



UPCOMING GST RATE CHANGES

TRANSITIONAL GST RETURNS

GST will increase from 12.5% to 15% from 1 October 2010. You may have to apply a mix of rates – 12.5% and 15% - during the transition if your return period straddles the 1 October 2010 date. In that case you will need to use the 12.5% rate for the period up to and including 30 September 2010, and the 15% rate for the period on or after 1 October 2010. Inland Revenue Department are developing a transitional GST return to cover this rate change.

Monthly, two-monthly or six-monthly GST returns that are filed for the period ending 30 September 2010 will use the 12.5% rate but you will need to use the new 15% rate from then on.

WILL YOUR ACCOUNTING SYSTEM COPE WITH THE GST CHANGES?

Most computer based accounting software packages will need an upgrade or patch to cope with the new GST changes. We are contacting all our clients separately where we are aware they have computer accounting packages to provide some further information about their systems.

FIVE IMPORTANT REASONS TO BE PREPARED!

1. If your prices are to increase on 1 October, how and when will you arrange prices/labels, brochures, signs and websites to change?
2. If you invoice periodically, e.g. leases, new tax invoices will be needed as from 1 October – the rule is 'no tax invoice – no input tax claim'
3. Automatic payments for periodic payments that include GST will also need to be changed from 1 October

4. GST on Hire purchases is accounted for in the taxable period that the hire purchase agreement is entered into: i.e. HP agreement signed on or before 30 September 2010 GST is 12.5%, HP agreement signed on or after 1 October 2010 GST is 15%
5. GST on laybys is accounted for in the taxable period that includes the date that ownership of the goods pass which will generally be when the final payment is made. Final payment made on or before 30 September 2010 the GST is at 12.5%. Final payment made on or after 1 October 2010 then the GST is at 15%

PETROL REBATES

Many modest sized farms with one or two quads plus other sundry mechanical equipment chew through upwards of 2,000 litres of petrol in a year. The rate of excise duty on petrol is now 55cents/litre. If the bookwork is not done and the quarterly claims go unlodged, they are missing out on a rebate of more \$1,000.00 annually.

Quarterly claim forms are available from the website www.nzta.govt.nz – use the 'search' option to obtain the necessary **MR70 'Application for Refund of Excise Duty'** form. You will require invoice evidence of the amount of fuel supplied to fill the tank during the quarter. The claim is adjusted by the fuel remaining in the tank at the end of the quarter (easily measured by dipstick). The model, make, year of manufacture and serial number of each vehicle (i.e. quads, bikes, etc) is also required. Apply within two months of the end of each quarter as a 10% penalty reduction applies to late applications received after this timeframe.

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CHEQUES IN FULL SETTLEMENT

Occasionally a debtor will send in a cheque for payment of a lesser amount than the invoice stating that this reduced sum is "in full and final settlement". If a debt is disputed, then 'acceptance' of a lesser amount expressed to be "in full and final settlement" extinguishes the debt! So what is 'acceptance' by the creditor?

Acceptance can be implied by the banking of the cheque. This is seen as strong evidence that the creditor has accepted the debtor's offer of payment. If a creditor wants to claim the remainder of the debt then it must, at the same time or as soon as possible after banking the cheque, write to the debtor saying the payment is NOT accepted as full and final settlement and the balance of the debt is claimed. It is important this is communicated straight away – in some cases communication sent less than a week later was too late.



Debtors sometimes try to force the issue by placing conditions on the payment. One example is that the debtor sends a cheque stating that it is in full settlement and if it is not accepted the cheque must be returned. In these situations, banking the cheque and writing to the debtor saying it is not accepted as full and final settlement will leave it open for the balance to be claimed. However, there is a danger that by banking the cheque instead of returning it, the debtor could argue the creditor has converted the debtor's money improperly. Creditors need to be aware of this when deciding whether or not to bank cheques tendered in this way. It may be prudent to err on the side of caution, return the cheque and sue for the total amount.

Creditors need to remember this applies only where there is a dispute over the debt. If the debt is undisputed, then the creditor can pursue the remainder of the debt in any event.

BANK ACCOUNTS AND OWNERSHIP

When you have been gifted a sum of money, received a legacy or made a significant gift to someone, it becomes separate property on the date it is received and no taxes are generally due on it. What happens to it after that is what can turn it into joint property and/or attract tax, usually in the form of gift duty. This article discusses the implications of ownership of that lump sum in a joint bank account.

Bank accounts are often the place where complications arise when a lump sum has been deposited. Accounts are often held in the joint names of married couples, civil union or de facto partners. Which of them actually 'owns' the account may become an important issue if they separate, or if the Inland Revenue Department undertakes an audit to assess income tax or gift duty liability.



