



## OCTOBER 2013

### USEFUL SNIPPETS

#### NZ MORE COMPETITIVE THAN AUSTRALIA FOR FIRST TIME

New Zealand has outperformed Australia on the latest Global Competitiveness Index for the first time. In the index compiled by the World Economic Forum, New Zealand climbed five places from last year to come in at 18<sup>th</sup> on the overall ranking of global competitiveness.

Australia slipped one place to drop out of the top 20 for the first time with a score of 21. The annual Global Competitiveness Report is compiled from 111 indicators. The top ten countries are:

- 1 Switzerland
- 2 Finland
- 3 Japan
- 4 Germany
- 5 Sweden
- 6 United States of America
- 7 Netherlands
- 8 Israel
- 9 Taiwan
- 10 United Kingdom
- v
- 18 New Zealand
- v
- 21 Australia

#### IRD NUMBERS FOR NEW BABIES

Parents can apply for an IRD number for their newborn when they register the birth with the Department of Internal Affairs. IRD numbers for children are required to enable families to receive Working for Families Tax Credits. Application is as simple as ticking a box on the birth registration form to confirm that the parents would like a tax number for their child.

#### PROVIDING COMPLETE DETAILS ON GST FORMS

When completing GST returns, make sure the return shows the actual turnover for the period, not just the net result. Two situations with a nil GST effect still need to be correctly shown in the GST return. These are:

- Zero-rated supplies – these must be included in boxes 5 and 6 of the GST return
- On-charges of GST – the amounts need to be included in boxes 5 and 11 of the GST return.

It is important that the figures on the GST return accurately reflect the income the expenses are being claimed against. Incorrectly accounting for GST can reduce the accuracy of the ratio calculation (for provisional tax) so it is important that the income figures are correct.

#### TAXING CASHED-UP ANNUAL HOLIDAYS

Employees are able to 'cash in' up to one week of their annual leave entitlement. If an employee and employer agreed to this 'cashing-up' 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. An employee's child support liabilities and Working for Families Tax Credits entitlement may also need to be adjusted if their family income changed.



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## CHILD RESTRAINT LAWS ARE CHANGING

From 1 November child restraint laws will be changing to improve the safety of children travelling on our roads. The mandatory use of child restraints in vehicles will be extended by two years, with all children required to be correctly secured in an approved restraint (this includes booster seats) until their seventh birthday. Children aged seven and upwards will continue to be required to be secured in an approved child restraint if one is available in the vehicle and, if not, in any safety belt that is available.



Approved child restraints include:

- Infant restraints for young babies (such as baby capsules or rear facing convertible car seats)
- Restraints for older babies, toddlers and preschool children (such as convertible or forward facing car seats)
- Booster seats for preschool and school aged children (these position children in the seat so they can safely use the adult safety belt)
- Child safety harnesses (used with or without a booster seat) for preschool and school aged children.

Seats and safety belts installed in vehicles are designed and manufactured to most effectively protect an average-sized adult in the event of a crash. Children because they are smaller need additional seating equipment to keep them as safe as adults in a car.

### Comment:

It is a driver's responsibility to make sure any child, under the age of 15 years, travelling in their vehicle, is correctly secured.

## CHECKS ON QUAD BIKE SAFETY

Statistics show that farms continue to have one of the highest levels of injury of any workplace in New Zealand, with an average of five quad bike-related deaths and 850 people injured annually.

With the arrival of Spring and longer working hours, the chances of an accident on a quad bike rise significantly, and farmers, their families and farm employees must keep quad bike safety high on their safety priority list.

The Ministry of Business, Innovation & Employment advises their inspectors will be stepping up visits to farms to ensure quads are being operated safely. The Ministry believes it is very important not to get complacent when using a quad bike - many farming injuries happen on flat terrain in fine dry conditions. The Ministry's quad bike harm reduction campaign seeks to reduce the number of injuries with four key safety steps:

- ✓ Always wear a helmet
- ✓ Ensure riders are trained and experienced
- ✓ Never let children ride adult quad bikes
- ✓ Choose the right vehicle for the job, especially when towing a load or carrying passengers.

## INTEREST DEDUCTIONS - A REMINDER

A recent Taxation Review Authority (TRA) case serves as a reminder not to be complacent when it comes to lending arrangements between associated entities. One of the fundamental questions asked was: "What has the entity used the funds for?" – a bid to determine whether or not there is the required connection between the expenditure and income derived.

In this case, the taxpayer was a farming company that borrowed funds from the bank and on-lent them to other companies in which the company had an interest. The funds were subsequently used to purchase additional farms which were then operated by the taxpayer. Resolutions were signed by the shareholders and director but there was no written agreement in respect of the on-lending itself. Interest was payable on demand but no demand was made.

The taxpayer claimed a deduction for interest paid to the bank. The interest deductions were disputed by the IRD and were the subject to the case – and the IRD won.

The taxpayer argued that the interest expenditure had been incurred in the income earning process in the form of a reduced lease charge for the farm land by way of a barter type arrangement. The TRA disagreed, finding that there was not a sufficient nexus between the interest expense and any benefit to the business activities of the taxpayer. They ruled any additional income would come as a result of the increased farming activity and not the borrowed funds.

## INDIA BEATS TO A DIFFERENT DRUM!



Have you ever had that gnawing feeling in your stomach after receiving a letter from the IRD advising of overdue tax? What if instead, the IRD sent a band outside your property and drummed loudly for all to hear? If you live in Bangalore, India, that could happen.

