

Director's Corner

As 2006 draws to a close it is an appropriate time to reflect on all the events that happened this year. Clarke Crow had tons to celebrate – a new Associate, new babies, a milestone birthday, a long term service of 50 years, a finalist in the New Zealand Accounting Technician Awards, and most importantly providing our professional services to help you succeed in your business.

Our offices will be closed for the holiday period from Friday 22 December and we will re-open with skeleton staff on Monday 8 January. We will have a full team back on deck on Monday 15 January.

Some issues to consider for your business or home when you are closing the office or going on holiday are:

- What will happen to the mail?
- Does the newspaper 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 back up tapes?

Have a safe and happy holiday!

Human Resource Facilities

We currently have up to date information available to clients regarding Human Resource issues and legislation.

The information we have is split into the following categories:

- Discipline, Disputes and Grievances
- Human Resource Forms and Letters
- Human Resource Policies
- Employment Agreements

Firstly in the Discipline, Disputes and Grievances section, you will find the definitions and reasons for taking action against staff and how to respond and proceed with these actions. There are step by step procedures to follow if assistance is needed and frequently asked questions (with answers) covering various scenarios.

Secondly, the forms and letters section is the paperwork side of management. Unfortunately it is a necessary evil but it is important to have a 'paper trail' as it leaves a clear and concise record of issues that have occurred and what action has been taken. It can also lead to better management of staff in the future. This section begins with job analysis, leading to job descriptions, carrying on right through to the recruitment process. Further forms are available for performance reviews, health and safety forms and the appropriate forms for terminating employment.

The Human Resource policies section includes why you should have a policy in place, what an HR policy should cover and how to present your HR policy. This is quite a large section but it covers a variety of topics including conditions of employment.

Lastly, the Employment Agreement Section. This lists why you need agreements in place, what the legislative

requirements are in each individual agreement and various types of agreement.

We can offer you assistance in any of the above areas or we can carry out the tasks for you with information supplied by you.

If you have any questions on any of the above information you can contact Pam Deans by telephoning (03) 477 0032 during office hours.

For more information on Human Resource facilities visit our website www.clarkecraw.co.nz.

Quote for the Summer: A perfect summer day is when the sun is shining, the breeze is blowing, the birds are singing, and the lawn mower is broken. James Dent

Tax Incentives for Giving to Charities

The Charities Commission will begin the registration of charities under the Charities Act on **1 February 2007**. This new legislation changes the requirements for charitable organisations claiming income tax and gift duty exemptions.

Registration with the Commission is voluntary; however, existing charitable organisations will need to register before **1 July 2008** to retain their tax-exempt status on the grounds of charitable purpose. This includes Charitable Trusts and Incorporated Societies that carry out charitable activities. From 1 July 2008, only organisations registered with the Commission will be eligible for exemptions from income tax and gift duty.

To be eligible for registration under the Charities Act, an organisation must be established and maintained for charitable purposes-or, if a trust, have at least one charitable objective.

Applying for registration involves completing an application form, officer certification forms for each officer, and providing the Commission with a copy of your organisation's rules. Charitable organisations can apply at www.charities.govt.nz or by post. Registration forms will be available from the Commission in the New Year.

Once registered, charities must file an Annual Return and notify the Commission of certain organisational changes to comply with the Act.

While the Charities Commission will decide if an organisation qualifies for registration under the Charities Act, Inland Revenue will continue to administer the income tax and gift duty exemptions available to charities and decide whether donations to a charity are eligible for rebates and deductions. ***Donee status is not affected by the Charities Act.***

GST and Supply of Accommodation in dwellings

The IRD has issued a draft interpretation statement – *GST exempt supply: supply of accommodation in a dwelling (ISOO49)* – for comment and discussion concerning the GST treatment of the supply of accommodation in a dwelling or in a commercial dwelling. This draft interpretation of the law confirms that holiday homes, homestays, farmstays and serviced apartments will not, in most cases, be classified as commercial dwellings and will, therefore, fall within the exemption from GST for accommodation. The comment deadline is 22 December 2006.

The interpretation statement concludes that, in general, a homestay will not usually be a commercial dwelling and that the supply of accommodation will be an exempt supply.