Asset ownership

There are two types of ownership of any asset: legal and beneficial. In most cases, they are the same. However, a trust is a good example of a situation where legal and beneficial ownership of an asset are different. If a trust owns your family home, the trustees hold the legal title to the property but you, as beneficiaries of the trust, hold the beneficial ownership.

Whether the legal and beneficial ownership of an asset is held by the same people depends on the intention of the parties. That intention can alter from time to time but not just arbitrarily. Some formal, or at least definite and provable steps would have to be taken to alter the ownership structure.

So if the ownership of a bank account, for example, is to be proven, the intention of the parties may need to be investigated. The date the account was opened would be checked, together with the owners' intention at any time, the dates, the names on the account were altered or some other distinct step regarding ownership of the account.

Legal Ownership

For a bank account held in the joint names of a couple, the legal ownership is relatively clear. The account is in both their names and, accordingly, the legal title to the account belongs to them both.

Beneficial Ownership

However, the beneficial interest in a bank account, arguably the more important aspect of ownership, is a very different matter. If the account is in joint names simply as a matter of convenience, say, to manage a couple's funds, then it could be argued that they each intended to keep 'ownership' of their own funds in the account. That is to say, they each intended to keep the beneficial ownership of any funds they each put into the account.

In that case, each party would effectively be a 'bare' trustee of the other's funds. A 'bare' trustee is someone who holds legal ownership of an asset and is a trustee of it only because of a rule of law, rather than under a formal deed of trust.

Alternatively, if a couple opens an account intending that the deposited funds should belong to them both, beneficial ownership of all funds put into it by either party passes to them both.

In that case, if they separate, the account would be treated as joint property and divided equally between them both. However, if either one of the parties dies, the other would take the account by what is called 'survivorship'.

In modern times there is a relatively strong presumption that joint accounts are held for the equal beneficial interest of both parties. So some fairly good proof would be required to show that those inherited or gifted sums of money belonged beneficially to only one of the parties.

Tax issues

There are also potential tax consequences that flow from the different ownership structures of bank accounts. Gift duty, for example, may apply if there is a transfer of the beneficial ownership of money between a couple following the payment of a large sum into a joint account. Gift duty arises on a graduating scale from nil for



gifts by each person which totals under \$27,000 per 365 days, to a hefty 25% on gifts which total over \$72,000.

Gift duty may be avoided in some cases by the use of a relationship property agreement under s21 of the Property (Relationships) Act 1976.

In conclusion we recommend you get some advice on the management of any lump sum you might want to treat as your own at some point. Preferably, seek that professional advice before receiving the money, rather than after putting it into a joint account, and definitely before using it to pay off the mortgage on joint property.

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PrimoPDF creator option that will create and save the document you have available in the PDF format which does not

allow changes. As long as you have also saved the document in its original format (e.g. as a Word or Excel document etc) you can make changes in the future to the content on your computer.

IT'S GOOD AND IT'S TRUE

Hidden away in the huge Tax Bill last October was a delightful little amendment to the employee motor vehicle running cost reimbursement rules. It used to be that employers could only reimburse ACTUAL expenditure incurred by an employee in running their car on the boss' business.

The amendment now allows an employer to reimburse employees for depreciation of their vehicles as well. This is a logical, sensible and commendable change.



PET COMPETITION PB A&P ASSN SHOW

Show time is coming! Support this worthwhile competition on Show Saturday for budding young farmers by entering your well loved and best dressed pet. Entries on the day: \$500 prize for the school with the most pet entries and individual cash prizes, all sponsored by Graham & Dobson Ltd. Come along and join in the fun!

NEWSLETTERS VIA THE WEBSITE

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Three Australians and three Kiwis are travelling by train to a World Cup Rugby match.

At the station, the three Aussies each buy a ticket and watch as the three Kiwis buy just one ticket between them.

"How are the three of you going to travel on only one ticket?" asks one of the Aussies. "Watch and learn cuz" answers one of the Kiwis.

They all board the train. The Aussies take their respective seats but all three Kiwis cram into a toilet and close the door behind them.

Shortly after the train has departed, the conductor comes around collecting tickets. He knocks on the toilet door and says, "Ticket please."

The door opens just a crack and a single arm emerges with a ticket in hand. The conductor takes it and moves on.

The Aussies see this and agree it was quite a clever idea. So after the game, they decide to copy the Kiwis on the return trip and save some money (being clever with money, and all that!!).

When they get to the station, they buy a single ticket for the return trip. To their astonishment the Kiwis don't buy a ticket at all!!!

"How are you going to travel without a ticket?" asks one perplexed Aussie. The reply is, "On the ball, cuz"

So on boarding the train, the three Aussies cram into a toilet, and shortly afterwards, the three Kiwis also cram into another nearby.

The train departs.

One of the Kiwis leaves the toilet and knocks on the door of the toilet where the Aussies are hiding.

"Ticket please", he says!!!

