



Risk and Reward Holiday paybest practice

Kiwi businesses, especially those involved in contracting and service industries, often close for annual holidays just prior to Christmas and open in the New Year. Many businesses encourage their staff to take leave over the festive season 'when things are quiet'. Staff employment agreements will include provision for staff to take at least part of their annual leave during this closedown period. The calculation of holiday pay is an integral part of employees' final pay for the calendar year.

Employees are entitled to receive their pay for annual leave before they commence their leave. This provision provides the employee with money to pay for travel and accommodation.

The employer and employee can agree to the normal pay cycle undisturbed by the time off work. If so, it's recommended that the employees' employment agreements reflect this.

Summer 2011



A verbal contract is not worth the paper it's written on **Site: www.Goldwyn**

Christmas closing period

Our offices will be closed **Monday** Friday 23rd of December, until **Wednesday** 11th of January

To all of our wonderful clients, business associates and supporters, we wish you a wonderful Christmas and an exciting and successful 2012. From **the** at:

Calculating annual holiday pay

Whichever of the following is the larger becomes the weekly holiday pay

1. 'Average weekly earnings' Calculate 'total gross earnings' for the 12 months before the end of the last pay period before the holiday and divide this figure by 52
2. 'Ordinary weekly pay' Multiply the ordinary hourly rate of the employee's pay as at the start of the holiday by the number of hours worked in a week.

Calculating pay for statutory (public) holidays

1. 'Relevant daily pay': Find the amount of pay that the employee would have received if he or she had worked on the day concerned.
2. 'Average daily pay' is used when using relevant daily pay is not possible or practicable or there is variation in the daily pay during the pay period when the holiday occurs. Calculate gross earnings for the 52 weeks before the end of the immediately preceding pay period and divide by the number of weeks or part days during which the employee earned those earnings including any paid holiday or leave.

In the case of employees who have commenced employment during the year, average weekly earnings are calculated by taking the amount of their gross earnings from starting work until the last pay period before the holiday and dividing that amount by the number of weeks worked. For examples on holiday pay please see the Department of Labour's website: <http://www.dol.govt.nz/>

Pay calculations can be complex especially when employees have expenses (e.g. travel) and have deductions made (e.g. KiwiSaver, student loan) so contact us if you need assistance in getting these important calculations right.

BRG Team News

We have had a few changes lately within our team:

- § After four years of driving 45 minutes each way to work every day Ian Buckland left in July to take up a position close to his home near Kawerau. Ian and his wife had a lovely baby girl a few weeks ago so being able to get to work closer to home means he has more time to spend with his family.
- § Our lovely Jasmine finishes with us at Christmas and is off to University in Australia to gain a degree so she can become a Chartered Accountant. We will miss her fantastic spirit around the office and we wish her well with her future studies.
- § In August Nerissa Gleeson left NZ for the land down under. Nerissa's husband was offered a position in Melbourne so the whole family has departed. Although Nerissa is still doing some work for us from Melbourne as she awaits the birth of their child.
- § Also in August we welcomed Wade Torr to the team. Wade hails from Gisborne originally and is a fully qualified Chartered Accountant. Wade and his wife used to own a retail shop in Tauranga so he has been out of Chartered Accounting for a few years. Wade has fitted into the team extremely well and is learning lots about the BRG way and how we do things here.
- § Irena Schrijvers our "Go To" person for BankLink and ACC queries will be stepping into the Accounting Team in the new year. Irena has been studying towards her ACC Diploma in Accounting so this will allow her to put some of her studies into practice. She will still retain her roles in BankLink and ACC.

Farewell to Viv- The End of an Era

After starting BRG in 1994, Viv has decided to step down from her role in BRG to concentrate on her other business interests. Those interests require her to travel frequently and Viv feels that she cannot give clients the time and attention that they deserve. Viv will still be available to clients she works closely with on a "as and when required" basis.

You may also be interested to know that just this week The New Zealand Institute of Chartered Accountants has honoured Viv with a Fellowship for her services to the accounting industry, an award that is bestowed on a very small number of accountants each year. The team here at BRG congratulate Viv on this fine achievement.

Viv will be at our BRG Client Christmas celebration on Wednesday 14th December starting at 4pm at Kiwi360. As part of our year end celebrations we will be officially saying farewell to Viv. Please do come and join us to celebrate her achievements.

Tax Talk

Let us entertain you

Let's look at the tax treatment of saying thanks to customers and staff typically with gifts, wining and dining.

Inland Revenue's IR268 guide gives the following examples of where entertainment expenses are 50% deductible:

- § Taking customers, suppliers and business associates out for dinner or putting on a function for them
- § The traditional Christmas party for staff
- § Showing customers, suppliers and staff to an event, e.g. a rugby game or a show
- § Taking them on a jaunt in your launch (running/hireage costs and food and alcohol)
- § Giving them the use of your bach or time share apartment as a thank you gesture (the occupancy costs)

We've been asked 'why only 50% deductible?' Apparently it's because we get some personal enjoyment or benefit from quaffing a wine and tucking into a steak (too right!).

