

client newsletter

Autumn 2014

Risk and Reward

Superannuation: decisions, decisions

If you have (or had) funds in foreign superannuation schemes, let us know. Recent changes to legislation and further impending changes may affect you.

I transferred my Australian super to KiwiSaver. Is it taxed here?

Transfers from complying superannuation funds in Australia into KiwiSaver won't be taxed in New Zealand on transfer. However, future earnings on these transfer funds will be taxed as normal KiwiSaver investments.

This isn't the case with transfers from other countries - there are New Zealand tax implications on transfers in these cases. However, under the new rules, if you transfer your non-Australian foreign superannuation into KiwiSaver after 1 April 2014, you will be allowed to make a withdrawal from KiwiSaver to pay your tax bill.

I withdrew (or transferred) funds from my foreign super last year. What are the tax implications in New Zealand?

If you withdrew or transferred funds any time between 1 January 2000 and 31 March 2014, and have not previously accounted for New Zealand tax on these funds, you will be able to meet your tax obligations by paying tax on 15% of the amount transferred or withdrawn. The remaining 85% of that sum will not attract income tax. However, it has to be shown in the tax return for either the 2013-14 or 2014-15 income years.

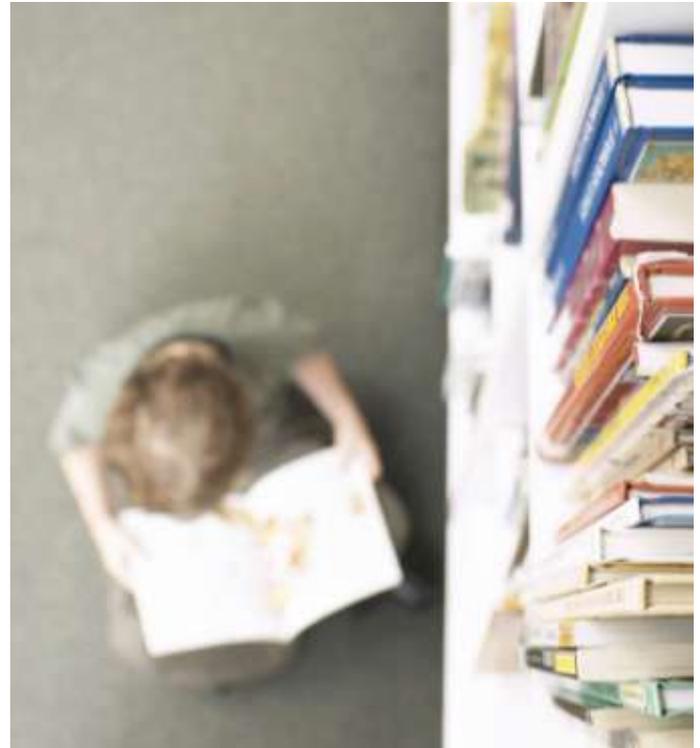
For a limited period of time only, you can choose to calculate your tax liability using this concessionary 15% rate option without penalties or interest, or under existing law (which may involve imposition of penalties and interest). Talk to us to work through the options that are best for your situation.

I'm confused. I've been declaring my foreign super under the FIF rules. What happens now?

The current foreign investment fund rules will no longer apply to foreign superannuation schemes from the proposed date of 1 April 2014. However, if you previously declared your foreign superannuation and used the foreign investment fund (FIF) income rules prior to 20 May 2013, you may choose to keep using them in relation to your foreign superannuation interest after 1 April 2014 under the 'grandparenting' provisions.

Anything else?

Don't forget also, superannuation is counted as adjusted taxable income when calculating income for child support, family income for Working for Families tax credits, and parental income for student allowances.



Sinko & Associates
Chartered Accountants: Business & Tax Consultants

Sinko & Associates Limited
2/33 Apollo Drive, Rosedale, Auckland 0632
P.O. Box 303112 North Harbour, Auckland 0751
Telephone: (09) 415 0195 Email: info@sinko.co.nz

Tax Talk

and the good news is... ACC

Workers and employers will pay \$387 million less in ACC levies in 2014/15 (subject to the regulation being passed). The cuts affect the Earners Account (paid by workers) and the Work Account (paid by employers).

