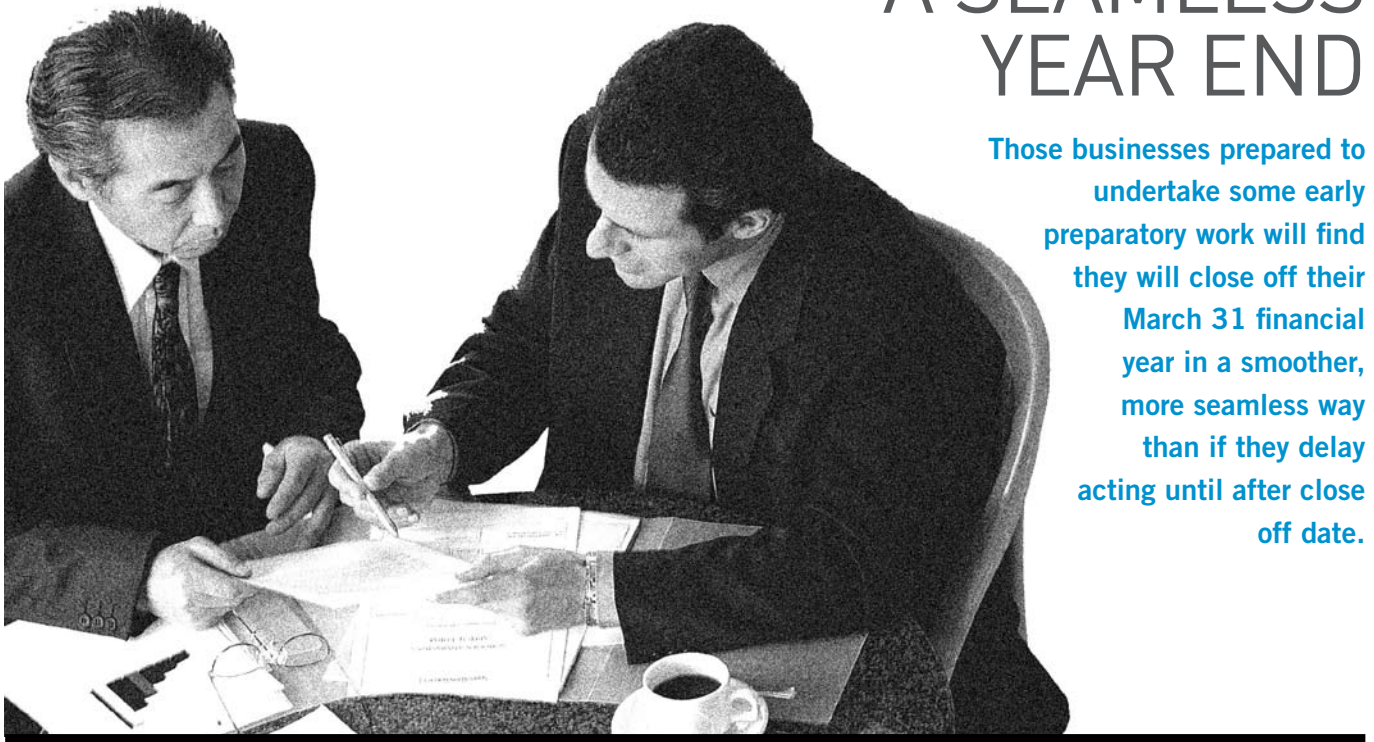




# myaccountant

newsletter

## PREPARING FOR A SEAMLESS YEAR END



Those businesses prepared to undertake some early preparatory work will find they will close off their March 31 financial year in a smoother, more seamless way than if they delay acting until after close off date.

There are also some tax planning strategies to consider which may reduce the amount of tax you pay.

To assist clients with their tax planning, we have developed a 'checklist' of options which may be available to them, entitled 'Tax Saving Checklist for Businesses'. Your CTCW adviser can provide you with a copy of this checklist.

