



JUNE 2015

USEFUL SNIPPETS

KIWISAVER GOOD NEWS!

FIRST HOME WITHDRAWAL USING KIWISAVER

From 1 April 2015, members may withdraw all of their Kiwisaver funds, apart from the \$1,000 kickstart from the Government, in order to fund the purchase of a first home.

THE \$521 KIWISAVER TOP-UP

If, by mid June, you have put into Kiwisaver since July last year at least \$1042.00 you will qualify for the Government match of 50c per dollar and can expect \$521.43 to be added to your Kiwisaver account in August. The Government will still pay in 50c to match every dollar you have contributed if less than \$1,042 has been contributed and it is not too late to make a one-off additional payment to bring your contributions up to at least \$1042.00. How do you know what sum you have contributed? Check your payslips or with your provider. Moreover, if since July last year you have had earnings of \$34,762 or more and are contributing 3% of your gross wages you will likely get the full \$521.

The kick-start incentive payment cessation as announced in the Budget does not affect existing Kiwisaver members in any way.

COMPANIES AMENDMENT ACT - WHAT TO DO AND WHEN TO DO IT

For most small businesses, the 'to do' list to comply with the Companies Amendment Act will be short.

If you have registered a new company after 1 May this year, you will have already been required to provide the date and place of birth of every director.

From 1 July 2015 onwards when existing Companies file their annual return they will be required to provide extra information about each of the directors – i.e. their date and place of birth. Additional details of the ultimate holding company, if applicable, will also now be requested. Where Graham & Dobson files the annual

return on your behalf, we will request this information from you.

Of the 550,000 companies on the register of companies, approximately 5,000 have overseas directors only and by no later than October 2015 all companies will need to appoint at least one director who lives in New Zealand (or lives in Australia if that individual is also a registered director of an incorporated Australian company).

Comment:

Make sure you have one director who:

- Lives in New Zealand, or
- Lives in Australia and is also a director of an Australian incorporated company. In this case you will be asked for the name of the director, and the name, address and Australian Company Number (CAN) of the Australian business.

And provide the following information to Graham & Dobson if we file the Company return:

- Date and place of birth of every director
- Details of ultimate holding company, if applicable.

MINIMUM EMPLOYMENT STANDARDS

Changes proposed to strengthen the enforcement of employment standards and in particular to address the issue of whether low and medium salaried and piece workers are receiving adequate pay include making record keeping requirements for time, wages, holidays and leave standard across all employment legislation.

The key requirement will be for employers to produce a record of the number of hours worked each day in any pay period and the pay for those hours. Employers will have some flexibility as to what form this record takes but it must be in an easily accessible form available on request from a labour inspector.

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ACC VEHICLE LICENSING LEVY REDUCTION

ACC is continuing to deliver on levy reductions and this year the average levy paid by employers and self employed in Work Account levies will fall to 90cents per \$100 of liable earnings, down from 95 cents.

However, it is the ACC vehicle licencing levy reduction on the 1 July 2015 that will feel more significant to many as the cost of relicensing (registering) most vehicles will drop by around \$130 a year.

The reduced levies will apply to commercial and private light passenger vehicles, cars, utes, vans less than 40 years old and weighing less than 3500kg. The reduced levies will not apply to motorcycles and mopeds because motorcycle-related injuries continue to generate disproportionately high costs for ACC and motorcycle levies are already heavily subsidised by owners of other types of vehicles.

If you need to renew your vehicle's registration now you can save money by renewing your licence for less than a full year.

Comment:

To make sure you don't pay more than necessary when renewing your vehicle registration in June you may want to consider opting for a shorter licensing renewal period. That way you will be ready to take full advantage of the new lower price when your vehicle's licence comes up for renewal after 1 July 2015. To renew for one month only, you will need to visit an NZTA agent and complete an MR27 form as LTSA on-line registration does not allow re-licencing for less than three months.

HAS THE SHARING ECONOMY TOUCHED YOUR BUSINESS?

An emerging trend is both disrupting and creating business. It is the sharing economy, sometimes referred to as collaborative consumption. Put simply, it gives people the option to hire access where before they could only buy a product.

"What's new?" you say. The rental business is well established! However, driven by new technologies, the sharing economy is connecting people using social media, peer to peer sites or mobile apps. It is a new marketplace and people are behaving differently within it. And in some cases, the products are new.

The explosion of digital goods has created new industries. Social media accustomed us to information shared rapid-fire. Where iTunes revolutionised music



has disrupted the whole notion of buying music, giving customers access to a shared music library and Netflix have done it with movies. While the e-reader market is based on 'buying'

a book in electronic form, this model may already be changing shape with proposals to launch all-you-can read books for one monthly fee!

You would think the risk associated with lending things to strangers without safeguards such as contracts and bonds in



place would be a barrier to the sharing economy. However, for online customers, research indicates that endorsements from personal acquaintances or online customer opinions are now the most trusted form of recommendation and also of advertising.

In New Zealand, space hire saw early buy in to the sharing economy. Sites such as 'book a bach' and 'airbnb' unlock the holiday home or the spare room to travellers. More diverse spaces for business use are available through sites such as 'sharedspace' which offers shared access to commercial space such as meeting rooms, office facilities, studio space, pop-up retail, storage, event space, parking and even kitchens. Share boat ownership seems like the odd man out here but 'sharedspace' offers that too.

