



APRIL 2013

USEFUL SNIPPETS

NEW MOTOR VEHICLE LEVY CLASSES

Judith Collins, ACC Minister announced that new Motor Vehicle Account levy classes for goods and service vehicles will better reflect the risks posed by heavier trucks that will now be levied by weight, as well as fuel type. She said that it is recognised that some forms of transport pose higher safety risks and should therefore attract a levy rate that reflects that risk.

Owners of light goods and services vehicles (GSVs) have been subsidising the owners of heavy vehicles by \$12million per year according to ACC. There will now be new levy rates for GSVs based on a weight of more or less than 3.5 tonnes. This will mean a small increase in the levy rate for the approximately 111,000 heavy trucks on our roads and a reduction in levies for the 341,000 light vehicles. This is a much fairer and more accurate way to set the levies.



Heavy truck owners will be able to offset any increase in their levies by joining a new Fleet Safety Incentive programme and truck operators with good safety management systems will be able to further reduce their levies by meeting audited standards for fleet management systems and performance.

PETROL EXCISE DUTY & ACC MOTOR LEVY REFUNDS

We remind clients that they are entitled to claim refunds for petrol excise duty, ACC motor levy and road user charges for off road vehicle use. To apply for these refunds visit the NZ Transport Agency website, download and fill out the "MR70: Application for refund of excise duty and motor vehicles account levies" form. There is no excise duty on diesel so there is no provision for a refund.

However, diesel vehicles over 3500kg glw (gross laden weight) are subject to road user charges and there is a refund system to claim RUC for off road use of these vehicles. To apply for a RUC refund, download from the NZ Transport Agency website and fill in the 'RUCOR – Road user charges application for off-road travel' form.

GOOD SAFETY MANAGEMENT INCENTIVES

The Government is introducing a range of incentives to help business owners focus on improved safety management and make work places safer and the Workplace Safety Discount scheme granting a 10% reduction in levies, which is currently only available to certain small employers in selected industries, is to be extended to all industries. In order to qualify for the discount, businesses will have to demonstrate adequate experience in health and safety systems and complete a self-assessment based audit.

Checklist

You can apply for a Workplace Safety Discount if you are self employed or an employer and:

- Your annual payroll is \$519,000 or less, OR
- You employ not more than 10 full time equivalent staff
- The type of work you do falls within one of the classification unit numbers
- You have done a training course in, or can show appropriate experience/skills in the following:
 - . Hazard identification and management
 - . Emergency readiness
 - . Training employees (if you are an employer)
- You agree to a possible on-site audit of your H&S systems by an ACC-approved auditor
- You agree to complete an annual declaration to confirm your health and safety systems remain in place.

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MINIMUM WAGE INCREASED 1 APRIL 2013

Minimum wage rates increased to \$13.75 per hour effective on 1 April 2013. For employees who are Kiwisaver members the Compulsory Employer Contribution of 3% should be in addition to this minimum hourly rate. A reminder also that for casual workers this minimum wage rate per hour is not inclusive of Holiday Pay – therefore the total hourly rate inclusive of Holiday Pay to be paid from 1 April is \$14.85 per hour. The training and new entrants' minimum wages also increased from \$10.80 to \$11.00 per hour.

RESIDENCY FOR TAX PURPOSES

It seems the IRD is leaving no stone unturned in its quest for expanding the tax net. The latest target is non-residents.

A draft interpretation Statement "Income Tax – Residence" if finalised represents a significant change in IRD policy which (unsurprisingly) is likely to result in more people being considered New Zealand tax resident – even if they are living overseas and have rented out the family home. This may have tax implications for individuals currently living overseas who have taken a non-resident tax position. These people may now find themselves in a position of having to file a New Zealand tax return, declaring their worldwide income instead of only income sourced from New Zealand (such as rent received from letting out their home or bank interest). While a tax credit would be allowed in New Zealand for any tax paid overseas on foreign income, there may still be further top up tax payable in New Zealand on that income. This could be a significant issue if individuals are working in low or no tax jurisdictions.

