



DECEMBER 2011

End of Year Best Wishes

The Principals & Staff at Graham & Dobson Ltd thank you for your continued support during 2011. We wish you a safe, happy and relaxing festive season.

The offices of Graham & Dobson Ltd will be closed from 4.00pm on Friday 23 December and will reopen on Monday 9 January 2012 at 8.30am.

USEFUL SNIPPETS

EAT, DRINK & BE MERRY

FOR TOMORROW WE PAY MORE TAX!

As New Zealand looks forward to over-indulging at Christmas and throughout the summer, spare a thought for the Danish citizens who, from 1 October this year, have been forking out more to buy food with more than 2.3% saturated fat – i.e. dairy and meat products.

Said to be first tax of its type in the world, the Danish Government is reported to have introduced the tax in order to reduce cardiovascular disease, obesity and diabetes!

Consumers are not happy with the consequent price increase to items such as butter and cheese because the tax is charged at 16DKK (approximately NZ\$3.70) per kilogram of saturated fat on foods whose saturated fat levels exceed the 2.3% limit. This tax increases the price of a kilogram of butter by the equivalent of approximately 55 cents.

DOG, HORSE & SADDLERY ALLOWANCES

The Inland Revenue has confirmed tax-free reimbursing allowances such as dog, horse and saddlery allowances are limited to either:

- the actual expenses incurred by the employee, or
- a reasonable estimate of expenses likely to be incurred by the employee.

GST - WHAT IS A SUPPLY?

To quote the GST Act, GST is a charge “on the supply of goods or services”. The definition of “supply” is therefore one of the most important factors to consider when determining whether GST applies to a transaction.

A recent trend has seen businesses revisit GST treatment of transactions and identify payments received for supplies that did not take place or are not for “supplies” under the GST Act. Examples of these types of situations include:

- cancellation fees
- break fees or early termination fees (e.g. a customer defaults under a contract or exercises an option to exit from a contract before its term is completed)
- no shows
- enrolment fees
- event cancellations

Businesses (for example gyms, education providers and hotels) should analyse these types of transactions to determine if they receive payments that are not consideration for the supply of goods or services. If these circumstances exist, specific GST advice should be obtained to determine the treatment of any retrospective receipts and how to treat these receipts going forward.

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ARE YOU PROTECTING YOUR FARM AND FUTURE?

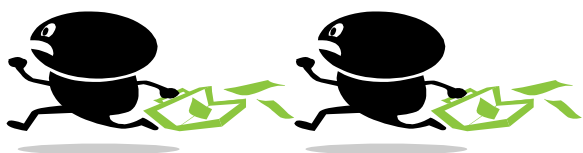
Just because your health suffers a setback, your farm doesn't have to. When illness or an accident leaves you unable to work, Vere Dixon-Smith of Master Plan Financial Solutions believes 'Rural Continuity' can protect you from the financial consequences by helping to keep your farm running and in good shape. This is because 'Rural Continuity' can provide a monthly payment to safeguard your business should you become disabled as a result of accident or ill health, and thus be unable to work more than 10 hours a week (you must own, part-own or lease the farm or the herd). 'Rural Continuity' is designed to meet the needs of farmers and their partners who also work on the farm and offers:

- Simplicity – because your farm has variable cash flows, there is minimal requirement for proof of financial income.
- Certainty – you have peace of mind knowing that 'Rural Continuity' is based on a simple "agreed value" sum assured.
- Optional ACC offsets – if you have an accident or illness, there is no offset to your claim benefit payment by any ACC payments you may be entitled to. However, you can reduce your premiums if you choose to offset the ACC payments.
- Optional partial disability income – this benefit provides additional income if you are, owing to a continuation of the disability, unable to work more than 20 hours per week after you have been totally disabled for a period of at least two weeks.
- Optional peak season benefit – you can choose to extend your cover and increase your monthly benefit payments by 25% to help keep your farm running at busy times of the season or when you need it most (a pre-nominated three month period).

Vere Dixon-Smith can be contacted at Master Plan Financial Solutions Phone 867 5144.

TAX AVOIDANCE

The recent dispute involving Messrs Penny and Hooper has come to an end with the Supreme Court decision finding in favour of the Inland Revenue Department. The Supreme Court upheld the view that the setting of commercially unrealistic salaries constituted tax avoidance.



The decision has an impact on structuring choices, both of entity type and the way in which the structuring occurs.

The Court of Appeal in the Penny and Hooper case has forced taxpayers to consider:

- The commercial reality of the service provider's business structure
- How profits have been distributed in substance and whether the employee and their family benefit from all profit distributions
- Whether the remuneration paid to the individual providing the service adequately reflects their contribution to the business profits
- The lack of limitation of liability that may have been afforded by the structure



THE FLIGHT OF THE KIWI!