### OUR CHECKLIST CONTAINS 22 OF THE MORE COMMON OPTIONS AVAILABLE TO BUSINESSES.

Among them are: In terms of debts owed to the business, it is important to:

- Write off those debts which will not be recovered prior to March 31. If you don't, then you will have to treat them as income in the current financial year, and will not

be able to write them off until the 2009/10 financial year.

Prior to writing off the debt, you should make vigorous attempts to receive payment, including direct contact, and have considered going through the Small Claims Tribunal or a debt collector.

A file of the actions taken to recover the debt should be kept, companies need to have the action recorded in the minutes and the debt should be transferred from the debtors' ledger to the bad debt ledger.

- Prepare a list (with names and amounts) of those debtors who you have invoiced for work but have not paid you by March 31. These amounts will need to be brought into the financial year as income.

In terms of debts you owe to others, you need to:

- Prepare a list of your creditors (with names and amounts). This list should include creditors who have not banked cheques you have sent them.

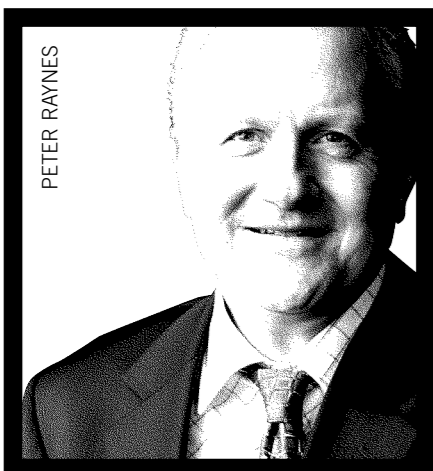
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## REACHING OUT WILL ASSIST IN GETTING THROUGH TOUGH ECONOMIC TIMES

Amongst all the financial information and forecasting that is put in front of us daily - through sources such as the media, the business associations to which we belong and in the discussions we have with associates – we need to find the right balance between having the right amount of caution and being too negative about the year ahead.

For most of us, business will undoubtedly be challenging, if not hard. For some, it will become too difficult and their business and personal wealth will suffer.

For most of us, our main focus will be on making the right decisions around our own business affairs, and trying to ensure we do not get sucked into the downfall of others, such as being owed substantial sums of money that we can't recover.

During such times we need to return to business fundamentals such as ensuring we manage the collection of monthly accounts; being flexible, and acting decisively if business and margins start to be squeezed; and focusing much of our energies on retaining the business we have.

Conversely, we must resist the temptation to overreact the opposite way through being too conservative, indecisive or risk adverse that we hobble our business initiatives so badly and cause our own problems.

If the right opportunity presents itself,

we need to have the short and medium term confidence to follow through on our convictions.

Internationally, the major governments are seeking to stimulate their countries', and the world's, economies. For its part, the New Zealand government is following through on its pre-election promises, and has announced changes to resource management, employment law, small business compliance, and economic stimulus initiatives.

During times such as these there will always be value in testing our own judgement by discussing issues with people whose views we value, or have the technical and practical experience to vigorously examine our plans.

Ultimately, economic conditions will start to improve internationally and in New Zealand. As the pendulum starts its journey back towards better trading conditions, our goal should be to be as well placed as possible to benefit.

PETER RAYNES, DIRECTOR

## PREPARING FOR A SEAMLESS YEAR END

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The most laborious task is to come to terms with stock on hand at year end, as this will become your opening stock for the new financial year. The record of stock needs to be in writing, and the details need to be retained as part of your accounting records.

The trading stock on hand can be valued at the lower cost (including freight and manufacturing costs) or net realisable value, and the method used can be varied for each item. The value is a 'negative expense' which will increase your taxable profit for the year.

Prior to undertaking a stock take, identify damaged or obsolete stock and remove them from the premises to be dumped or sold. Stock may include items held by agents, in off-site warehouses, in bond or in transit.

You do not have to undertake a stock take if your turnover is less than \$1.3million, and the value of year-end stock is less than \$5000 (soon to be \$10,000).

