wilco [will comply]
tax + business newsletter

Winter Wilco 2015

my Accountants

Risk and Reward

Call before you click

If you have a company, we'll let you into a secret. We know, each year when we speak with you about what you want to do about dividends, that the minute we start to talk about imputation credits and the imputation credit account, we watch your eyes glaze over and we know the 'la la la la la la' soundtrack is playing in your head. It's okay. Almost everyone finds them hard to understand. And really, that's okay with us because… that's what we're here for, right?

So, we know it might not occur to you, when you log on to the Companies Office website to update your shareholder details, that you could have made your tax position more complicated by doing yourself out of tax credits.

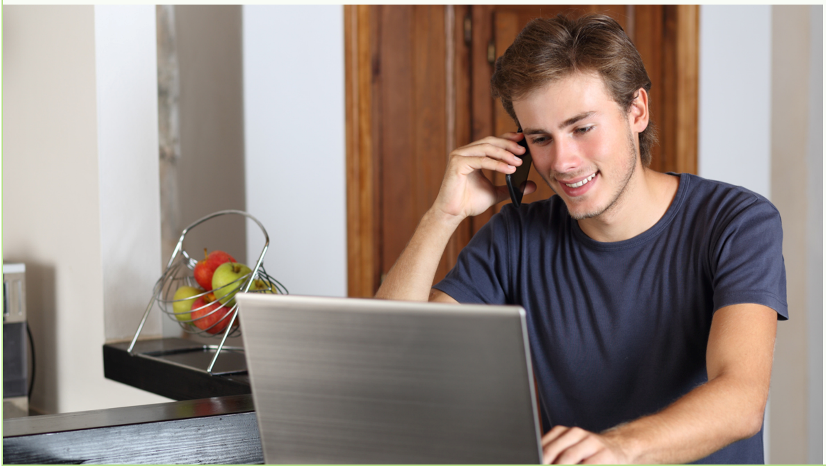
Because the Companies Office has made it really easy to update details on their website and that's great. Particularly for small companies, it makes it quick, easy and convenient. However, it's not the Companies Office's job to look out for your tax position. It's ours. So when you go to update shareholder details for prior shareholding changes, there's nothing to remind you that if your company's shareholding has changed by more than 33% each year, you lose what they call 'continuity of shareholding'. Put another way, if your company doesn't have 66% commonality of shares in any given year, it loses its imputation credits. You may end up paying more in tax, and you'll lose the credits you built up in previous years and there's nothing you can do about it.

The rules around shareholder continuity are about making sure that this year's shareholders who enjoy the benefits today of the tax losses that were carried forward and the imputation credits that accrued last year are largely the same people who were shareholders when those benefits were building up. To calculate a company's shareholder continuity you generally have to track the voting interests of the individuals who ultimately own the company. This is not always straightforward.

Size and timing of the proposed change? If you want to make more than a 50% change to shareholding, can we talk about it to make sure you understand all the implications? Should the company pay a dividend now to utilise available imputation credits, before you make that change in shareholding?

Tax losses? Did the company have tax losses last year which were carried forward? If the proposed change in shareholding affects more than 49% of the shares, then the company won't be able to carry the tax losses forward.

Look Through Company? If the company is a Look Through Company, a transfer in shareholding may cause the company to fall out of the Look Through Company regime. Will you be happy with that? Do you want us to advise Inland Revenue? Do you want us to arrange for the company to re-elect to be in the Look Through Company regime for the next tax year?



Directors' interests? Does the proposed change affect directors' interests in any way? We should make sure the register of directors' interests is updated, in that case.

So, next time you want to just make a quick update to your company details on the Companies Office site, put down that mouse and pick up the phone. Talk to us. We can look at your situation and what options are available. And we can also put together the documentation you need to record the transactions so everything is squared away.

Reporting requirements for charities

New reporting requirements for registered charities came into force from 1 April 2015. This means that registered charities will need to prepare financial statements in line with these new standards. These will now require quite a bit more non-financial information than in the past. While we're geared up to continue to prepare your financial returns, we'd like to flag to you that from the 2016 financial year, we'll need more information from you. We don't want to pass the costs of preparing this additional non-financial information on to you, particularly where the organisation is smaller and the costs will make a big dent. Also, as you're the ones who best know what you do and why, you're in a better position than we are to provide clear, accurate information.