The exodus of Kiwis looking for a better life and higher pay in Australia is close to record levels, as reported by James Weir of the Dominion Post. In the past year, 35,000 more Kiwis left for Australia than Australians came to New Zealand to live – just 400 short of the record disparity in 2008. Hundreds of professionals leave each month. But there are plenty of lower-skilled workers leaving too, including office workers, tradesmen and labourers. Because there are no restrictions on New Zealanders moving to Australia, official figures show it is both a brain and brawn drain. All departures to Australia compared with all arrivals in New Zealand for the month of October 2011 by job were as follows:

The Brain Exchange		
All departures to Australia compared with all arrivals to New Zealand by job		
	October 2011	
	Departures	Arrivals
Managers	196	278
Professionals	398	1090
Technicians & trades workers	345	501
Community and personal service workers	247	359
Clerical and administrative workers	134	231
Sales workers	170	173
Machinery operators and drivers	120	84
Labourers	141	141
Response unidentifiable	1462	2689
Not stated	1686	3240
TOTAL MAJOR OCCUPATIONS	3662	6587

Economists say that in high paying jobs such as in the mines of Queensland and Western Australia, Kiwis are likely to be much better off than in the same job in New Zealand. Some jobs in coal mining, for instance, attract a salary of about A\$120,000 (NZ\$158,000) a year. Overall, rates of pay in Australia are about 30 per cent better than in this country but it is hard to say everyone is better off because of different tax rates, higher superannuation deductions and costs of housing and schooling.

While professionals and skilled New Zealanders leave for jobs in Australia, the occupation status of recent migrants coming to New Zealand from all countries is dominated by skills in the professions, managers, technicians and trades, with few labourers.

MOTIVATED STAFF KEY TO FARM SUCCESS

A Pahiatua award winning young dairy farming couple, Andrew and Monika Arbuthnott, while eagerly grasping opportunities offered by the dairy industry's co-operative structure – discussion groups, skills groups and farm management studies – have developed an effective formula for the recruitment of a motivated team of employees. Their farming successes were featured in a recent national newspaper article.

Applicants are required to complete application forms with questions about their employment history, health and criminal record and they must also provide two previous employment referees who each face twenty-five questions about the applicant's suitability.

Recruits are selected on three criteria – honesty, reliability and a full driver's licence. The driver's licence question and another about whether their car is licensed and warranted are warning flags incorporated into their recruitment processes. Licence endorsements show unreliability and a lack of car maintenance is deemed to be a sign of laziness. Those who satisfy all these requirements are interviewed.

If you would like to update your recruiting procedures, Graham & Dobson has staff experienced in recruiting and employment processes to assist you to draw up your business' employment application pack.

FESTIVE SEASON HOLIDAYS

Employees are entitled to up to four public holidays over the festive season, depending on their work or shift pattern. As Christmas Day and New Year's Day fall on a Sunday this year, for Monday to Friday workers the holiday is transferred to the following Tuesday (27 December and 3 January)

Boxing Day and the day after New Year's Day will be observed on the days they fall (Monday 26 December and Monday 2 January). If your employees are weekend workers and would normally work on the Sunday that Christmas Day and New Year's Day falls

on this year, the public holiday is observed on the day it falls (Sunday 25 December and Sunday 1 January). This means the employee is entitled to that day off on pay. Calculations for casual and on-call workers as to when public holidays are observed will be different and it would be best to use a 'holidays online tool' such as www.dol.govt.nz/holidaytool/ for these.



ABOUT PALM KERNEL.....

Palm Kernel extract or PKE is a coarse, dry, gritty feed with a soapy smell derived from the leftovers after kernel oil is pressed out from the nut of the Palm fruit.

Although Palm Kernel extract is most commonly used in the dairy farming industry as supplementary feed and is somewhat reviled by those concerned about its importation into New Zealand, it presents an interesting comparison in energy value and price per kilogram of dry matter compared to hay and baleage:

Product	Price	KGS DM	Price per KG of Dry matter
Baleage	\$75/bale	150kgs DM	=50c/kgDM
Hay	\$90/bale	225kgs DM	=40c/kg DM
PKE	\$250/tonne	900kgDM/tonne	=27c/kg DM
	\$300/tonne	900kgDM/tonne	=33c/kg DM
	\$350/tonne	900kgDM/tonne	=38c/kg DM

BRAZEN SCAMS

Scam phishing emails pretending to be from banks appear to be on the increase. The emails usually tell people there is an issue with their account and direct them to fake, malicious websites to provide their username and password. The Consumer Affairs Ministry recently became aware of a new form of scam in which victims were asked to fill in a survey from their "bank" and receive a small sum, usually around \$50. The survey asks for personal details and filling it out merely hands over access to your account to the scammers.

There is also the new twist on the email scam where people's accounts were hijacked to send their friends emails asking for money. An estimated 50,000 Kiwis have also fallen victim to the use of phones to conduct scams, in which cold-calling scammers claim a person has a virus on their computer and offers to fix the problems for a fee, or tricks people into downloading malicious software to steal data such as internet banking passwords.

NEWSLETTERS VIA THE WEBSITE

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THE WOMAN MARINE PILOT



The teacher gave her fifth grade class an assignment: Get your parents to tell you a story with a moral at the end of it. The next day the kids came back and, one by one, began to narrate their stories.

There were all the regular types of stuff – spilled milk and pennies saved! - mostly uninspiring stuff until there was only Janie left to tell her tale.

“Janie, do you have a story to share?”

Yes, Miss. My Daddy told me a story about my Mummy. She was a Marine Pilot in Desert Storm and her plane got hit. She had to bail out over enemy territory, and all she had was a flask of whisky, a pistol and a survival knife.

She drank the whisky on the way down so the bottle wouldn't break, and then her parachute landed her right in the middle of 20 Iraqi troops. She shot 15 of them with the pistol, until she ran out of bullets, killed four more with the knife till the blade broke, and then she killed the last Iraqi with her bare hands.

“Good heavens”, said the horrified teacher. “What on earth did your Daddy tell you was the moral to this horrible story?”

Janie replied with pride, “Don't mess with Mummy when she's been drinking!”

