



## DECEMBER 2012

### End of Year Best Wishes

*The Principals and Staff at Graham & Dobson Ltd thank you for your continued support during 2012. We wish you a safe, happy and relaxing festive season.*

*The offices of Graham & Dobson Ltd will be closed from 4.00pm on Friday 21 December and will reopen on Thursday 10 January 2013 at 8.00am.*

## USEFUL SNIPPETS

### TAX CHANGES

The changes to rules to limit deductions for land, such as the Kiwi bach, and assets costing more than \$50,000 (i.e. yachts) that are used both personally and to derive income, did not come as a surprise, as they were first signalled in the Budget and have gone through a public consultation process. One element of the draft legislation that was not expected, is that of 'ring-fencing' losses in certain circumstances i.e. some losses incurred from a 'mixed-use' asset will only be able to be offset against income derived from that asset in future years – as opposed to being offset against other income of the taxpayer.

Further to an Officials' Issues Paper regarding the tax treatment of salary tradeoffs released earlier in the year, it was announced on 3 October that the provision of car parks on an employer's premises will be subject to FBT (currently exempt). FBT will only apply from 1 April 2014 to car parks located in Auckland and Wellington CBDs!!!!

### AND IN RESPONSE TO CRITICISM..

Another Officials' Issues Paper released mid-year 2012 which proposed to charge tax on lease inducement payments (paid by landlords to entice potential tenants to enter into a lease) has been amended. These payments are generally non-taxable to the tenant and deductible to the landlord. The Paper's proposal sparked heated debate because it was made without warning and was to be effective from the date it was announced. However, in September, the Revenue Minister announced the application date will be 1 April 2013 and the form of the proposal will be altered to capture all lease payments. This is in response to criticism that the proposal as originally intended only captured some lease payments and was therefore one-sided – favouring the Government.

### WAR MEMORIAL THEATRE GISBORNE DONATION

Graham & Dobson has made a Platinum donation of \$15,000 to the War Memorial Theatre Gisborne Trust to support this worthy project for the district. Graham & Dobson has been in the Gisborne community for over 100 years and we look forward to the theatre redevelopment to enhance the community assets of the Gisborne district. We encourage you to visit the following website to view the redevelopment and make a personal donation:

[www.gdc.govt.nz/war-memorial-theatre-redevelopment/](http://www.gdc.govt.nz/war-memorial-theatre-redevelopment/)

You are entitled to a donations tax rebate for 1/3<sup>rd</sup> of your donation, which is limited to the taxable income you earn each year.

#### CONTENTS

Tax Changes	1
In Response to Criticism...	1
War Memorial Theatre Gisborne Trust Donation	1
Holiday Season Employment	2
Taxing Cashed Up Annual Holidays	2
KiwiSaver Seniors	2
The Making of a Great Entrepreneur	2
Qantas Loses Battle over GST on Missed Flights	3
The Social Media and Employment	3
Graham & Dobson Town & Around	3
Christmas Thoughts	4

## HOLIDAY SEASON EMPLOYMENT



With the Christmas break approaching and summer employment being sought by many, it is timely to consider your obligations if you employ students or other staff over this period.

School students – as part of the Government's Budget this year, the tax credit for children has been repealed, which may change how your school student employees are taxed this summer.

Children who earn less than \$2,340 for a tax year and have no tax deducted from their wages can continue to have no tax deducted until 31 March 2013. From 1 April 2013, they will need to complete a Tax Code Declaration (IR330) and give it to their employer so tax can be deducted from their wages.

If your school student employees file a return or request a personal tax summary, they may be assessed as having tax to pay, as the tax credit already received will no longer be taken into account. If they think they need to file a return, it is suggested they complete an IR330 now so that tax can start to be deducted at the correct rate, avoiding or reducing any tax bill at the end of the year.

Tertiary students and other staff – all other staff, including any university, polytechnic or other such students, must complete an IR330 and give it to their employer so the correct PAYE or tax on schedular (formerly known as withholding tax) payments can be deducted.

KiwiSaver – if you employ staff on a temporary contract for less than 28 days you do not have to enrol them in KiwiSaver. However, if they are already KiwiSaver members and they want you to make KiwiSaver deductions they must give you a KiwiSaver deduction form (KS2).

Holiday Pay and deductions – holiday pay is pay for an employee's annual leave, payment for statutory holidays and 8% of gross earnings if the worker is a casual employee. Holiday pay is included as earnings in the period you actually pay your employees so if you deduct child support deductions from an employee's wages, you need to deduct it at the usual rate from their holiday pay. If your employee requests their holiday pay before going on leave, you still need to deduct child support and code the child support code "A" for a deduction made in advance in the child support box on your Employer monthly schedule (EMS/IR348).

Student loan deductions must also be applied to Holiday Pay.

## TAXING CASHED-UP ANNUAL HOLIDAYS

A reminder: employees are able to 'cash in' up to one week of their annual leave entitlement. If an employee and employer agree to cash up a week's annual leave, it should be treated as an extra pay or unexpected bonus. And as it is taxable income, PAYE should be calculated using the rates for extra pays.

## KIWISAVER SENIORS

KiwiSaver reached a milestone in July. From 1 July 2012, the first group of KiwiSaver members have been eligible to withdraw their savings. This applies to members who qualify for NZ Super (currently 65 years and over) or who joined KiwiSaver between the ages of 60 and 65 years and have been in KiwiSaver for five years. If any of your employees ask what they need to do, tell them to contact their scheme provider directly if they have not already received information about their eligibility.

