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JACAL NEWS

Johnston Associates Chartered Accountants Limited
202 Ponsonby Road, Ponsonby. PO Box 91 842, Victoria Street West, Auckland 1142
Phone 09 361 6701, Fax 09 361 6702, www.jacal.co.nz

HELP US TO HELP YOU WITH YOUR ANNUAL ACCOUNTS

When we prepare your annual accounts, two things contribute to the cost - too little information, and too much information.

Too little information - Each time we need to ask you for more information, we put the file aside while you look. This adds to the cost of the job. Ideally, we would like to work straight through your assignment and finish it in one session. This is seldom possible. However, the fewer questions and quicker your response, the more efficiently we can complete your work.

Too much information - A few clients try giving us everything. This often means a time-consuming search through the papers for what we need. When we cannot find what we are looking for, we will often have to have another look, just in case before contacting you.

What to do - Provide all the information requested in our questionnaire and no more. Reduce next year's queries by keeping a note of our requests for more information, which you can refer to.

CONTACT DETAILS CHANGED?

Please ensure you advise our office of any changes to your contact details. Please phone:

09 361 6701 or email Liz

admin@jacal.co.nz

Annual Accounts

Things to do before the end of March

Company Terminal Tax

Those of you with a payment due on 7 April may wish to consider paying the tax before 31 March. The imputation credits this converts to will allow for a potential increased dividend distribution. This gives greater flexibility in dealing with tax paid company profits. It also reduces the risk of not having sufficient tax credits to pay a dividend if required.

Donations

The legislation change on 1 April 2008 made donations tax deductible for all entitles and individuals with no threshold .

Bad Debts

Write off bad debts before 31 March. Record the date so you can demonstrate to the IRD when you did the write off. Note, this does not prohibit you from continuing to pursue the debt, nor does it let the debtor off paying.

Fixed Assets

Sell equipment likely to make a loss before balance date, rather than after. This way, you realise the tax deduction this year rather than next year. Scrap any assets no longer able to be used or of no value as you can claim the remaining book value as a deduction in the current year.

Retentions

Retentions on building contracts are generally taxable in the year the contractor becomes legally entitled to receive them. Therefore, if retentions are outstanding at year end, they usually do not form part of your income for tax purposes for that year, and are therefore only taxed when they become due. This can result in a significant deferral of income.

Stock on Hand

If your stock on hand is worth more than $10,000, you will need to count it at balance date. Ensure you get rid of expired or obsolete stock before this date, otherwise you will need to include it at cost price,, resulting in an increase in your taxable profit.

Expenditure

If you have any major maintenance or other tax deductible expenses that you are likely to incur over the next few months you may wish to consider having this invoiced before the end of March in order to claim the tax deduction in the current tax year rather than the next.

Bonuses / Holiday Pay

Calculate any staff bonus for the financial year as soon as possible after 31 March. You have 63 working days from balance date to pay them out and still claim the deduction. Also ensure, where possible, that holiday pay unpaid at 31 March is cleared within 63 working days in order to claim the deduction.

Reports

If you run any kind of accounting system, please balance any required reports as soon as possible after 31 March 2010, including reconciliations such as bank, debtors, creditors and loans. Then do a back up on disk for our records. If you have balances rolling forward from last year, do they match our closing balances per the year-end accounts we prepared for you? Please call us early if you are having problems with this. Please refer to our questionnaire for the information we require.

Client Year End Questionnaires For 2010 Tax & Accounts

The annual compliance compilation forms will be sent out electronically in early April. We have tried to make the forms easy to follow. Please provide as much detail as possible including supporting documents where required. No work will be undertaken until clients have signed and returned their forms. If you do not receive one in April please call or email us and we will attend to it for you.

Tax Changes & Rental Properties

"Leaders aren't born, they are made. And they are made just like anything else, through hard work. And that's the price we'll have to pay to achieve that goal, or any goal "

- Vincent Lombardi

There has been a great deal of recent comment in relation to the Governments announcements surrounding likely tax changes to the currently allowable rental property tax deductions.

It appears from the Government press releases that the most likely outcome in the next budget announcement is that the allowance to claim depreciation on residential rental buildings will be removed and there is a greater than even chance that rental tax losses will be ring fenced.

This means that landlords will no longer be able to claim each year as a tax deduction a portion of the original purchase price paid for a residential building. Typically this is 3% of the buildings purchase price annually, excluding the land component. The 3% is generally calculated on the closing remaining balance from the prior year.

In terms of ring fencing the tax losses from rental properties, this means that landlords will not be able to offset tax losses from rental properties against other taxable income. In general, this is currently PAYE salary and wages in the main, but other types of positive income can be offset.

