



## USEFUL SNIPPETS

### KIWISAVER TURNS FOUR – WITH AN \$8 BILLION TREASURE CHEST

Kiwisaver turned four on 1 July 2011 with more than 1.7 million members who have amassed about \$8 billion. The Government estimates that Kiwisaver will grow in value to around \$25 billion by 2015 and to \$60 billion in 10 years. Although there have been a lot of changes made to Kiwisaver, there is real buy-in to the fact that the New Zealand economy has a savings imbalance and Kiwisaver appears to be the catalyst that will change this.

### FINANCIAL SERVICES – NEW RULES

As of 1 July 2011, new rules came into effect covering financial planners, brokers, people in banks offering financial advice and others in similar roles, making it an offence for unlicensed advisers to give advice on Kiwisaver, managed funds and other investment products, without proper qualifications. The changes, which also require all financial service providers to be on a public register, are designed to improve investor protection and increase confidence in New Zealand's capital markets.

Although for some time advisers have had to give their potential investors a disclosure statement - outlining their qualifications, fees and commissions they receive - before they do any work for the client, now there is much more required. Advisers have to be one of the following:

- A registered financial adviser, (RFA), who can advise only on the simpler financial products such as insurance, bank term deposits and mortgages;
- An employee of a Qualifying Financial Entity (QFE). QFEs include the likes of Kiwisaver providers, banks and insurance companies and the advice can only be given on the products offered by the specific QFE.

- An authorised financial adviser, (AFA), who can offer a much wider range of advice. AFAs have to pass tough exams about finance, are checked for past criminal and unprofessional behaviour and have to comply with a code of conduct. An AFA would be best qualified to help you find the right investments – bearing in mind your total financial situation and how much risk you are comfortable with.

The new rules are a first step towards a regime in which investors can have greater confidence. Richard Stannard is Graham & Dobson's authorised financial adviser (AFA).

### WHEN WAS THE LAST TIME YOU REVIEWED YOUR INSURANCE?

An insurance policy is a contract of 'utmost faith' between the insurer and the customer. The insurer is required to observe and honour the contract conditions. The customer is required to disclose to the insurer all material facts that could affect the risk. Since the disclosure duty exists not only when the insurance is taken out but also at each renewal of the policy, and even during the currency of the policy, an ideal time to review your cover is when you receive your annual renewal notice outlining your cover and premium.

Downsizing your property, starting a new job, topping up your mortgage, any use of your vehicle for business purposes, lengthy travel overseas while leaving your property empty, undertaking house alternations or additions – these are all situations when you should fully review your insurance cover.

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## IRD & OFFSHORE INCOME

All taxpayers with international dealings need to be aware that the Inland Revenue is now actually obtaining details about taxpayers' income and assets through exchange of information agreements with 16 treaty partners – i.e. sixteen countries – which gives the IRD information regarding offshore bank accounts, foreign life insurance policies, superannuation schemes and business income from offshore entities.



Earlier this year the Department published a list of the top ten common misconceptions about international tax to help taxpayers understand their

obligations which include:

1. New Zealand residents are not just taxed on the income they earn in New Zealand; they are also taxed on their worldwide income.
2. If you leave the country but maintain a permanent place of abode here, you are still a New Zealand resident for tax purposes.
3. Foreign income including investments (even if deposited in an offshore account or left on a foreign credit card) is taxable in New Zealand even if it is not repatriated to New Zealand.
4. Equally, the fact that withholding tax may have been deducted on foreign income does not mean that this income is no longer taxable in New Zealand.
5. A foreign tax credit may be available but only where the tax involved is not substantially refunded (even in a later income year).
6. Not all overseas pension payments are tax-free – certain ones may be fully taxable in New Zealand.
7. Special taxing regimes apply to gains on certain foreign shareholdings, retirement schemes and life insurance investments
8. Additional disclosures are required in respect of controlled foreign companies and foreign investment funds.
9. Allowances that may be treated as tax-free in other countries (for example, living-away-from home allowances) are generally fully taxable in New Zealand.
10. The temporary tax exemption on foreign income for transitional residents expires after 48 months and there is no entitlement to Working for Families Tax Credit during the period of exemption.



Taxpayers with significant overseas investments are advised to seek the appropriate tax advice.

## COMPLETING YOUR EMPLOYER MONTHLY PAYE SCHEDULE

### IRD numbers

- ✓ Ensure employees are inserted on schedule
- ✓ IRD numbers will consist of either 8 or 9 numbers. Nine digits will start with 10X-XXX-XXX
- ✓ Other numbers are not valid, e.g. 999 or 111
- ✓ An IRD number is required to process Kiwisaver deductions
- ✓ You must use the no-notification rate (ND) of 47.04% if an IRD number is not provided

### Kiwisaver checklist

- ✓ Make sure employees are 18 and over before you automatically enroll them in Kiwisaver.
- ✓ Kiwisaver employer contributions must be 2% on gross salary wages, including final pay and holiday pay
- ✓ Ensure you complete a KS1 (Kiwisaver employee details) form. The full address of your employee is compulsory
- ✓ When completing the New Employee opt-out request (KS10) you must include your employee's start date
- ✓ Kiwisaver is calculated on gross salary or wages which means total salary, wages or allowances, including bonuses, commission, extra salary, gratuity, overtime and other remuneration before tax.
- ✓ Kiwisaver is not deducted from redundancy payments, the value of providing board or lodging or the payment of an allowance instead of the provision of this benefit.