In preparing your information for discussion with your CTCW advisor, take a note of expenses paid in advance or lump sum payments that cover the future year, such as insurance premiums or the break fee on a loan. Generally, items of this nature up to \$12,000 can be claimed in the financial year in which they are paid.

It is worth considering organising to pay annual lump sum payments in March each year to take advantage of this deduction. Your CTCW advisor can be specific as to what is deductible.

## RESTRUCTURING AND REDUNDANCIES NEED TO BE CAREFULLY MANAGED

Employers facing this dilemma need to remember their responsibilities under industrial law to be fair in the way they make people redundant.

One of the starkest challenges facing employers during economic downturns is seeking to hold on to staff as workloads decline and margins are squeezed.

Some initially counter this by cutting overtime, looking for staff to take holidays or seeking to reach agreement about reducing work hours.

Statistics and anecdotal data make it clear that unemployment is on the rise, and is likely to get a lot worse before any improvement is felt.

UNEMPLOYMENT IS ON THE RISE, AND IS LIKELY TO GET A LOT WORSE BEFORE ANY IMPROVEMENT IS FELT.

While making staff redundant is never easy, facing up to the inevitable early and keeping the business as financially sound as possible, is likely in the long run to protect the jobs of the greatest number of people.

Employers facing this dilemma need to

remember their responsibilities under industrial law to be fair in the way they make people redundant, as well as procedurally correct. If these requirements are not met, the employer may find themselves open to the claims of staff.

This can then involve the employer in hiring specialist employment lawyers and running the risk of having to make substantial compensation payments.

Your usual financial advisor is able to assist you in developing a planned approach should you need to consider restructuring your business or making staff positions redundant.

The start point in any discussions around staff – whether it's their rights and obligations or the business making changes to the way it operates – will be the employment agreement the business has with its staff. Now may also be an appropriate time to review employment agreements to ensure they are up to date and valid.

Valuable background reading on restructuring and redundancy can be obtained from the Department of Labour [www.ers.dol.govt.nz](http://www.ers.dol.govt.nz). Work and Income also offer support services to employers faced with redundancy situations [www.workandincome.govt.nz](http://www.workandincome.govt.nz).

## REVIEWING YOUR BANK LOAN REPAYMENTS: A WORTHWHILE EXERCISE

An exercise worth undertaking would be to examine the benefit of breaking your fixed term mortgage or term loan with a bank to see whether there is any benefit in refinancing at the currently lower interest rates that prevail.

In making this suggestion, we are not taking sides in the debate around the morality or otherwise of 'breaking a contract'. Rather we are approaching it from the financial equation of paying the bank for its 'financial loss'.

If the combination of paying the bank's loss and lower repayments is better financially than continuing with the existing repayments, then both parties gain.

The first step is to obtain from the bank a quote for breaking the contract. Then the exercise is quite simple using the calculators provided on bank web sites. If the loan in question is a business loan, then the break fees can provide timing benefits in respect of tax liabilities.

Some issues that should be kept in mind

when considering this exercise are:

- Will the bank, or another bank, refinance the mortgage or term loan at the same level and for the same term? Remember, lending criteria have become tougher, and real estate values have declined!
- Will interest rates fall even further, so do you fix now, or wait? Most economists see lending rates declining even further in the short term. A point worth remembering is that you can fix part of a mortgage while having part on the variable rate.

In February, the Official Cash Rate (OCR) was lowered to 3.5 percent, its lowest level ever in its nine year history. The OCR will be next reviewed on March 12 and again on April 20.

You're not just a number to us.

CHARTERED ACCOUNTANTS

To find out call 09 238 9219



## OBITUARY

Terry Harris, OBE - 1942 – 2009

It is with great regret we announce the death of Terry Harris, OBE, who for 39 years worked for Campbell Tyson Cooper White, 26 of those years as the firm's Managing Partner before he retired in 2005.

Terry was a prominent Franklin businessman and personality. He also played a significant role in the wider region's affairs and was for many years Chairman of the ASB Bank and

South Auckland Health, the Crown Health Enterprise which controls Middlemore Hospital.

