

## Director's Corner

As 2007 draws to an end it is an appropriate time to reflect, once again on all the events that

have happened this year. Clarke Crow has had more celebrations – two new Associates, a milestone birthday, a finalist in the New Zealand Accounting Technician Awards, and most importantly providing our professional services to help you succeed in your business.

Clarke Crow has also sponsored a scholarship at Otago Boys' High School for an accounting student. Ryan Hammer was the successful applicant. Ryan will be working with us during his holidays and we will be mentoring him through his degree.

Our offices will be closed for the holiday period from Friday 21 December and we will re-open with holiday staffing on Monday 7 January. We will have a full team back on deck on Monday 21 January.

Just like every December, we have added some issues to consider for your business or home when you are closing the office or going on holiday:

- What will happen to the mail?
- Does the newspaper / milk need to be cancelled?
- Will there be any banking?
- Are the cleaners aware of your holiday hours?
- Do you have an answer phone so that you can advise of your closure and any contact details?
- Have you called your security company to let them know closure hours and provide them with contact details of key holders available over that time?
- Have you called your offsite data collection people to let them know your closure dates for your office back up tapes?

***On behalf of the team here at Clarke Crow, we would like to wish you all a safe and happy holiday!***

## Seek New Business and Help Others Through Referrals

Think outward – that's the message in business these days.

You need to think how you can build links with other businesses and work alongside others in your marketplace to both help them and move your own business forward.

Of course, sound internal structure and systems remain critical to any business but to be really successful you need to look beyond your own realm.

To do this you've got to get out there and network. Lots of networking groups now operate for the purpose of bringing like-minded people together. Breakfast, drinks or dinner meetings, women's groups, industry-specific groups – the list is long. Find out what groups meet in your town and join in.

Great things happen when people start networking – one of the most exciting is when businesses join forces to achieve something they could not have done in isolation, such as develop a new export market. In this way, everyone's business moves forward.

Another way all businesses can benefit through networking is from referrals. Some say word-of-mouth referrals are the way to do business these days. In fact, some businesses don't even need to advertise as most of their clients come through referrals from others.

### ***How do referrals work?***

When you attend a networking meeting, always keep in mind how you can help others. Small businesses which are specialists in their field, but operate in the same market as other specialists, may be able to cross refer. For example, in the financial services market, you might help a client with personal insurance but then refer them to another business for advice on a different financial matter.

It's these win/win business relationships that you need to foster. Others might team up to host a seminar or produce a brochure, or retail businesses might jointly offer some incentive scheme which benefits all parties.

If you're out and about then networking opportunities are all around you – from the people you meet in the supermarket, to the sports field, to the business function.

Get out there, find out what others do, and consider how you can help them. In networking language, if everyone aims to help others, then everyone will benefit.

And while you're out there, make sure you carry plenty of business cards for exchanging with others. Don't rely on your business card to do all the work though. A crisp, brief spiel about your business – one that triggers the person to take action – is even more important.

**For more information on networking visit our website [www.clarkecrow.co.nz](http://www.clarkecrow.co.nz).**

## Student Allowances

Clients who have children attending University or other Tertiary Education Institutions will be aware that the child(ren) may be entitled to student allowances. These are direct cash grants to assist with accommodation and other costs. They do not have to be repaid, and should not be confused with student loans. Obviously, there are a range of criteria to be met before the allowances are paid to the student. One of the criteria is combined parental income. For the 2008 calendar year a student can obtain the maximum amount of allowances, provided the combined parental (taxable) income does not exceed \$44,333.64. Above that level of combined parental income, the student allowances abate progressively and will disappear completely when joint parental income reaches \$71,556.00 if the student is living at home, or \$78,363.00 if the student is living away from home.

The maximum level of allowance for a student living away from home is \$148.73 per week for a maximum of 42 weeks in a year. That means it can be as high as \$6,246.66 per annum. A tax free Government handout of up to \$6,246.66 is well worth pursuing and the whole scenario becomes even more attractive if there are two children at University (\$12,493.32 potential allowances).

## Wills

Surprising as it may appear, the existing law on wills dates back to the 1830's. The rules laid down almost two centuries ago such as signing, revoking or correcting wills are considered too archaic and strict to give proper effect to the intentions of the person making the will in the 21st century.

The Wills Act 2007 was enacted on 28 August 2007, and applies to all wills made by people who die in New Zealand on or after 1 November 2007. The intention of the new Act is not so much as to reform existing law, but to modernise the law by restating it in simple and plain language. This was probably prompted by some instances where the will was deemed invalid because of the manner in which it was signed in spite of knowing the clear intentions of the person making the will.