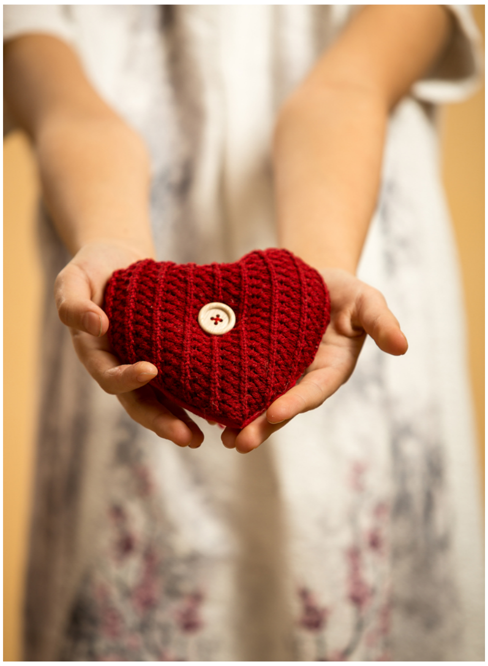
So, what additional information is called for? It varies according to the size of the organisation, its operating revenue and whether it has public accountability. The requirements apply according to which tier the organisation falls into.

Tier	Annual operating budget		Accountability	Reporting requirement
1	Over $30m	OR	Or has public accountability	Full standards
2	Under $30m	AND	Without public accountability	Reduced disclosure regime
3	Under $2m	AND	Without public accountability and uses accrual based accounting	Simple format report - accrual
4	Under $125k	AND	Without public accountability and uses cash based accounting	Simple format report – cash

Very few charities are so-called FMC reporting entities or issuers or otherwise have public accountability, as defined. (An FMC reporting entity is defined under the Financial Markets Conduct Act 2013 and includes listed companies, banks, unit trusts, credit unions and other enterprises that hold lots of money from the public).

All charities will have to report on 'service performance'. This is a report on what the organisation did to achieve its core objectives. The reporting requirements distinguish between 'outcomes' and 'outputs'. An outcome is the benefit you want to provide to the community, say 'Improve the quality of life of those living with XYZ disease'. An output is the specific service (or goods) delivered, e.g. 'Provide cheap/free accommodation near base hospitals for rural patients' or 'Train puppies to become guide dogs'.

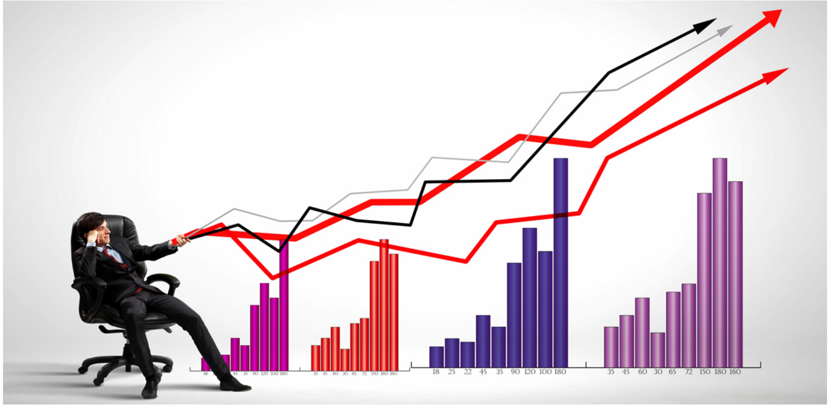
Some charities only provide a few activities or services, which will make it easy for them to identify all the different parts to include in their reporting. For others it might not be as straightforward, as they may have many activities or services which operate independently of each other. All these different parts of the charity must be reported on, as they all enjoy the benefits of being a registered charity.



What you have to do:

- ✓ Identify your organisation's outcomes. They can often be derived from the mission statement
- ✓ List your major outputs
- ✓ Establish a system for measuring delivery of outputs. You will want to report quantities delivered, e.g. number of patients accommodated and/or number of nights, and optionally:
  - ✓ Costs associated with the output
  - ✓ Quality and
  - ✓ Timeliness
- ✓ Prepare a budget for the delivery of outputs and
- ✓ Establish, if practical, the quantities delivered in the previous year

Leaving this until the end of the financial year will make it all MUCH harder. Start now!



