

Autumn Wilco 2013

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Changes to rates and thresholds as of 1 April 2013:

ACC

The government announced that the 2013/2014 levy rates will remain at their current levels. However they have introduced three new initiatives:

- **Extended Workplace Safety Discounts**
- Vehicle Classification System
- Fleet Safety Incentive Programme

We will be following up on these changes in future issues of Wilco, but in the meantime, visit the following website for more information:

www.acc.co.nz/news/WPC116639

KiwiSaver

The minimum contribution rate for employers and employees will rise to 3% from April.

Primary and Secondary School Children

From 1 April 2013 PAYE must be deducted from payments of salary/wages or schedular payments to school children.

Student loan changes

The repayment rate for student loan deductions increases from 10 to 12 cents per dollar earned over the current threshold of \$19,084 per annum. on its own.

Working for Families

The net income level guaranteed by the minimum family tax credit will rise from \$22,568 to \$22,724.

ACC Workplace Safety Discount

ACC Workplace Safety Discounts are a great way to save 10% off the work levy for small businesses who can show sound health and safety practices. Currently the programme is available in the agriculture, construction, fishing, forestry, motor trades, road transport and waste industries.

How much is the discount?

The discount is 10% of the work-related component of levies. The total amount of the discount will depend on the levies paid.

The discount applies for three levy years, from 1 April to 31 March, including the year the initial application is accepted - an annual declaration is required at the end of the first and second years to confirm details.

This means, in addition to receiving the discount, the business will be playing a valuable role in keeping injuries out of the workplace.

When will I get the discount?

Applications received during the current levy year will apply for the whole levy year, which runs from 1 April to 31 March.

A refund will be paid on any levies already paid during this time.

What do I have to do?

To qualify, an eligible business needs to show capability in health and safety management, which generally means completing a free industry-specific training course (typically about one day in duration), then returning a correctly completed self-assessment booklet to ACC.

Please contact us or visit [ACC Online Services](#) for more information.

Timely Reminders

- The proposed starting out wage will be available 1 April.
- Terminal tax for clients on our agency list is due 7 April (if balance date is between March and September)

KiwiSaver employer contributions and minimum wage

A recent case must have given some employers pause for thought. The Employment Court has ruled that employers **must pay KiwiSaver contributions in addition to the minimum wage**, not inclusive in the minimum wage. In a 'total remuneration' package, the gross wage must amount to at least the minimum wage plus compulsory employer contributions. Anything less is a breach of the Minimum Wage Act 1983.

Case Study: Employees were being paid the minimum wage, with their employment agreements stating remuneration was 'inclusive of KiwiSaver compulsory employer contributions'. The KiwiSaver Act 2006 allows total remuneration packages, provided that mandatory employer contributions are accounted for.

The Court found that employees have an inalienable right to receive the minimum rate irrespective of anything in any other statute or agreement. A payment of a compulsory employer contribution was not 'payment for ... work' performed by an employee for the purposes of the Minimum Wage Act. Here, the Court said, the employer was effectively expecting its employees to pay for the employer contributions.



In themselves, the caregivers' agreements did not infringe the requirement to account for the contributions. The Court said there did not need to be a numerical figure for the deduction; simply a statement as to how that figure is arrived at.

ESCT and KiwiSaver Deductions

From 1 April 2012 all employers that make KiwiSaver contributions for their employees are now liable for ESCT tax. ESCT needs to be calculated on all employer superannuation contributions (including KiwiSaver) and included in your PAYE returns. The IRD are calling all employers who have not yet paid any ESCT to help get returns correct.

Contact us if you would like to review your ESCT deductions.

Year End – 31 March 2013

For most of us, our financial year end is fast approaching. So it's time to start thinking about what's required to get those records together.

We have been sending out correspondence including our annual questionnaire to help you organise your financial information.

Watch this space!



Changes to the tax treatment of commercial lease payments

If you're considering entering or exiting a commercial lease arrangement in the coming months we advise you to contact us to discuss the potential tax implications arising from proposed changes effective 1 April 2013.

Lease inducement payments are a lump sum paid by a commercial landlord to a tenant providing incentive to enter a lease arrangement in times of high lease vacancy. Currently such payments are treated as deductible for the landlord and as capital or non-taxable receipts for the tenant.

The proposed changes will make lease inducement payments taxable income for the tenant with the income spread evenly over the lease term. Landlords will now also have to spread the deduction over the lease term.

Lease surrender payments are a lump sum paid by the tenant to a landlord to exit a long term lease. Generally lease surrender payments are treated as taxable to the landlord, but non-deductible to the tenant. In future these payments will be made tax deductible to the tenant.