AND TAX MATTERS FOR TRUSTEES BASED OVERSEAS

For the majority of trusts, at the time they were settled, the taxation treatment of the income and expenses, and distributions to beneficiaries, was clear and simple. If taxable income was retained in the trust, the trustees would pay tax on the income at a flat rate of 33%. If the income was distributed to the beneficiaries, the income would be taxed at the beneficiaries' marginal tax rates. Any distributions of capital fell outside the tax net and were tax free.

With the movement of many New Zealanders overseas and consequently beneficiaries, trustees and settlors resident in another country, the taxation treatment of the trust that was settled when everyone was in New Zealand becomes more complex.

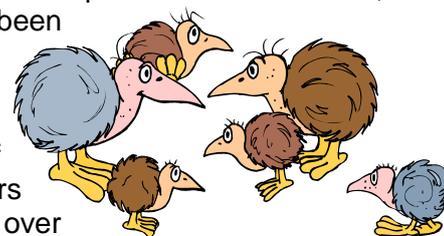
If all the trustees are in New Zealand and the settlor is overseas, the income will be exempt. If a settlor is still in this country, the income will be taxed in New Zealand. If the trustees and the settlor are overseas, the income most likely is not taxed here. If all of the beneficiaries are overseas, consideration must then be given to what distributions are taxable and to what extent.



HOW IS YOUR KIWSAVER PERFORMING?

According to FundSource's recently released quarterly Kiwisaver Report, over the December 2012 quarter net fund inflows into Kiwisaver were \$398.9 million.

As would be expected, due to conservative funds being the default option, the majority of net funds were into the Conservative sector with 40% of net flows, while the Balance and Growth sectors experienced 34% and 25% of the funds respectively. The remaining 1% went into sectors such as Equity Kiwisaver Funds. The banks still dominate the market with ANZ retaining the biggest market share in the Kiwisaver market at 26% followed closely by ASB with 20% of the market. However, in relation to provider scheme size, the biggest gain has been Milford Asset Management, increasing their number of Kiwisaver members by almost 19% over the quarter.



Furthermore, it is noted by FundSource that the Milford Kiwisaver Active Growth Fund was the top performing fund in the Growth Sector, achieving 5.5% over the quarter, 25.9% for the year and 10.8% for the three years to December.

Within the Conservative sector, Fisher Funds Conservative Kiwisaver Fund was the top performer with 2.58% over the quarter while the Fidelity Conservative Kiwi Fund was the year's top performer by a long way at 10.81%.

WORKING AT TWO JOBS AND HAVE A STUDENT LOAN?

Working two jobs may be the means of earning extra cash or combining part time hours to ensure a full day's work.

However, it may be that the student loan deductions from your second job are very high. The good news is that you can apply for a student loan special deduction rate for your secondary job to reduce the rate of the student loan payments. Application for a special deduction rate can be made through myIR Secure Online Services.

To qualify you need to:

- Earn less than the pay period threshold of \$367 weekly from your main job, and
- Be using the secondary tax code SC SL or SB SL.

TAX REFUNDS

There are a number of companies advertising their services to wage earners and superannuitants to prepare your return with the lure of sizable tax refund.

Although the advertisements sound enticing, you may be able to achieve the same result by going to the IRD website www.ird.govt.nz and registering to enable you to complete your 2013 Personal Tax worksheet. There should be no cost with this as there will be with other companies.

One 'fish hook' to be aware of is if you do order a PTS (Personal Tax Summary) in the hope you will receive a refund for the current year and you owe IRD for the tax in any of the previous years, they will deduct those amounts from the refund. Worst case scenario is you end up paying rather than receiving a refund.

THE HIDDEN SNAGS OF CYBER SHOPPING

The 'kiwi' is the strongest it has ever been against the British pound and not far off an all-time high against the greenback. This persistently high exchange rate has caused much grief to exporters and manufacturers. For Kiwi consumers however, there is plenty to smile about as the high NZ dollar boosts our purchasing even higher with the most obvious advantage of being able to buy imported items more cheaply in stores.