	Work Account Average levy (per \$100 of liable earnings, ex GST)	Earners' Account levy (per \$100 of liable earnings, ex GST)
2014/15	\$0.95	\$1.26
2013/14	\$1.15	\$1.48

The Health and Safety in Employment (HSE) Levy is changing to a flat rate of \$0.08 per \$100 liable earnings. Look for more news on this later in the year.

Motor Vehicle Account levies, incorporated into car registration and petrol prices, will remain the same. The Government expects to introduce cuts for motor vehicle owners from 1 July 2015.

In other news, there have been some minor changes to classification unit codes, affecting second-hand booksellers and people working in digital effects industries.

Are you managing ACC on your own? We could help you with that, with our ACC Administration and Advisory service. Talk to us about how the service might save you time and money.

Working for Families

The minimum family tax credit threshold will increase from an after-tax income of \$22,724 to \$22,776 from 1 April 2014.

Student loans and allowances

The government continues to tighten up access to assistance for students as well as extending their reach for repayments.

Limits on access

If you are starting study after 1 January 2014, there is now a residency requirement of three years (previously two years) before you are eligible for a Student Loan which applies to those who are not New Zealand citizens, refugees, or protected persons. Age limits apply for Student Allowances. The amount of assistance people over 40 are eligible for is limited to 120 weeks and students aged 65 or over are no longer eligible for a Student Allowance for study starting after 1 January 2014.

Repayment obligations – don't be late

If you defaulted on your student loan repayments while living overseas, but returned to New Zealand, Inland Revenue can now request an arrest warrant if you are about to leave New Zealand. Inland Revenue and the Department of Internal Affairs now have an information sharing agreement allowing them to share contact details for overseas-based student loan defaulters when they renew or apply for their passport. Inland Revenue will be able to contact individuals to discuss their outstanding arrears.

Coming together is a beginning; keeping together is progress; working together is success. Henry Ford

Mixed use asset rules now apply to boats and planes

We've talked a lot about mixed use assets over the last six months so we'll keep it short. From 1 April 2014 the mixed use assets rules apply to boats and aircraft. This means you now need to keep similar records as for holiday homes.

If you use the asset for private use and for earning income, if it's also unused for 62 days, if it had a cost or market value of \$50,000 or more when you bought it, you need to record:

- The amount of time it was used and who used it (number of days, flying or cruising hours)
- The amounts received
- Expenses related to making it available for hire as well as expenses in generally maintaining it

If you make a loss and if your gross income from the asset is less than 2% of its value, you may not be able to claim the loss straightaway. Instead, you'll have to 'quarantine' the excess expenditure and carry it forward to a future tax year to offset against future profits from the asset.

GST input tax deductions are calculated in a similar way to how you calculate expenses allowed as a deduction. If you sell the asset partway through the year, the calculations relating to income, expenditure, apportionment and quarantining can change.

If you'd like a rundown on how this applies in your case, or some tips on easy ways to keep track of it all, please contact us.

End of year checklist

As usual, when the end of the financial year is approaching, it's a good idea to make sure everything's in good order. Take a look at:

<input type="checkbox"/> How much stock you are carrying at the end of the year. Dispose of any obsolete lines or write the stock down to its net realisable value.	<input type="checkbox"/> Your discount reserve, if you discount for prompt payment. After the first year, the allowable deduction is based on the percentage level established initially.
<input type="checkbox"/> Planned dividend payments and the company's imputation credit account balance.	<input type="checkbox"/> Credit notes issued to customers following balance date that apply to income earned this year.
<input type="checkbox"/> Debtors: if you have taken reasonable steps to recover a debt, you may be able to write it off and claim a deduction.	<input type="checkbox"/> Retentions owing: they are taxable this year if you receive them by 31 March.
<input type="checkbox"/> Fixed assets: can any be written off?	<input type="checkbox"/> Make sure loss offset or subvention elections are filed with IRD on or before 31 March.
<input type="checkbox"/> Amounts owed to employees such as holiday pay, bonuses, long service leave, redundancy payments. They can be claimed for in this year if paid within 63 days of balance date.	<input type="checkbox"/> Can you prepay any of your expenses to claim a deduction? Not sure what kinds of prepayments are deductible? Ask us.
<input type="checkbox"/> Significant maintenance or repairs undertaken before end of year may be eligible for an early tax deduction. Check if you're not sure where expenditure on an asset is deductible as repairs or maintenance or if it should be capitalised.	