Both proposed changes will only apply to leases entered on or after 1 April 2013. Effectively landlords and tenants will in future receive symmetrical tax treatment for receipts and payments.



'A good plan today is better than a perfect plan tomorrow'
– old proverb ted.

New rules for mixed-use assets

In the 2012 budget the government announced proposed changes to the rules surrounding the deductibility of expenditure incurred for mixed-use assets. The main purpose of the change is to reduce the ability for people to offset the holding costs of their assets by renting the asset occasionally. Mixed-use assets include such things as bachs, boats and aircraft. Owners still need to apportion the use of their assets into taxable and non taxable deductions, but the apportioning rules have changed.



An asset will fall into the apportioning rules if:

- It is used privately by owner or relative
- It is used to generate income
- There are more than 62 days when the asset is unused
- It costs more than \$50,000

The rate changes are still in the process of becoming law but once in place, they are likely to apply for the next financial year. The proposed changes to the apportioning of mixed-use assets are likely to extend to the deductibility of interest where you have more than one entity. If you have mixed-use assets, the impact of these changes may be significant and we will let you know as soon as we have an update. In the meantime, if you're concerned about how these changes may affect you, talk to us today to find out more.

Accounting Systems

A good accounting system can have significant benefits to your business. A system should be able to produce the information you need and make your life a bit easier.

We are always happy to assist our clients in ensuring they are on the best system possible.

Contact us to discuss your needs including:

★ Xero ★ BankLink ★ Cashbook ★ MYOB ★ QuickBooks ★ ... and many more



Are you ready for 2013 payroll changes?

For more information on 2013 payroll changes effective April 1, you can visit the IRD website and use their helpful checklist. Follow their step by step guide from the homepage: www.ird.govt.nz. Alternatively contact us to ensure you have your obligations correct.



Disclaimer:

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.

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Creating a sustainable company culture

Businesses performing well in the current climate recognise the opportunities that lie within the office walls... your key staff! Developing a healthy business culture will prove a valuable investment, helping you to retain, motivate, and propel key team members and your business. It all starts with strong values and capable leadership.

Fear is a massive barrier to innovation and improvement. Employees face many everyday workplace fears, including: fear of making a mistake, being made redundant, of public speaking, of dealing with a disgruntled client and fear of conflict.

Communication is an effective tool in minimising workplace fear. Through consistent, clear communication and greater employee engagement, you can develop an optimal mix of skills for the future, while fostering awareness, collaboration, and mutual trust. When your team feel trusted, their sense of belonging will grow, as will their confidence, their achievements and their resounding loyalty to you and your business.

Fear generally develops in an information vacuum. In the absence of truth, employees will assume negatively. Regularly communicate the state of your business, its future direction and any potential hurdles with your team. Honest and clear communication will promote greater respect for your leadership. It can be a springboard to better performance for your team and your business.

- 1. Express the business' core values.** If your team truly understand the principles behind the business, then they need not be governed by a set of defined rules. Grant them confidence to act honourably and sensibly of their own accord.
- 2. Develop a strong sense of trust.** Be consistent, transparent, and follow through on promises. Relationships thrive on clarity and you'll get out what you put in.
- 3. Openness from the top.** Encourage open discussions, and always air conflict. Accept that everyone is different and everyone should be comfortable telling you if they're unhappy or disappointed by your actions. Listen, show compassion and accept feelings whether or not you agree with them.
- 4. Minimise fear of rejection, encourage appropriate risk-taking.** Your team will willingly experiment and thrive on developing better processes and products.
- 5. Avoid blame, focus on problem solving.** Team members must be accountable for their mistakes, but blaming and shaming only destroys confidence and stifles creativity. Encourage people to openly accept personal responsibility.
- 6. Optimism over pessimism.** Positivity spreads like wildfire... and setbacks can prove to be great opportunities. Be patient and find the positive outcome.
- 7. Collaboration builds relationships and increases output.** Don't encourage narrow minded competitiveness. Collaborate and bring your team together.
- 8. Healthy relationships are built on mutual respect.** This goes for your staff and your clients or customers - respect is fundamental. Especially the kind where you respect someone even if they disagree with you, annoy or oppose you.
- 9. Let everyone have their say.** Dominant personalities can outshine quieter teammates. Encourage those less likely to put their hand up and make it clear that all opinions and ideas are treated equal.
- 10. Recognise effort and success.** As the boss, you stand to learn a lot from your team. Be specific with praise, share the love and keep morale at an optimum.

'None of us are as smart as all of us.' Japanese Proverb