Use of Money interest rate rises

On 8 May this year, use of money interest - the interest Inland Revenue charges on underpaid tax - rose from 8.40% to 9.21%.

The rate Inland Revenue pay on overpaid tax rose from 1.75% to 2.63%. Remember! If you have unpaid tax owing, this rise will drive up your costs further.

Talk to us if you think this may affect you.

'Success doesn't necessarily come from breakthrough innovation but from flawless execution. A great strategy alone won't win a game or a battle; the win comes from basic blocking and tackling.' ***Naveen Jain***

Timely Reminders

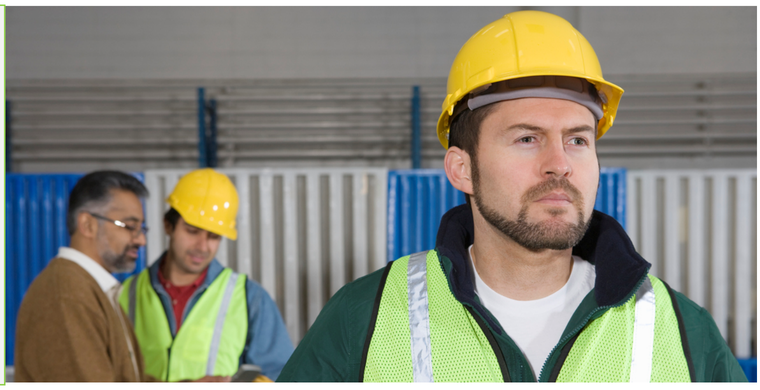
Note: these dates apply to those clients for whom we prepare tax returns. Different dates will apply for those clients for whom we don't prepare returns. Please ask us if you'd like more information.

1 June (due to 31st falling on a weekend)	FBT	Return and payment due for quarter ending 31 March, for employers who pay their FBT quarterly Annual FBT return and payment due for the year ended 31 March for employers who pay their FBT annually. Employers who provide no fringe benefits should file a Nil return unless Inland Revenue has waived this requirement
30 June	FBT	Last date for employers to elect to pay FBT annually
22 June (due to 20th falling on a weekend)	Dividend Withholding Payment	If a company has elected to maintain a dividend withholding payment account and the account had a debit balance at 31 March, a further dividend withholding payment and dividend payment penalty is now due
22 June (due to 20th falling on a weekend)	Imputation penalty tax	Where a company had a debit balance on their imputation credit account at 31 March, further income tax and imputation penalty is now due
29 June (due to 28th falling on a weekend)	Provisional Tax	GST ratio method taxpayers on January, March, May, July, September and November balance dates Standard provisional taxpayers on January, May and September balance dates 6 monthly GST taxpayers on May and November balance dates

Companies and Partnerships

As the new residency and recording requirements have come in for companies and partnerships, if we don't already know the residency status of partners and company directors, we'll be contacting you soon about this.

We'll also be asking you for details of date and place of birth for partners and company directors if we don't already have this information.