Although slow on the uptake, shoppers are cutting out the middleman with on-line shopping on foreign websites becoming an increasingly popular pastime driven by the generous exchange. Richard Meadows in his article in the Dominion Post records that a PWC report last year found that overseas shopping accounted for only 35 per cent of Kiwis' online purchases, less than half that of Australian online shoppers.

Nonetheless, the bricks and mortar retailers probably have good reason to feel threatened as NZ Post's statistics show the number of international parcels coming into the country jumped 13 per cent between 2009/10 and 2010/11. And what about this postage?

Many websites frustratingly refuse to ship outside the country in which they are based and others charge like wounded bulls for doing so. However, the freight-forwarding scene is expanding all the time and competition between NZ Post's YouShop and its rival carrier Prezoom has already helped drive down prices substantially. These mail-forwarding firms provide customers with a unique American shipping address (and a British one with Prezoom) which can then be used to forward mail on to New Zealand. The cost of mail-forwarding is based on the greater of the weight or the volume of the parcel size and can be calculated on Prezoom's site and on YouShop for its services.

A real gain with YouShop and Prezoom is that their warehouses are strategically situated in the few States in America which do not charge sales tax – which

means the shopper is paying roughly 10 per cent less than many American consumers.

However, many an unwary shopper has bought up a storm on an overseas website, only to be confronted by a whopping tax bill from Customs as their package comes over the border.

Customs have developed a handy calculator - www.whatsmyduty.org.nz - for working out whether your order will slide under the threshold but it is not always straight forward. The rule of thumb is generally that imports costing less than \$400 will escape taxes. But that changes with certain categories – such as shoes which are subject to a 5 per cent duty charge. Unless there are huge price disparities or you are prepared to take a punt on getting the equipment through Customs, it is often better to buy such items as expensive electronics locally. And do not succumb to the offer of a fake receipt with a lower purchase price to get expensive goods through Customs. Customs has beefed up its penalties recently which include hefty fines and criminal prosecution.



Checklist

- ❖ Will it fit under the GST/Duty threshold?
- ❖ Would it be cheaper to split into separate orders?
- ❖ Is it small and light enough to ship economically?
- ❖ Is it on the freight company's banned list?

FROM THE IRISH MEDICAL DICTIONARY...

Artery	The study of painting
Bacteria	Back door to the cafeteria
Benign	What you be after you be eight
Caesarean Section	A neighbourhood in Rome
Labour Pain	Getting hurt at work
Nitrates	Cheaper than day rates
Terminal Illness	Getting sick at the airport
Seizure	Roman emperor
Node	I knew it
Catscan	Searching for kitty
Fibula	Small lie
Recovery Room	Place to do upholstery
Fester	Quicker than someone else
Cauterize	Make little eye contact with her
Outpatient	A visitor who has fainted
Enema	Not a friend

NEWSLETTERS VIA THE WEBSITE

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Another Tale of the Wrong Email Address!

A Minneapolis couple decided to go to Florida to thaw out during a particularly icy winter.

They planned to stay at the same hotel where they spent their honeymoon 25 years earlier. Because of hectic schedules, it was difficult to co-ordinate their travel schedules, so the husband left on Thursday to fly to Florida with his wife arranging to fly down the following day.

On checking in, the husband was delighted to find a computer in his hotel room, and while not being very IT savvy decided to send an email to his wife as a surprise. However, he accidentally left out one letter in her email address and without realising this error, pressed the 'send' button.

Meanwhile, somewhere in Houston, a widow whose minister husband had recently been called home to glory, received this message in her inbox:

Subject: "To My loving wife – I've arrived I know you're surprised to hear from me. They have computers here now and you're allowed to send emails to your loved ones. I see that everything has been prepared for your arrival tomorrow and I am looking forward to seeing you then.

Hope your journey is as uneventful as mine was.

PS: Sure is freaking hot down here."