How much these proposed changes will affect any given landlord, the tenants, and property prices is yet to be seen, and it could take a number of years to really filter through the market in all areas. Given we do not as yet know exactly what will happen, much of the market comment is speculative. It seems that interested parties from various factions have thrown rocks at each other in the media, so clearly there is some tension around the changes.

One could take the view that landlords currently get their income from rental income and tax deductions to service the cost of their investment. In broader terms since banks have been willing to lend more on residential properties, with less owner equity, the interest cost has driven rental returns into negative territory. As such it could be seen as the government subsidising rents, via providing tax deductions and refunds to landlords. From the perspective of the landlords the cost of the investment and the upkeep of a property is substantial, and while the private sector is funding and building housing stock, the demand for the government to do it and fund it, is lower.

Long term, everything has to end up back in equilibrium, in relation to house prices and rents. Will this mean an increase in rents to cover the lost cash flow to landlords or will it result in a drop in property prices? Will it affect landlords, tenants and other parties such as banks and businesses?

This may be on a case by case basis, suburb by suburb and region by region. For instance if you live in an area that is highly desirable with high population growth, then your property to some degree is probably insulated in terms of value and rent by the demand for the property in your area.

The general consensus is that, Auckland for instance, has a housing shortage and there is a constant growth in the population. Therefore perhaps, rents and house prices will remain stable or grow in key areas. Regionally where there is less growth or the area is less desirable then we may see a decline in property prices and rents. We are picking a mix across the board as the adjustments take effect.

Landlords that have owned their rental properties for a considerable period of time and don't have a large amount of debt may not be particularly affected. Those with high debt levels and are new to the market may feel the squeeze to fund the debt on the property, especially if they brought properties at the peak of the market prices.

It could be interesting for banks and businesses in general if the changes lower general property values in the short term. Many small to medium sized businesses use the equity the business owner has in their personal home to fund their business lending from the bank. If the bank does not see the equity required in the property to secure the lending, the bank may restrict or cut lending facilities to those businesses.

We don't think clients need to make rash or urgent decisions about their position right now, but it would definitely pay to give it some thought and work through some scenarios, regarding the effect any change would have on you, as a property owner, business owner, a landlord or a tenant.

Payroll Processing

With Jo Webster leaving we have appointed Nicola Ellis to administer the client payroll function. Many of you will know Nicola already as she processes Banklink and GST for clients. Angie Hunter and Andrea Lancaster will continue to oversee and manage the payroll function. There will be a continuous process of improvement in this area as the technology changes, and the linkages with IRD improve. If you have any queries in regard to our payroll service or would like to enquire about using the service then please give Andrea a call on 361-6817.

GST Rate Change Proposed

The proposed rise in GST rate should not particularly affect businesses entitled to claim GST back, in the long term and in general that is!

The changes though may impact on cash flow in the short term, and contracts entered into before the changes that run through or after the increase may be affected.

A rise in GST has occurred before and therefore most situations can be accounted for in advance. Though there was less complexity in financial arrangements and contracts being used at the time of the last GST rate change.

Businesses that have terminating sales, whereby the customer is not able to claim the GST back, may see a drop in revenue in the short term, as the consumer rationalises the increased cost of a purchase. At an increase of 2.5% in GST, perhaps the consumer will not really notice it.

we expect a degree of price creep in some sectors, where vendors try to get back any perceived lost margin from the recession. That is to say prices might increase a little more here and there than just the 2.5% of GST. On the other hand some businesses may feel forced to absorb the increase, rather than pass it on.

You will see a barrage of "pre GST rise" sales and marketing, enticing consumers to buy before the change.

If you have contractual arrangements whereby the end user may not be able to pass on a GST increase or claim it back, then you may have an issue to resolve. Careful consideration needs to be given to the wording of forward contracts in terms of GST. These are contracts either entered into already or about to be entered into, which may deliver goods or services sometime in the future.

Given that GST has been historically stable and fixed, many contracts are worded as "inclusive of GST if any" or they are priced in a way that leaves no provision for a change in the GST rate to be passed on.

Therefore you should check your terms of trade for Sales and Purchases in order to limit having to absorb a 2.5% GST increase on sales you may make in the transitional period, or being hit with a 2.5% increase in the cost of a purchase that may have been expressed as "plus GST".

There are also provisions within the GST act that cover a change in the rate.

The above does not cover all the issues, but it is a warning about putting some thought into the impact of a change in the GST rate on your business.

You have plenty of time to review the GST area of your contracts and terms of trade, and to review any contracts you may have signed already that potentially don't take effect until after the change is enacted. If you know now rather than later where you stand in regard to GST, you have a better chance of being able to rectify or limit any adverse effects of a GST rate change on your business.

You are going to have to wait for a formal announcement of a change to figure out the specific action required, but at least you can do a large degree of work and preparation on the assumption GST is going up.