The main change in the new legislation is to give the courts some flexibility in rendering a will valid where the will did not comply with some formal requirements.

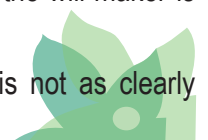
The formal requirements for making a valid will are essentially the same as before. However, the courts will be able to obtain external evidence in interpreting the wording of the will where the intention is ambiguous or uncertain, which was not the case under previous law.

### **These requirements that remain the same are:**

- That the will must be signed by the will-maker (previously known as the "testator") in the presence of two witnesses;
- The two witnesses must be present together when the will-maker signs the will;
- Both the witnesses must state on the will that they were present when the will-maker signed it; and
- Sign the will in the will-maker's presence.

What is crucial is the clarity of the intention of the will-maker, who needs to exercise some care and caution in ensuring that their intentions are clear in the will. In summary, the new legislation will allow the courts to:

- Override clerical errors in a will that alters the true intention of the will-maker;
- Validate a will if it did not comply with the above requirements provided the intention of the will-maker is clear; and
- Interpret the will where the intention is not as clearly stated as required by law.



# Changes to Provisional Tax Payments

You would have noticed that the Inland Revenue Department (IRD) has successfully aligned the Goods and Services Tax (GST) periods to taxpayers' balance date. This was done to prepare the way for the introduction of the new provisional tax rules coming into force from the 2008-2009 income year.

Those with a standard balance date will be affected by the changes from 1 April 2008. However, the new rules already apply to taxpayers with early balance dates, that is those whose financial year starts from 2 October 2007.

## **The changes are as follows:**

### **1. Align the provisional tax payment dates with the GST payment dates, to give the taxpayers more time to pay provisional taxes and enable facilitation of payment of both taxes at the same time.**

Depending on the frequency of the GST returns filed, the new provisional tax payment dates will also differ.

- Where a taxpayer is not registered for GST, the provisional tax payments will be due on the 28th of the 5th, 9th and 13th month after the balance date.
- Where the taxpayer files monthly or two monthly GST returns, the provisional tax payment dates are the same as the bullet above.
- Where the taxpayer files six-monthly GST returns, the provisional tax payments will be due only twice a year – on the 28th of the two GST payment dates.
- In addition, where a taxpayer opts for the new method of calculating provisional tax instalments called 'GST ratio' option (see below), the provisional taxes will be due six times a year on the 28th of the 3rd, 5th, 7th, 9th, 11th and 13th month after the balance date.

If the due dates fall on the 28th of December and April, they will be deemed to be on the 15th of January and 7th of May respectively as it is at present.

As you can see from above, for most taxpayers, payment of provisional taxes will change to the 28th of the 5th, 9th and 13th month after the balance date instead of the current 7th of the 4th, 8th and 12th month from the balance date. So for example, if the taxpayer has a standard balance date of 31 March, they will be paying

the three instalments of their 2009 provisional tax on the 28 August 2008, 15 January 2009 and 7 May 2009.

### **2. Introduce a new GST ratio option to calculate provisional tax.**

#### **Why use this method?**

The benefits of using this option are:

- Use of money interest (UOMI), currently at 14.24%, will not apply to underpaid provisional tax until the terminal tax date. The flip side also holds where UOMI (at 6.66%) will not be paid by the IRD on overpaid tax.
- Where the business has fluctuating or declining income, the taxpayers need not have to base their tax instalments on previous year's residual income tax (RIT).
- Smaller taxpayers with cashflow problems can reduce or eliminate the UOMI altogether.

#### **How is it calculated?**

- Firstly, the GST ratio is calculated by dividing the taxpayer's RIT for the preceding year by the total GST taxable supplies for that same income year.
- The above ratio is then multiplied by the taxable supplies of the GST period with which date the provisional tax payment is due.

#### **Any limitations?**

Clearly the above limits the number of taxpayers who can avail themselves to the GST ratio option. Taxpayers who are eligible to choose the GST ratio method are those who:

- Are registered for GST;
- Were registered for GST for the whole of the previous year;
- File GST returns either monthly or two-monthly;
- Had their RIT for the preceding year between \$2,500 and \$150,000 exclusive; and
- Have the ratio percentage between 0% – 100%

If you meet the above criteria, you may choose the GST ratio method provided you elect to use this method before the start of the income year.