Tax evasion is a major problem in India – only 3% of India's population of 1.2 billion people pay any tax at all. The city of Bangalore is fed up with companies and individuals refusing to pay their tax bills so a new 'recovery' method has been introduced.

The city has started hiring bands of drummers to encourage the payment of tax by embarrassing local tax avoiders. Those targeted will find a band of drummers in matching shirts and bright bandannas playing outside their property for all to hear. The approach appears to be effective as many companies have reacted to the embarrassment and 50% of the targeted firms have paid up.

## A MAN'S SALARY IS FROM MARS, A WOMAN'S SALARY IS FROM.....?

A large professional services firm in the United Kingdom conducted a survey in 2012 of 4200 people over the age of 18 years to examine their views about the world of work for women and the prospects for women entering the workplace in the future.

The results highlighted some interesting and contrasting views between the men (49%) and women (51%) that responded. Some noteworthy findings are:

- Most women believe that women will never be on equal remuneration terms with men
- 60% of women believe childcare will always hold them back despite the majority of both sexes acknowledging that traditional gender roles in the home are changing
- A large majority of respondents identified work experience as being the most important factor in being successful at work
- Women identified working in a profession such as accounting, law, teaching or nursing as having an employment advantage with regard to equal remuneration.
- Both men and women respondents considered the IT sector will offer women the most opportunity in the future; this reflects the opportunity afforded by this sector to work more flexibly and remotely.

New Zealand's equal pay legislation for the private sector was established in 1972 – so how do New Zealand women fare after 40 years? One helpful guide is the World Economic



2012 Index that showed New Zealand holding its ranking of sixth place behind the Nordic countries, with Ireland just ahead of New Zealand. New Zealand and the Philippines lead the way in the Asia-Pacific region and New Zealand's ranking compares favourably against that of the UK and Australia.

## PENSION TRANSFERS

The clock is ticking on an opportunity for some people to get a concessional tax treatment on transferring their pensions to New Zealand as legislation before Parliament is proposed to change the way pensions are taxed and to correct the historically incorrect treatment by taxpayers.

If you have already transferred pensions to New Zealand or do so prior to 1 April 2014, there is a proposed choice as to how those transfers are dealt with for tax purposes, including a limited concession. After that deadline date however there will be no such choice allowed – a calculation will be required of the taxable portion of that transfer based on the length of time you have been a NZ tax resident. Transfers within the first four years after commencing NZ tax residency are proposed to be exempt from NZ tax, but once this expires, the longer you have been a tax resident in this country, the greater your potential tax liability.

**Comment:** 1 April 2014 is a critical date. If you have transferred offshore pensions to New Zealand in the past or are considering a transfer, it is important you discuss your options with us. Not doing so could be costly.

## ADVANCE AUSTRALIA FAIR!!

From time to time we have written on the issue of the risks associated with moving to Australia and the need for New Zealanders to be aware that unless their occupation is considered an 'in-need' skill in Australia, they will never be eligible for permanent residency or citizenship, even after years of living in the 'lucky' country. This means they have no eligibility for Government assistance.



It also follows that the children of New Zealand migrants to Australia have no access to entitlements, even if they live the majority of their lives in that country. It can also mean that a migrant, or child of, in certain circumstances (e.g. having been convicted of a crime) can be deported back to New Zealand where they may have few relatives and even fewer friends.

## PAYMENT FOR NON-ATTENDANCE AT WORK

New Zealand has had its fair share of natural disasters in recent times, mostly from earthquakes. So what happens when an employee is unable to go to work for reasons outside their control? It would be usual to look to the employment agreement documentation for guidance on the employer's obligation to pay. However, the employment agreement may be silent on this issue as we are not in a country regularly prone to events which prevent employees from attending work.

**Comment:** As a general guideline, wages have to be paid if the employee is ready and willing to work. Therefore, if the employee turns up for work but the work place is closed by his employer for whatever reason, they can expect to be paid.

## EASTLAND RESCUE HELICOPTER TRUST

Eastland Rescue Helicopter Trust is a charitable organisation that is led by volunteers and provides a most valuable service for this District. It averages 80 missions a year over some of the country's most difficult terrain spanning Te Kaha/East Cape down to Kotemaori and across to Waikaremoana. The service it provides is particularly valuable to our rural based people and communities. We commend this organisation to all our clients to support, whether that be as an annual supporter, or donating to the new hangar project. Graham & Dobson is donating \$5,000 to the hangar project.

## NEWSLETTERS VIA THE WEBSITE

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## THE BENEFITS OF MILKING IT

This is straight from **Scotland Students** in an advanced Biology class who were taking their mid-term exam. The last question “*Name seven advantages of mother’s milk*”. The question was worth 70 points or none at all.

One student, in particular, was hard put to think of seven advantages. However, he wrote:

- 1) It is the perfect formula for the child
- 2) It provides immunity against several diseases
- 3) It is always the right temperature
- 4) It is inexpensive
- 5) It bonds the child to the mother, and vice versa.
- 6) It is always available as needed.

And then the student was stuck. Finally in desperation, just before the bell rang indicating the end of the test, he wrote:

- 7) It comes in two attractive containers and it’s high enough off the ground where the cat can’t get at it.

He got an “A”