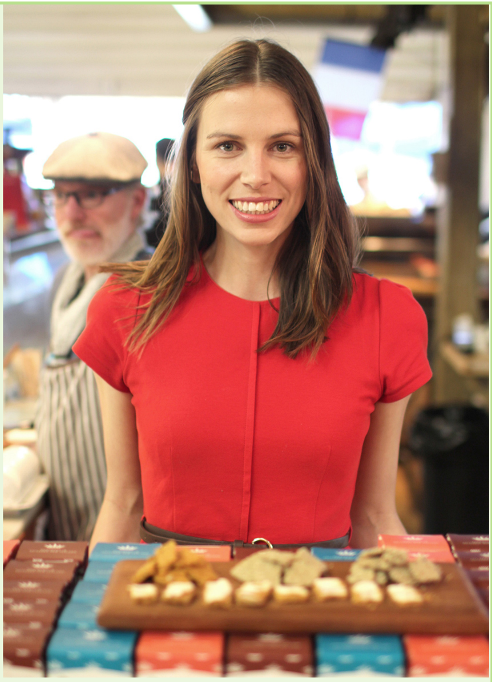


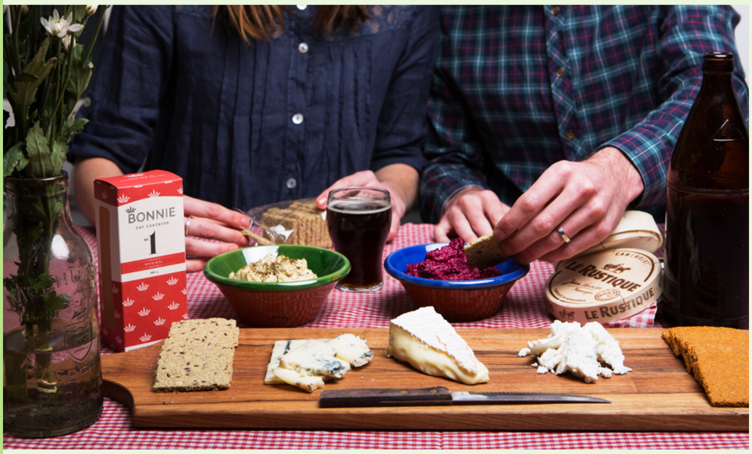
Business Perspective - Bonnie Goods

First crackers, then the world!

If you've ever strolled the aisles at the La Cigale market, you'll know the effect it has on the senses. Salivation ensues, often followed by a delectable walloping to the wallet. But this is completely worth it to support our budding artisanal food scene. Part of this popular act is Bonnie Goods, a cracker company committed to producing the best handmade crackers in the country.

Many of us have travelled abroad and sampled delicacies from around the globe, only to return to New Zealand shores and reflect nostalgically, wishing we had similar edibles here. Thanks to people like Morgan Claire Maw, we do. Her two year stint in Scotland is where she discovered her love for Scottish Oatcakes. So much so, she decided to create her own by putting a New Zealand twist on the flavours. Perfecting her recipe, she established Bonnie Goods. 'I started out making them for family and friends before getting my lucky break at La Cigale.'





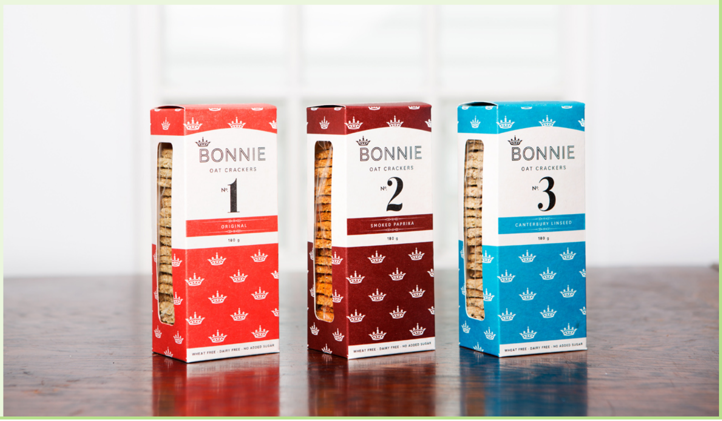
This modest beginning has now erupted into a burgeoning and successful business. Since starting out, Morgan has moved from a community kitchen into a commercial one almost triple the size. Stockists now include over 40 handpicked stores across New Zealand and soon, Morgan will be looking to export to Australia. 'Our biggest challenge with export is the shelf life of our product. This is a bit of a double-edged sword as we're not prepared to pump our product full of preservatives or other nasties. We are currently working with a food technologist to look at ways to do this naturally, whether it be altering our baking method or another technique.'

To make her business the success it is today, she knew there needed to be processes put in place. This is where Morgan has been so lucky with her accountant. 'We couldn't have done it without her guidance and putting up with so many of our trivial questions! We also sought out a mentor from the same industry, so he knows the food business and has supplied us with invaluable advice.'

So how does one hear about these cracking crackers? Morgan is an advocate for networking when it comes to marketing her brand. 'You can't underestimate the power of customer interaction. The market is a great hub for foodies, which helped form the basis of our brand awareness and marketing, but we also dropped off packs to key food writers to initiate interest and create conversation.'

That being said, Morgan is also a fan of social media. Unlike traditional forms of marketing, this medium has allowed people to participate and enhance brand awareness.

'I would also recommend meeting with others in your industry, who are at different levels of their business maturity. We have formed some wonderful friendships with other local artisan producers, of which there are so many great ones in New Zealand. It's great to meet with them, talk business and share tips and tricks. It's super inspiring!'



Disclaimer

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