, loss of profit, additional/increased cost of operating your business, claim preparation costs (accountant, solicitor, and insurance advisor fees), reinstatement of records? And the list goes on.
- Finally, do you have the names, mobile and home phone numbers and personal email addresses of all your team members stored in your mobile phone? A Christchurch acquaintance could not stress strongly enough his relief at having this information readily available, not only in the immediate aftermath but when he needed to coordinate his team remotely in the following weeks.

We recommend you do your research and establish risk management that best fits your business. The NZ civil defence website www.civildefence.govt.nz is a great starting point. Contact Carole Smith at our office if you would like to meet with our Risk Advisor, Gerard Gill of Designer Protection to discuss your options.



Tax Audit Retainer Service

As you are aware the Inland Revenue have introduced tough laws to penalise those who flaunt the tax laws. As if the penalties are not enough to worry you, our experience is that there has been a significant increase in Inland Revenue audit activity.

The Inland Revenue audit officers are well trained and more aggressive. Audits tend to be stressful not only for you, but also for us as your advisors. They can take a considerable period of time to conclude and generally run up large accounting fees. So even if you have not committed any tax fraud (as is the case in most Inland Revenue audits), you are likely to be exposed to major costs if selected for an audit.

We would like to offer you a Retainer Contract that will take care of your accountancy fees incurred during an Audit. The benefit to you is that the cost of our fees for attending to a tax audit is limited, therefore you can reduce the stress on yourself by having professional help. There is no doubt that having



professional advice during a tax audit is a good idea - we can tell you some horror stories about people who have tried to "go it alone" as well as some of the successes we have achieved for our clients.

We have pitched the fee so that it is affordable for you and you can determine your own level of comfort. We will offer an entry level of Tax Audit Retainer Service contract to cover \$5,000 in accountancy fees for twelve months from the time of payment of the fee. This is based on our experience of the average level of accounting fee charged for the average audit of clients in your type of business. If you feel your circumstances do not meet our standard fee, we are happy to provide a quotation to your specific requirements.

The Tax Audit Retainer fee will be \$350.00 (plus GST) per year. Should you wish to increase the value of your Tax Audit Retainer Service contract, the fee will be \$120 (plus GST) for every \$1,000 of extra contracted.

We strongly recommend that you discuss the appropriate level of contract for your business with us. Call Peter Lineen for advice or contact Carole Smith on 09 277 8278.

Profit Improvers

Have you considered instigating a marketing system to get the best out of every lead that your business receives? One way to significantly improve your business' performance is by the implementing a 'business building matrix' to improve your business' sales. You need to measure the following five key components necessary for increasing sales and profitability:

- Increase the number of enquiries
- Increase the number of conversions from enquiries to sales
- Increase the average value of sales
- Increase the number of times people buy from your business
- Increase the gross profit percentage

We can assist you in undertaking a review of your business procedures to determine profit improvers. If you would like a copy of our Profit Improvement Potential Workbook, please contact us.

Congratulations

The Team at Chester Grey would like to congratulate Stephen Wai Cheung Wong of Fresher Foods Limited, who was awarded the New Zealand Order of Merit (MNZM) in the recent Queens Birthday Honours List for services to the Chinese Community

Xero Puts you in control of your business



The world's easiest accounting system



Knowledge is power

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 0800 55 22 88 and arrange a free demonstration

Westpac Auckland South Business Awards

The Westpac Auckland South Business Awards recognise and celebrate Auckland South's business excellence, playing an important role in promoting and strengthening economic development in the region. Featuring twelve categories, the Awards honour local businesses, their people and their extraordinary achievements in New Zealand business. The Awards culminate in the Westpac Auckland

South Business Awards 2011 Gala Dinner on 12 August, the premier business event for Auckland South.

Chester Grey Chartered Accountants Limited is a finalist in the **Auckland Communities Foundation Business Contribution to the Community Award** which recognises Stephen Grey's immense contribution to the local community. Wish us luck!

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