## Employment Agreements

If you're a growing business about to take on its first employee, or if you've just been offered a position and want to know if the agreement is right for you, this guide to individual employment agreements can help you understand what you need to know.

Below you'll find a complete list of sections and subsections that you may find in a standard individual employment agreement.

1. **The Parties** - Contains: Employer and Employee
2. **The Position and Duties** - Contains: Position, Duties, Reporting, Objectives, Reviews, Secondment
3. **Nature and Term of the Agreement** - Contains: Permanent / Fixed / Casual, Probation
4. **Obligations of the Relationship**  
Contains: Of the Employer, Of the Employee
5. **The Place of Work** - Contains: Place of Work
6. **Hours of Work** - Contains: Working Hours, Lunch & Meals, Tea Breaks, Variations
7. **Wages / Salary / Allowances** - Contains: Payment clauses, including Pay Schemes, Bonuses, Penal Rates, Overtime and Expenses
8. **Holidays and Leave Entitlements** - Contains: Annual Leave, Public Holidays, Sick and Bereavement Leave, various other related clauses
9. **Other Entitlements / Benefits** - Contains: a selection of clauses referring to services an employer may choose to provide
10. **Health and Safety** - Contains: a selection of general and specific Health and Safety clauses
11. **Other Employment Obligations** - Contains: Copyright, Restraint of Trade, Parental Leave, Child Care and related clauses
12. **Restructuring Redundancy** - Contains: Rights in contracting out situations, Restructuring due to transfer, Negotiations with new employer, no transfer or employment, Definition, Redundancy Process, Notice of termination due to Redundancy, Redundancy compensation, Technical redundancy
13. **Termination of Employment** - Contains: General, Serious Misconduct, Suspension, Medical Grounds, Abandonment, Obligations
14. **Resolving Employment Relationship Problems** - Contains: Resolving Problems
15. **Acknowledgement of the Agreement** - Contains: Variation, Non assignment, Entire Agreement, Severability, Deductions, Acknowledgements
16. **Declaration** - Contains: Declaration

**For more information on Employment Agreements, please contact our Human Resource Administrator, Pam Deans on 477 0032.**



## Spicers Corner

### 10 Tips to Avoid Bankruptcy by Boxing Day

**This article was written for [www.grownups.co.nz](http://www.grownups.co.nz) and I thought it might make useful reading over the coming week.**

1. Recognise that Christmas is an emotional minefield and send out a disaster alert to all those who might impact the family budget. In terms of spending, Christmas gift-buying and holiday spending rides on emotion. Logic and reason do not feature.
2. Realise that most spending decisions are driven by emotion and the unconscious desire to instantly gratify it. Together this ghastly duo can temporarily blind you to most sensible thought. Those emotions can ride even higher because it's the end of the year and you're tired and possibly suffering from Christmas excess, therefore...
3. Don't even consider starting to plan or shop (even for the tiniest item) without protecting yourself with a plan that covers 4 and / or 5.
4. Establish how much cash you can afford to spend or are willing to spend and use cash wherever possible.
5. If (4) isn't possible and you haven't got the cash, establish how much credit you can afford to repay when it falls due in one big swoop without spreading say credit card repayments over 3-4 months and incurring the interest upon interest.
6. It is a sad fact that generally the more money you have, the less you keep track of it. People generally tell me they spend \$1,000 - \$3,000 all up which tells me they have no idea of what they really spend. In this case, knowledge is power.
7. Buy big ticket items after Christmas. If someone wants a new bike or whatever, buy them a new crash helmet and give them a voucher to get the bike in the next few days so you can save the \$100 or \$150 or whatever in the Boxing Day sales. (OK, it's not the same as un-wrapping a great big bike but unless you've got a lot of money, you need to be smart.)
8. Hold that list dear to your heart and follow it faithfully. Do not deviate from it under any circumstances.
9. In a perfect world you should be setting aside money during the year from your joint working account into a separate account which you might use for holidays and Christmas - \$100 a month or whatever the amount is. Put it in the 25 or 53 savings account or whatever and make it untouchable, so you can't see it on a day-to-day basis to be sure you can't spend it.
10. Streamline your finances. Most people spend their pay and then try and save whatever's left over. What you should do in all cases is pay yourself first. Pay the taxman. Pay the mortgage. Then pay yourself. People can end up buying things they don't need to impress people who don't matter.

**Have a great Christmas! For more information on these contact Russell Quin at Spicers –Your Financial Advisers through Clarke Craw Limited or phone (03) 477 0004.**