Note that once an employee becomes eligible to withdraw from KiwiSaver, the employer is no longer required to make compulsory employer contributions. Employers may however continue to make voluntary employer contributions.

## THE MAKING OF A GREAT ENTREPRENEUR

Are great entrepreneurs born or made? Polling of New Zealand citizens in the 25 to 35 year age group shows that up to 40% have some entrepreneurial ambition.

The world has this vision that an entrepreneur is this heroic individual with all the marks of an opportunist, relentless optimism, a sharp eye for an opportunity and plenty of courage to challenge everyone! However, in reality, the road to success as an entrepreneur can be a 'learn from your failures' trajectory of entrepreneurial short term business careers!

So you've got a great business idea! Just having a great idea is not enough to go boldly into the world and start a business. It is said that on a scale of one to ten the idea counts for one and all the rest is about execution and managing the risk that comes with innovation and entrepreneurship. After the great idea should come business planning, and then the nuts and bolts of building a business with a good business team (part of the other 9 out of 10). That nuts and bolts part of the business these days includes good computer honed accounting systems and lots of compliance (read form filling).

Graham & Dobson have skilled and experienced staff that will assist with the set-up of systems and the ongoing compliance so you can spend time at what you do best – making your widgets.



## QANTAS LOSES BATTLE OVER GST ON MISSED FLIGHTS



In a 4-1 decision the High Court in Australia recently ruled against Qantas in a long-running case regarding the application of GST to “no-shows”. As a result of the decision, Qantas will have to pay A\$34million of GST on tickets sold to passengers, even though no travel occurred. The Court held that the tickets provided travellers with the right to fly and in doing so it had made a promise to use its best endeavours to carry passengers, which under Australia’s GST legislation constitutes a supply. The decision cannot be appealed as the High Court is Australia’s highest Appeal Court.

What does this mean for New Zealand? The Australian definition of ‘supply’ is different to that of New Zealand – Australia’s interpretation includes the creation of rights or the entry into an obligation to carry out an action. The Australian decision should have limited precedential effect here as our courts have traditionally given ‘supply’ a practical meaning.

This case does serve as a reminder to New Zealand businesses that they need to ensure they are only paying GST on amounts received for the supply of goods and services. If no supply has taken place, it is worth questioning whether GST needs to be paid.

## THE SOCIAL MEDIA AND EMPLOYMENT

As we move further and further into the Cyber-Age, the once distinct boundary between work and private life is becoming increasingly blurred. The advent of social media sites like Twitter, Facebook, YouTube and MySpace have made it more and more likely that what we do outside of work may have an impact on our employment as online audiences grow, privacy settings become less effective and people generally become less careful (or perhaps more comfortable) about the information they share with the public.

Indiscretions can arise from the posting of photos or videos featuring dangerous or distasteful workplace or employment shenanigans or proving that an employee was out and about enjoying himself at a sporting event rather than tucked up in a bed sick as he had claimed, to naming and shaming companies and individual managers or work colleagues in abusive, threatening or downright humiliating terms. All well and good you would think: unless or until they come to the attention of employers, customers, clients or colleagues. While



technology has changed, fundamental employment obligations have not.

Employees must, by the very nature of the employment relationship, demonstrate loyalty and fidelity towards their employers (whatever they might think privately) and do nothing that impacts negatively on their employers’ reputations, client/customer relationships or their own relationships with colleagues. And do not forget the Employment Relations Act – its over-arching obligation of good faith requires employees (as well as employers) to be active, constructive, responsive and communicative in developing and maintaining workplace relationships. Making your employer look bad on the internet could breach any one of those requirements.

All of these obligations are resulting in increasing levels of disciplinary action being taken against employees for or in relation to posts that have often been made in their own time, from their own internet-capable devices and that were never intended to get back to their respective employers. Why? Because, if there is a sufficiently strong ‘cause or effect’ link between that out-of-work conduct and an individual’s employment, then employers are justified in taking action.

Existing internet and email usage policies and codes of conduct or house rules documents may not have kept up with the massive leaps technology has taken. As employers, you should take every opportunity to review your policies and employment agreements on a regular basis to ensure that their content remains current, relevant and useful.

## GRAHAM & DOBSON TOWN & AROUND

Graham & Dobson staff member and excellent chef, Ritchie Scott, took up the challenge of sampling 24 pieces of steak as part of the competition to judge the best steak entered into this year’s A&P Show’s Steak of Origin Competition.



## NEWSLETTERS VIA THE WEBSITE

Thank you for viewing our newsletter online. If you are not already a subscriber and would like to receive our bi-monthly newsletter via email please [click here](#)

## Christmas thoughts

It's the day before Christmas and all through the house  
the puppies are squeaking an old rubber mouse.

The wreath merrily hung on the door is scattered in pieces  
all over the floor, and the stockings that hung in a neat little row  
now boast a hole in each one of the toes.

The tree was subjected to bright-eyed whims,  
and now, although still splendid, it's missing some limbs.

I catch them and hold them, "Be good", I insist.  
They lick me, then run off to see what they've missed.

And now as I watch them, the thought comes to me,  
that theirs is the spirit that Christmas should be.

Should children and puppies yet show us the way,  
and teach us the joy that should come with this day?

Could they bring the message that's written above,  
and tell us that, most of all, that Christmas is love?