Call us if you'd like a quick heads-up on what to look for in the detail or options for how to treat any of the above.

Innovation is the ability to convert ideas into invoices. L. Duncan

eXPired technology?

Taking your business online? Look at whether your current setup will let you keep up with the change.

For instance, if you're still running XP, be aware that Microsoft will no longer support Windows XP and Office 2003 from this year.

From April, if you use Windows XP, you won't receive technical support for it. This means no new security updates, or non-security hotfixes. No support and no online technical content updates.

Until July 14 2015, Microsoft will continue to offer Windows XP users its malware scrubbing program (MSRT). However, your system will become more vulnerable to security risks and viruses.

Over time you'll encounter more applications and devices are incompatible as software and hardware manufacturers upgrade their products.

You're already onto this ... right? But call us if you'd like to talk through how your computer system interacts with your accounting system or other business processes.



Disclaimer:

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.



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Business Perspective

Sistema – act local, be global

Everyone has at least one. The distinctive blue clipped containers are in pantries, fridges, and lunch rooms all over New Zealand. Easily stackable, affordable, practical, BPA free. Pretty amazing that it all started in a garage in Cambridge with the simple idea of a food safe storage container, well made, beautifully designed, that didn't cost the earth.

In the Sistema family of products (*Sistema*: Italian for 'system'), the Klip It collection launched the company into the New Zealand and Australian markets. The family grew with younger siblings, the Microwave, Lunch and To Go ranges, all manufactured in New Zealand. Today the range nestles comfortably at home in some 64 countries. After an initially cautious approach to export, today Sistema earns more than two-thirds of its revenue offshore.



The business has averaged 20-25% growth each year. In 2011 as Westpac Exporter of the Year Award, its previous two years saw a phenomenal 80% growth. Sistema credits this to 'just the usual things, hard work, determination and more hard work.'

CEO Brendan Lindsay's approach is that it's about 'developing relationships with retailers who trust us to provide well designed, well manufactured product that their customers can use day to day. These relationships take time as does building our brand in their stores. In a competitive market it's a constant challenge to keep innovating and improving product. And it's a given that all product is manufactured to the highest standard.'

Their take on managing growth is that it's not just the financial side of things, but also 'managing people so that they can cope with the constant change of an expanding business. You have to be prepared to listen and take advice but, as things start to really move, it's important to be able to make decisions and correct mistakes quickly. It's not always the big things that make a difference. It's all the details that make the whole. It's important to have systems and procedures to ensure the business keeps its values intact.'

In an era when so many iconic New Zealand brands have taken their manufacturing operations off-shore, Sistema's commitment to keeping their manufacturing base home-grown is remarkable. Their strategy has been to invest. Large-scale injection moulding equipment allowed them to create a new range of home and office products exclusively for The Warehouse. Sistema's new \$7.5 million purpose-built production factory, opened in 2012 by Prime Minister John Key, allowed the company to establish an additional 50 jobs. Today Sistema employs more than 540 people.

Their challenge is to make sure they're efficient without compromising their bottom line. Their decision to maintain the heart and soul of the business in New Zealand is wholly conscious, part of their brand identity. They make sure business *has* heart and soul, whether in relation to their team, face to face at international trade fairs or in contributions to charity and community development projects such as the Girls in Business mentoring program.



From the start, Sistema used professional help with accounting, legal and patent protection. Outside advisors 'keep us grounded and act as a sounding board. It's very important to have people you can call on to give you unbiased advice you can trust and who share your vision for the future direction of the company.'

Sistema's smart design and entrepreneurial spirit deliver great 'made in New Zealand' product to the world.

'Growth is business. If you're not growing you're going backwards so it should become a natural part of your day to day operation. Sure there will be times when you take a step backwards but that's an opportunity to learn and grow stronger. Businesses and markets are constantly changing. If you take your eye off the ball, be prepared for something to happen. It inevitably will. How you respond to changes both good and bad will define you and your company.'