

# Business Advice



## Business Matters

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### A Taxing Christmas

*On the twelfth day of Christmas my employer gave to me...*

If you're planning your Christmas celebration, be wary of the tax implications as not all celebrations are equal. Here's how to avoid adding a gift for the IRD to your Christmas List.

A Christmas Party will fall under the Entertainment rules and as such the expenditure is only 50% deductible. This includes the food, beverages, entertainers, room hire and other miscellaneous costs.

Those Christmas gifts that are given to

employees may fall under the Fringe Benefit Tax rules. These gifts may include food such as hams, turkeys or hampers; alcohol; clothing, vouchers or other items. These gifts fall into the "other" category for Fringe Benefit Tax purposes and as such may fall under the threshold for Fringe Benefit Tax to apply.

Fringe Benefit Tax will not apply if the gift is less than \$200 per employee and no other gift has been given to that employee during the quarter. The total "other" benefits provided to employees must also be less than \$15,000 for the total of the December quarter and the three preceding quarters.



## Revenue Alert: Sale of Private Homes to LAQC's to Generate Tax Deductions

The IRD have advised that they are concerned about the increasing situations where individuals sell their home to an LAQC and then rent to themselves at market rates. This enables them to get a deduction for costs that they otherwise would not be entitled to. The IRD have now advised that this type of arrangement is contrary to tax policy and may be a tax avoidance arrangement.

The IRD is investigating a number of these cases and will continue to do so. Taxpayers that have entered into such arrangements should be on notice that if the IRD believe the arrangement to be tax avoidance, past income tax returns will be reassessed and LAQC losses denied. This could result in substantial tax liabilities to the shareholders.

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## Clarification of changes to GST and Provisional Tax Dates

There appears to be wide spread confusion about the changes that are occurring to GST returns and the new method of calculating provisional tax. We are currently preparing a newsletter covering this topic, however due to the amount of uncertainty surrounding the detail of these new rules this newsletter will be available in the new year when most of the uncertainties will have

been resolved. If you have a March balance date these new rules will not come into force until the 1<sup>st</sup> April 2008.

In the meantime if you have any queries or concerns that you would like answered please contact us.

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## Did you Know

That IRD staff can ring 0800 DAYOFF, give their details and can have a day off without having to explain themselves – and the taxpayer not only picks up the wages cost but also the cost of the call.

Inflation has meant that an extra 150,000 people are now in the middle and top tax bracket, and much of the Governments revenue windfall has included extra tax gathered from those on the 39% tax bracket.

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## Pre-Christmas Checklist

Have you considered the following:

- Organised to do a full back of your computer system and have this back up stored off site?
- Made arrangements to back up your cell phone before going on holiday? (This is when they most often get lost or damaged)
- Notified your customers and others (i.e. Security firm) of your closing and opening dates.
- Organised for a staff member/s to be available in case of an emergency? (On call staff)
- Determined the workflow over the Christmas period and adjusted for this.
- Notified customers of any possible delays in your delivery over the Christmas period.
- Determined who is going to clear the mail, do the banking - if this is required?
- Determined how your phones and emails will be handled while you are closed?



## Year-end Tax Planning

With the reduction in company tax rates to 30% for the 2008/09 tax year, now is the time to consider if there are any legitimate opportunities to defer revenue to the 2008/09 year or bring forward any expenditure to the 2007/08 year.

Some areas to consider are planning to pay out employee bonuses within 63 days of balance date to ensure that they are tax deductible, purchasing new plant and

equipment to enable a depreciation deduction in the 2007/08 year, and writing off any bad debts prior to balance date.

Taxpayers should also consider whether it is beneficial to delay any R&D expenditure so that they can take advantage of the R&D tax credits available from the 2008/09 tax year.

If you would like to discuss possible savings and opportunities please contact us.