Around the world, bike sharing schemes have livened up the tourist landscape and a UK site 'BorrowMyDoggy' matches dog owners with local borrowers for walks, play dates and holidays! Service-based businesses in New Zealand are using sites such 'Pocket.Jobs' to connect with people, post jobs and pickup work opportunities.

The potential for tie-ins with innovative businesses is wide open. Some businesses are threatened by newbie competitors without traditional overheads, while others may find a raft of opportunities. How will the sharing economy touch your business?

VARIATION OF EMPLOYMENT AGREEMENTS

The most important document in an employment relationship is the employment agreement. This document, which must be in writing, sets out the obligations of the parties and is the basis for their relationship. In most cases, it is the document that the employer and employee look to in order to define their responsibilities in case of a dispute and it is the document the Employment Relations Authority or court will first examine. Despite this, in a long term employment relationship employers and employees may neglect the importance of this document, particularly when updating or varying the agreement to reflect the changed role of the employee or the changed needs of the employer.



When an employer wishes to vary an agreement it must do so with the informed agreement of the employee and

act in good faith. Any variation must then be recorded in writing and signed by the parties.

In a recent case, an employer attempted to vary terms and conditions relating to possible restructuring in an employee's employment agreement. In that case, the consequences of unlawfully varying the employment agreement without the employee's consent were significant and led to the reinstatement of the employee.

Comment:

When an employer wishes to vary an employment agreement the employer must:

- Provide the employee with a copy of the proposed wording of the variation
- Advise the employee he or she is entitled to seek independent advice about the variation
- Give the employee an opportunity to seek that advice
- Consider any issues that the employee raises about the variation

Good faith means that the employer must also provide accurate information which gives the employee a full understanding of the potential advantages and disadvantages of the proposed changes (this will be especially important if the effect of the variation is to diminish existing benefits or entitlements to the employee).

ALL MEASUREMENTS ARE LEVEL!

This year's Budget is more housekeeping than rock and roll. The room temperature has been adjusted and some social development investments covered and put to rise in a warm place. The piping hot property market has been set to cool off somewhat.

Promises of a surplus in 2016 and tax cuts in 2017 are firmly predicated on realising the projected growth averaging 2.8% per year. There is a strong focus on acknowledging realities for householders, particularly those with lower and middle incomes. Apart from the social benefits, this may also encourage more vigorous activity in the retail and services sectors of the economy.

ACC Levies will continue to fall, with cuts of \$375m forecast for 2016 and a further \$120m in 2017. If cut as forecast the average motor vehicle levy, including the annual licence fee and petrol fee, could fall to around \$120 in 2016.

Lest anyone be fooled that the wooden spoon is just for licking the bowl, Inland Revenue's budget has been beefed up with an additional \$74m over the next five years for compliance and enforcement targeting aggressive tax planning and the hidden economy of New Zealand's 'cashie culture'.

Despite voices protesting otherwise, the Government is giving explicit support for children in hardship. They

have tried hard to balance this so as not to undermine incentives to work.

Benefit rates will increase for families with children by \$25 per week after tax. Beneficiaries who work part time will be expected to find 20 hours' work each week rather than the 15 hours currently required. And while most solo parents and partners of beneficiaries are currently expected to be available for part time work after their youngest child turns five years old, they will now be expected to make themselves available after their youngest turns three.

Childcare assistance for low-income families will increase from \$4 an hour to \$5 an hour for up to a maximum of 50 hours of childcare a week for each child.

Student Loan Living Cost maximum weekly amount available will increase to \$176.86 per week.

Student Allowances for families with children will increase by \$25 per week.

SAFE AS HOUSES

The focus of this Budget is on damping down property speculation. If residential property is bought and sold within two years, it will be subject to income tax. This does not apply for:

- Taxpayers selling their family home
- Inherited property, and
- Property being transferred as part of a relationship property settlement



The new rules will apply to properties bought on or after 1 October 2015. More detail is expected to come out in July. It is important to note that if you intend to sell a property outside of the two year timeframe, the sale may still be subject to tax, as it may still fall within other existing rules relating to the taxation of property purchased with the intent of resale and profit.

USE OF MONEY INTEREST RATE RISES

On 8 May of this year, use of money interest – the interest the Inland Revenue charges on underpaid tax – rose from 8.40% to 9.21%. The rate the Inland Revenue pays on overpaid tax rose from 1.75% to 2.63%. If you have unpaid tax owing, this rise will drive up your costs further. Paying tax by due date is the best way to avoid this exorbitant rate charged by the IRD.

'Success one day does not give you a free lunch every day thereafter.' Richard Branson, *Business Stripped Bare*

NEWSLETTERS VIA THE WEBSITE

Newsletters are available by e-mail - please go to our website at www.grahamdobson.co.nz, click on the "Register for *Electronic Newsletter*" icon and complete the registration screen.

With the rugby season well under way
and it being a World Cup year, this joke seemed fitting

A man meets a friend and sees that his friend's car is a total write-off
and covered with leaves, grass, branches, dirt and blood.

He asks his friend "What's happened to your car?"

"Well," the friend responds, "I ran over Wayne Barnes."

"Okay," says the man, "That explains the blood. What about the leaves,
grass, dirt and the branches?"

"Well, he tried to escape through the park."



There's a man sitting in the front row at the Rugby World Cup Finals, but
amazingly, there's an empty seat beside him. Another man spots it, goes up to
him and says: "Do you mind if I sit here?"

"No, not at all," replies the first man. "It's my wife's seat, but she died recently.."
"So why didn't you get one of your family to come," asks the second man out of
curiosity.

"They're all at the funeral."