The interpretation statement also concludes that supplies of accommodation in holiday homes will be exempt as the supply of accommodation by way of hire in a dwelling or dwellings, unless they are commercial dwellings.

On 19 October 2006, the Minister of Revenue, the Hon Peter Dunne, announced that the Government will introduce legislation to reduce the impact on GST-registered owners of holiday homes, homestays, farmstays and serviced apartments from this possible new interpretation of the law by the IRD.

If the final interpretation is along the lines in the draft interpretation statement, the Government will introduce a law change that preserves the status quo for owners who have registered for GST and claimed GST for expenses associated with the accommodation before the new interpretation is finalised. This means that they will be able to de-register in the future in accordance with current interpretations of the law and, therefore, postpone any financial consequences that might otherwise arise from the new interpretation.





Preparing to live the good life

If you're a babyboomer who is a bit daunted by the path ahead to retirement, take heart says Spicers Wealth Management. You're approaching retirement at a very exciting time. You are going to have more lifestyle options and new ways to fund your life after work, but you need to be smart and make the right decisions now (because making the wrong ones could really hurt later on).

This is what you need to do:

1. Know what the good life means to you. Give your dreams flesh and bones

because it will make it easier to make lots of other decisions. If you could see retirement as a beginning, what would you do? The average life expectancy for those born after 1960 has now hit 85. If you enjoyed good health and lived until then, where would you go? And when? How would you fill your days? Who would you spend time with? Where do you want to live? Does your partner feel the same? Find out what they want to do.

2. Get pragmatic about money

Realistically work out how much you expect to retire on given the age you (and your partner) want to stop working full-time. Then ask yourself what sort of lifestyle you realistically need to achieve. What do you expect to be different between how you live today and how you will live when you give up working full time? Will there be a gap in the cost of your lifestyle in

retirement compared to when you are working? If there is a gap, you need to get on to it, but don't panic. Remember you're part of a generation that has more options than ever before.

Get some financial advice to check the numbers and work out the best options for you and your family going forward – but make sure it's from someone who is qualified to give it to you. Friends or someone you met at a barbecue don't count! Remember, the starting point is to give your dreams some flesh and blood – so think about the things you really want to do and what is important to you, then start working on the numbers.

3. Look after your health (and your relationships!)

Both the quality and ever escalating cost of healthcare are becoming issues around the world. Do what you can now to promote better health later on – reduce weight if you know you need to, look at your diet and maintain a regular exercise programme.

Divorce statistics have jumped significantly in this age group over the last decade. Do what it takes to look after the people you want to retire with, develop some interests and ensure you have a strong social network to retire into.

4. Remember the golden rules of wise investment

- Get good investment advice.
- High returns come hand in

hand with high risk. Likewise be very careful of tax avoidance schemes – always get independent advice from someone who is not promoting them.

- Diversify your investments.

5. Be careful about lending your hard-earned money to friends and family.

Emotion and money generally don't go well together.

If you're in your 40s...

You're in a good position because you have more time to plan so don't muck around, get in touch with a financial adviser.

If you're in your 50s...

Your goal needs to be to maximise your income and savings before retirement because the more money you've got, the more choices you will have.

We've outlined what to do but to get down to the real nitty gritty of how to do it, see a professional financial adviser to work through the issues with you. It is invariably a case of "you don't know what you don't know", but a good adviser will.

Once you've done your homework, and received some sound advice buckle up and get set to age with gusto!

As long as you have a definite plan tucked under one arm, go for gold and get ready to live the life you aspire to.

For further information, please contact Russell Quin, Adviser, Spicers Wealth Management at Clarke Craw Limited.

“Kiwi Saver” - all set to begin

The Government's work-based savings scheme, KiwiSaver, officially starts in July 2007.

It is designed to make it easy for New Zealand employees to save a minimum of 4 or 8 per cent of their gross salary or wages towards their retirement by requiring employers to deduct it along with their PAYE every time they get paid. These contributions are deducted from salary or wages by the employer and can be comprised of payments from both the employee and the employer. The scheme will be administered through the PAYE system by Inland Revenue.