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## Flexible Working Hours

In November a new law requiring employers to give serious consideration to employees requesting flexible working hours was passed and will come into effect on the 1<sup>st</sup> July 2008

This law establishes a new employment right, which allows any employee with responsibilities to care for children, dependent or disabled adults or whanau to seek to vary their hours or place of work. This means a person can ask for a change to their start and finish times, adjust their work hours, work compressed hours, seek to work from home, or any other flexible arrangement that will enable them to better meet the demands of paid employment and their caring responsibilities."

While a lot of employers already offer some form of flexible working arrangements, once again this Government has decided to take away the employers right to say how their business will be run, and ensure that the same benefits due to valuable employees is available to those "not so good workers and further burden them with more costs.

Any employee who has worked for 6 months for the same employer and is responsible for caring for another person (of any age) can make a request under the Act and employers now have a statutory duty to consider any such request seriously and to seek to accommodate it.

An employer can only refuse a request on the following grounds:

- The employee is not eligible to make a request, the usual reason for this is:
  - The employer doesn't consider the employee is caring for another person
  - The employee has not worked for the employer for the previous 6 months, or
  - 12 months have not passed since an earlier request, or
- Because it cannot be reasonably accommodated on one or more of the grounds specified in the Act, or
- For both an eligibility reason and on one or other of the grounds specified.

If the employee considers their employer has not properly or fairly considered the application for flexible working arrangements, an employee may lodge a complaint with the Employment Relations Authority, but as per usual there are no provisions for the good old employer.

An employer who does not respond to an employee's request in the way the Act provides can be fined up to \$2,000. The Authority can also order up to 8 weeks' pay to be paid by way of compensation.

**Like most new legislation passed by this government the "detail" of this new law is still not clear, but as it will affect all employers you need to ensure you are aware of your obligations.**



## On the Lighter Side

When things in your life seem almost too much to handle, when 24 hours in a day are not enough, remember the mayonnaise jar and the beer. A professor stood before his philosophy class and had some items in front of him.

When the class began, wordlessly, he picked up a very large and empty mayonnaise jar and proceeded to fill it with golf balls. He then asked the students if the jar was full. They agreed that it was.

So the professor then picked up a box of pebbles and poured them into the jar. He shook the jar lightly. The pebbles rolled into the open areas between the golf balls. He then asked the students again if the jar was full. They agreed it was.

The professor next picked up a box of sand and poured it into the jar. Of course, the sand filled up everything else. He asked once more if the jar was full. The students responded with a unanimous “yes”.

The professor then produced two cans of beer from under the table and poured the entire contents into the jar, effectively filling the empty space between the sand. The students laughed.

“Now,” said the professor, as the laughter subsided, “I want you to recognise that this jar

represents your life. The golf balls are the important things – your family, your children, your health, your friends, your favourite passions – things that if everything else was lost and only they remained, your life would still be full. The pebbles are the other things that matter like your business, your house, your car. The sand is everything else – the small stuff.”

“If you put the sand into the jar first,” he continued, “there is no room for the pebbles or the golf balls. The same goes for life. If you spend all your time and energy on the small stuff, you will never have room for the things that are important to you. Pay attention to the things that are critical to your happiness.

Play with your children. Take time to get medical checkups. Take your spouse out to dinner. Play another 18. There will always be time to clean the house and fix the disposal. Take care of the golf balls first, the things that really matter. Set your priorities. The rest is just sand.”

One of the students raised her hand and inquired what the beer represented. The professor smiled. “I’m glad you asked. It just goes to show you that no matter how full your life may seem, there’s always room for a couple of beers.”

**We hope you have a Very Merry  
Christmas and a Happy New Year**



### Christmas Closing Dates

Our Office will close for the Christmas Holiday period on **Friday 21 December 2007 at 4pm** and will reopen **Monday 7 January 2008 at 8.30am**.

For any urgent enquiries during this time **please feel free** to contact **David on 021 975 901** or **Juliet on 021 675 901**. We would rather you contact us to discuss your issue - no matter how small!

The office will also be closed on **Friday 18 January 2008** and David and Juliet will be away from **Monday 14 until Tuesday 29 January 2008**.

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