## ACC LEVIES

### Earners levies

The rate for ACC earners' levy for 2011-12 continues to be \$2.04 GST-inclusive per \$100 of liable earnings. What has changed this year is the minimum liable earnings for self-employed workers has increased from \$26,000 to \$26,520. The maximum liable earnings for self-employed people will also rise from \$106,473 to \$110,018 with the income ceiling for earners other than the self employed increasing from \$100,018 to \$111,669.



### Work levies

On 1 April 2011, ACC launched a new way of charging businesses levies that will reflect more fairly on their safety record and claims history. This new system, called experience rating, will be applied in one of two ways, depending on the amount a business pays in ACC Work levies annually.

If yours is a larger business paying annual ACC levies of \$10,000 or more, you could receive a discount or loading of up to 50% on the current portion of your Work Account levy. ACC will look at the number of claims made by employees for work-related injuries with medical costs of \$500 or more during the three-year experience period (for the 2011/12 levy this is from 1 April 2007 to 31 March 2010), the length of time employees receive weekly compensation and any fatal claims.

That information will be compared with other data on other businesses in similar industries with similar injury risk profiles. If your business's claims performance is better, your levy may be lower.

Smaller businesses and self employed with annual levies of less than \$10,000 will get a no-claims discount of 10% provided no weekly compensation claims or fatal claims occurred in the experience period. Those who have had weekly compensation claims with a total duration between one to seventy days will see no change to their levies, while those with a total duration of more than seventy days or any fatal claims will receive a 10% loading in line with their poor safety record. Some businesses are not eligible for experience rating and will have their levies calculated as usual. These are businesses and self employed people whose earnings are below the minimum for each year of the experience period.

## **WATER MARKS NEW ZEALAND AS THE 'REAL LUCKY COUNTRY'**

Agriculture Minister David Carter recently announced a package recognising the strategic value of water to New Zealand's economy and way of life with the establishment of an expanded fund of \$35 million over five years to support the development of new water harvesting, storage and distribution infrastructure: a policy which will cement New Zealand as the real 'lucky country' by playing to one of this country's natural competitive advantages - water. The 2007/08 El Nino influenced drought cost the economy \$2.8 billion. Water storage provides a way to smooth out periods of low rainfall, future proofing not only our agricultural industries, but our towns and cities as well.

As Lachlan McKenzie of Federated Farmers put it – "While Australia digs themselves up, Kiwis are hard at work to convert our rainfall into renewable and sustainable food and fibre production. Water is behind everything we export and these exports directly pay for services we value".



## **TOUGH CHOICES AHEAD OVER INTEREST RATES**

Stronger-than-expected economic growth and higher than forecast inflation have helped push up the funding costs of banks by around 0.3 per cent on two or three year terms, crimping profit margins and raising the chance of an increase in fixed mortgage rates. Although banks might delay increases to gain market share or build a reputation that they are slow to increase rates, Bank of New Zealand chief economist Tony Alexander believes it is 'a matter of time' before fixed rate mortgage prices increase.

An expected rise in fixed rates poses a dilemma for borrowers currently enjoying average floating rates at historic low levels and more than 1 per cent cheaper than three year fixed rates. Hundreds of thousands of households have moved on to floating rates in recent times (up to more than 200,000 made the move this last year) and many mortgage holders could balk at the prospect of voluntarily increasing their repayments right now by locking in repayments for two or three years. However, with the Official Cash Rate predicted to increase from 2.5 per cent to 5 per cent by early 2013, according to the Chief Economist, now could be a low risk time to move to fixed rates and fixing now could prove to be cheaper in the longer term.

## **GRAHAM & DOBSON TOWN & AROUND**



Graham & Dobson took the opportunity recently to support sport in the District by sponsoring the Services to Sports category at the 2011 Sporting Excellence Awards. This award acknowledges and pays tribute to the tireless efforts of volunteers who give much to support the sporting achievements of this District's athletes.

### **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](#)

## THE TALIBAN TEST

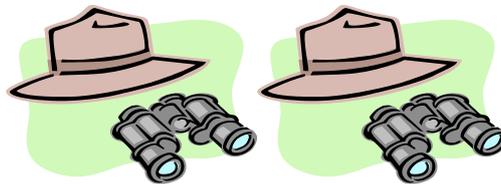
When Australia was concerned about terrorist attacks, Aussie wags reckoned this email instruction would assist in weeding out terrorists active in the community!!

The real joke is that it probably would have been more effective than the millions the Australian Government spent on other anti-terrorist measures.

“The Taliban considers it a sin for a man to see a naked woman who is not his wife so this Saturday at 2.00pm Eastern time, all true Australian women are asked to walkout of their house completely naked to help weed out any neighbourhood terrorists. Circling your block for about an hour is recommended for this anti-Taliban effort. All men are to position themselves in lawn chairs at the front of their house in a show of support for this anti-terrorist initiative. As the Taliban do not approve of alcohol consumption, further proof of your anti-terrorist sentiment would be a cold six pack at your side.

If you see anything suspicious, the terrorist hotline is 1-800-123-400.

The Australian Government appreciates your effort to counter terrorist activity.”



### **Do the Terrorist Test now! YOU may be a latent Taliban if.....**

1. You refine heroin for a living but you have a moral objection to beer
2. You own a \$3,000 machine gun and/or rocket launcher but can't afford shoes
3. You have more wives than teeth
4. You think vests come in two styles: bullet-proof and suicide
5. You have a crush on your neighbour's goat
6. You can't think of anyone you HAVEN'T declared a Jihad against