"If you don't hire at least one or two people that are smarter than you are, then you're a terrible manager and I don't need you"

- Nolan Bushnell

GST Returns

With the growth in this service and changes to technology clients may see some changes around the way we manage GST processing for them from the March GST return due 7 May 2010. We now have the option electronically efiling GST returns directly with IRD rather than filing them manually or online via the IRD website. This will enable us to track clients GST returns through the system better and also have a confirmation that IRD have received the GST return. For those clients using this service we will update you further in April. All clients are reminded that we need your GST information promptly. Please do not leave it until the week the return is due as we cannot guarantee the return can be processed on time.

Fee Synergy 12 Month Fee Payment Option

A reminder to all clients we now have the facility for you to pay your fees in excess of $1,750 over 12 equal monthly instalments.

Lumley Finance have provided us with a product called Fee Synergy. This allows you to spread the payment of your fees over 12 months by way of monthly instalments. It also means that we get full payment within 7 days.

There is no finance application or credit check required all you need to do is advise us that you would like to use the Fee Synergy option and we will arrange it. So if you are holding off getting work done and returns filed please bare this in mind as late filing penalties can mount up. It may also give you greater confidence to proceed with having your 2010 work completed and any monthly work we do for you can also be incorporated.

It will work well if you have all your fees due at once and want to spread the cost over the year, there are a number of ways we can make it work, so please give us a call to discuss your options.

Rick (09 361-2760), Willy (09 361-2761), Logan (09 361-2762), Angie (09 361-2763) , and Dean (03 574 –1002) are all available to cover this with you as is Rita Hockey (09 361-6701) our credit controller, please call us on our direct dials .

Team Members on the Move!

We say goodbye to

Mike Maitland — who has left to concentrate on family business interests.

Elisha Prichard — who has gone on to her dream job with Pacific Blue as a flight attendant.

Jyoti Chauhan — who got married and moved to Wellington.

Nileshni Chand— who is currently on maternity Leave.

Jo Webster—has taken on an new internal accounts position with another firm.

All the best guys we wish you well and thanks for your efforts for the firm over the years!

We Welcome

Liz Kairua — who will be taking over from Elisha with administration, reception duties and on the phones should you call.

Karen Rickman — A senior chartered accountant with a great depth of experience in a variety of roles with other chartered accounting firms, including several second tier firms.

Leena Kapadia— A senior chartered accountant with many years of experience and a great level of knowledge and skills.

We look forward to introducing some of the new team to you during the coming year, as they. work with clients.

We have a really strong team with a wide range of skills, so don't hesitate to ask us if we can help you in any way.

Terminal Tax 7 April 2010

Client tax letters have now been posted out for 31 March 2009 Terminal Tax due on 7 April 2010.

This is not provisional tax, it is final 2009 **Terminal Tax** and is definitely a tax that needs to be paid as a result of the tax return filed for the 2009 tax year.

If you know you have terminal tax to pay and have not received a Terminal Tax letter please advise us and we will resend one to you.

Some clients may only have minor tax due while others may have a more substantial bill.

If due to financial circumstances you have a problem paying the tax, on time, please contact the partner or the team member you deal with ASAP.

There are a range of options to reduce a clients exposure to IRD late payment penalties, and interest.

If you fall into this category and want us to assist with an alternative like a Tax Management Option or a payment arrangement with IRD, you need to call us before the due date (7 April) and not on or after the due date, as IRD will only do favourable debt arrangements up to the day before the tax is due (6 April), and will not do them on the day the tax is due or after.

We will need a few days lead time as IRD are very busy and short staffed, so please call early if you need to make alternative arrangements to pay the tax.

Above all please contact us or the IRD if you will be late paying, as we can assist in the penalty reduction if you act early.

xero and **JACAL**

Connecting Clients in a simple, smart and secure way...

Tired of your accounting system and having to manually send files and data to us each year? Try Xero.

Xero is an online accounting system that securely stores your financial data and allows you to share it with those that you trust. With Xero, we can work with exactly the same up-to-date data, at exactly the same time as you.

Unlike desktop applications, it's available any time, any where you have an internet connection. There's no need to buy expensive software and install upgrades.

Xero includes a full accrual accounting system with a cashbook, automated daily bank feeds, invoicing, debtors, creditors, GST and reporting.

10 Reasons Clients Love Xero

1. Automated daily bank feeds
2. Fast, simple and customised invoicing
3. Available anytime you're online
4. Real-time collaboration with us, your accountants
5. Safe and secure data
6. Quick and easy GST returns
7. Cashflow clarity
8. Unlimited online Xero support at no additional cost
9. No installation, upgrades or maintenance
10. Pay as you go

As a Xero Certified Partner, we can introduce you to Xero and have you up and running in no time. To find out more, please give Andrea Lancaster a call on 09-361-6817 or email alancaster@jacal.co.nz.