New employees aged 18-65 years will be automatically enrolled in KiwiSaver. Existing employees can opt-in if they wish. All employees will have eight weeks to opt out if they decide not to take part. KiwiSaver deductions begin from their first pay, but will be returned with interest if the saver opts-out in the first eight weeks.

After the eight-week window closes, savings are locked in until the saver reaches the age of eligibility for New Zealand Superannuation (currently 65) or five years after the first contribution, whichever happens last, but

- funds can be accessed for retirement, financial hardship, serious illness, when permanently emigrating or for a deposit on a first home;
- savers can divert half of their contributions to their mortgage after they've been saving for 12 months (if this is offered by their KiwiSaver provider);

- savers can take a contributions holiday for up to five years after they have contributed to KiwiSaver for 12 months.

To kickstart the scheme the government is providing a \$1000 contribution and paying some scheme fees in order to improve the returns for savers.

Employer contributions to KiwiSaver schemes will be exempt from tax, subject to a cap of the lesser of the employees' contribution or 4 per cent of their gross salary or wages.

Savers can choose the institution with whom they want to place their funds, let IRD allocate them to a provider or be automatically enrolled in their employer's chosen KiwiSaver scheme. The Government has just announced six default providers to manage KiwiSaver funds: AXA New Zealand, AMP Services (NZ) Ltd, ING (NZ) Ltd, Mercer Human Resource Consulting Limited, ASB Group Investments Ltd and TOWER Employee Benefits Limited.

What will KiwiSaver mean for employers?

Under KiwiSaver, employers will be responsible for:

- distributing an information pack, provided by IRD, to all new employees aged 18 and over;
- enrolling new employees and existing staff who opt-in;
- deducting employees' contributions and forwarding them to IRD with PAYE.

Employers can choose a KiwiSaver scheme for their employees to join. While

an employee has the final say on which scheme they join, an employer may find it helpful to nominate a KiwiSaver provider for employees.

The Government has just announced (13 December) its intention to extend KiwiSaver tax breaks to other workplace savings schemes so workers will no longer lose 33c in tax for every dollar they put into them.

Employers with existing workplace savings schemes can apply to be exempt from auto-enrolment. Currently, an exempt scheme must:

- be portable, i.e. allow employees to transfer balances to and from other comparable schemes, and
- be open to all permanent employees, and
- have a total contribution rate (employer plus employee) of at least 4% of the employee's gross (before tax) salary, with the 4% vesting completely to the employee within five years, and
- have applied to the Government Actuary for an exemption from the automatic enrolment provisions for new employees.

Any employee can still opt-in to KiwiSaver even if an employer has an exempt scheme and will be entitled to the first home deposit subsidy, if they meet the required qualifying criteria.

This article was supplied by Spicers Wealth Management.

YOUR

YBT CORNER

Business Team

Holiday Reflections - When to Hand Over the Reins?, by Dave McPhedran, B.Com, CA

It's now approaching that time again when we can stretch out with a good book and reflect upon the events of the past year. I call it the 'Good Intentions' period as without doubt most of us re-charge our batteries and look forward to the New Year with clarity and the 'time honoured' resolve to make 2007 a winner.

I have also lost count of the times that the enthusiasm has been beaten out of us within a month of returning to work and being snowed under by the day to day tasks of running a business.

Forward strategic planning tends to take a back seat and the attitude 'I'll sort it out next year' prevails. As a professional business advisor, however, I can't afford to take this attitude with my

clients. Strategic planning is crucial and critical timeframes do not recognise post Christmas lethargy.

There are few strategic planning issues more critical than deciding how to maximise the business value prior to 'handing over the reins'. As I have said many times in the past: - you can either decide to go on your terms, or someone else's. If it's the former then you need to get professional advice now - whether you are considering moving in one year or in ten.

Succession planning in a family business is not always easy. Quite apart from the breadth of issues to take into account, succession planning can and does result in family disagreements. Most families

find it helpful to seek advice from a professional skilled in the area of business sales and succession planning.

Having worked in this area for over ten years I have witnessed the pitfalls that can occur if the business is not prepared properly for sale and worked with clients to solve the issues and ensure desirable outcomes for all stakeholders.

So firstly - have a well earned break. Then, if you want to convert your good intentions into tangible actions that will have a positive impact on your future, give me a call on (03) 479 3911.