As a young man Terry made the conscious decision to live and work in Franklin and South Auckland through a desire to 'make a difference' to the local community, and was always a strong advocate for Franklin.

In addition to working with many of the firm's clients, he was involved in numerous local community and business boards, to which he applied his strong analytical, financial and advocacy skills.

He was a founding member of the Pukekohe Development Committee, serving as a committee member and later chairman for 10 years. This committee was the forerunner to today's business organisations involved in encouraging the growth of the district.

During his stewardship of ASB the banking industry underwent deregulation, and Terry was a key figure in the transition of ASB into first a trustee bank and then laying the

foundations that saw its later emergence as a full service, nationally operating bank.

He was made a member of the Order of the British Empire in 1987 for services to banking, and in the following year a Fellow of the Institute of Chartered Accountants.

Born in Papatoetoe, Terry attended St Kentigern's before studying accounting at Auckland University and ATI on a part time basis. He joined the then Campbell Tyson in 1966.

A keen yachtsman, Terry won the inaugural NZ Quarter Ton Cup in 1973. He also owned and raced several horses, and enjoyed golf, tennis and squash.

He is survived by his wife of 40 years, Mary, and three adult children – Robert, Andrew and Jane.

The Directors and staff of CTCW would like to thank clients and members of the Franklin community who have expressed their condolences personally, or by way of messages and cards.



JENNY PILKINGTON



SARAH NICKALLS

## TWO ADDITIONS TO CTCW'S LEADERSHIP TEAM

**CTCW has promoted two Team Managers – Jenny Pilkington and Sarah Nickalls as the firm continues to strengthen its leadership team and prepares for the future.**

Jenny and Sarah have had long associations with the firm, both initially joining us as trainees straight from college, and will be well known to many of our clients.

Jenny is one of our most experienced Client Services Managers, and in her new role will take an even more active involvement in client relationships, and the overall management of their business and financial requirements.

Sarah's new role will initially focus on business development, adding value to client relationships and special projects.

CTCW is one of Pukekohe's largest employers, and now has a complement of 59 people, which includes 6 Directors.

The appointment of Jenny and Sarah continues the strong tradition of CTCW providing career openings for those seeking a role in accounting and finance, and of promoting our future leaders from within our existing team.

## RUN THAT BY ME AGAIN...

### Tax credit on redundancy payment

IRD announced last April that anyone who was made redundant between December 1, 2006 and April 1, 2008 can make a claim for a tax credit of 6 cents in the dollar, up to a maximum of \$3600. People affected can make a stand alone claim anytime, and do not have to wait till they file an end of year return.

### Minimum Wage

From April 1 the minimum wage will increase to \$12.50 p/hour. For trainees and new entrants, this will rise to \$10 p/hour.

### Retaining Records

Retain all your accounting and business records for at least seven years after the tax year to which the records belong. Although not common, the IRD does have the ability to request that you keep records for longer periods.

### Kiwi Saver Changes

Significant changes are under way for KiwiSaver, and we urge all our clients to

make themselves aware of those changes, and discuss them with their financial advisor. CTCW is still positive about KiwiSaver, but the changes may mean that what was the best option in 2008 may not be that now.

You can review the changes on [www.ird.govt.nz/news-updates/like-to-know-april-2009-kiwisaver-changes.html](http://www.ird.govt.nz/news-updates/like-to-know-april-2009-kiwisaver-changes.html)

### FBT Exemptions

The current FBT exemption of \$200 a quarter for each staff member is being increased to \$300 a quarter from April 1.

Keep in mind the exemption does not include private use of a motor vehicle, subsidised transport, employment related loans, or contributions to superannuation, sickness, accident or death funds, funeral trusts, and life or health insurance of a friendly society.

FBT exemptions can be complex, and you are advised to talk to your CTCW advisor to ensure that what is being claimed is acceptable, and that you do not exceed the allowable limits.

## FEEL FREE TO CONTACT US

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