In lieu of a Christmas party you may give your employees restaurant vouchers to use at their discretion. This cost is fully deductible but is

subject to fringe benefit tax (FBT), although there is an exemption of \$300 per employee per quarter (a maximum exemption can apply).

The same treatment applies to staff gifts, again fully deductible but subject to FBT under the 'other benefits' category.

As a thank you gesture many firms give their customers gifts during the festive season. The cost of the gifts is fully tax deductible as a marketing and promotion expenditure.

Many firms pay their staff a Christmas cash bonus. These payments are classed as 'extra emoluments' and are fully deductible but have PAYE deducted at the employee's marginal tax rate e.g. 33% if earning over \$70,000 per annum.

It's important to know about where you stand tax deductibility wise during the festive season. If you have any questions about your marketing generosity to customers and staff, check with us and we'll help you get it right.

Book out your bachavoid the tax headache

Recent years have seen a surge in popularity in the short stay rental of holiday homes. The internet has made it easier to list, book and review bachs and cribs which are available when owners aren't in residence.

Inland Revenue have recently issued a paper proposing new rules on residential assets (including holiday homes) where there is a mixture of business and personal use, with revised criteria that should be adhered to when booking the bach. But until the rules are finalised, the current policies still apply.

Firstly, it's vital that your intentions are bona fide. You must market the holiday home in a commercial manner such as setting up and using a website for the property, registering the property with a reputable holiday home website or listing the property for short stay rental with local real estate agencies. The efforts cannot be seen as 'token', you

should be accepting offers from suitable renters.

Secondly, your own (plus family and friends') use of the property must be diarised so you can determine the days in a year that the property was available for renting out.

If the property is owned by an individual or a family trust the expenses relating to the property including the utilities (power, rates, insurance), maintenance and interest on debt will be apportioned according to the number of days in a year the house was available for rent.

There are GST issues too. Short stay accommodation is a taxable supply for GST purposes so if the annual rental are receiving exceeds \$60,000, the owning entity (individual, partnership, company or trust) is required to register for GST and then GST on the output (rent) and inputs (expenses and improvements) made and received.

This threshold may seem high but some do have more than one holiday home in the same entity! This threshold includes the market value of free or cheap use of bachs by persons associated to the owner.

The value of the property becomes a taxable supply when registration occurs and when the property is sold or the entity de-registered. Both the income tax and GST issues can be quite tricky so we recommend consulting us to make sure all the tax bases are covered correctly.

Business Perspective

'Tis the season to be jolly!

It's officially the silly season and you're probably faced with the dilemma of how to reward your team for a year's efforts. 2011 has been easy but there are ways to make your team feel appreciated and boost job satisfaction without hemorrhaging cash.

Fun and fresh present ideas:

- § A voucher for The NZ's biggest online book store
- § Magazine subscriptions
- § Get photos printed on photo blocks or create a calendar online
- § Send the girls off for a manicure
- § Make your own gift baskets
- § Secret Santa - cheesy but fun, and cheap!
- § Make vouchers for an afternoon off to be used in December
- § Hit Trade Me and source some retro desk ornaments or wall hangings
- § Organise a masseuse with a mobile massage therapist and treat everyone to a half hour
- § Check out www.mrvintage.co.nz for hilarious T-shirts to suit everyone

Frugal ways to treat the team and boost morale:

- § Don't be a Grinch, a few decorations and a tree brighten the season spirit
- § Take the team to a local walking track and enjoy the sights
- § Organise a picnic at the beach
- § Borrow a boat and head out fishing
- § Arrange a potluck BBQ at your house
- § Have you ever played a round of bowls?
- § Take the team wine tasting at a local winery
- § Surprise the crew with Friday sushi or pizza

And some of these ideas may work wonders with your clients too...

Remember-It's not what you do but how you do it. Nothing is a gift of giving. And so on with the corny yet true cliché

A year in New Zealand business resilience

A year ago our nation was reeling following the Pike River disaster and the first earthquake in Christchurch. One year on, Christchurch has suffered another devastating quake with thousands of lives lost and major property damage; the Hawke's Bay has been hit by a huge storm that washed out large areas of productive farmland and across NZ gold kiwifruit crops have been decimated by a virus (with infection confirmed to green crops also). Most recently, the beaches of Plenty were polluted by oil and debris from the grounded Astrolabe Reef.

These critical events apart, businesses have to cope with life's other crises, such as losing a contract, a major bad debt or a key staff member leaving. How to cope when adversity strikes? Dr Jeffrey Benjamin of the Resilience Institute succinctly advises 'be calm, advance steadily, prevail.' We expand on this approach.

Be calm, a clear head will deliver decisive, thoughtful action. Mayor Bob Parker's calm strength in the aftermath of the Christchurch earthquakes is a classic example.

When a business crisis hits don't be afraid to communicate with your staff, customers, suppliers, advisors and bank manager! The load gets shared and a solution may come from any quarter.

Advance Steadily, focus on the basics and mobilise the resources you need to plan your recovery. Plant and Food Research are doing just that in developing resistant strains of kiwifruit and when oil spilled from the Rena, thousands of volunteers were marshalled for the cleanup.

Look for innovative bounce back solutions to stem the loss. The newly opened Cashel Street Mall has bought retailing back to Christchurch in a vibrant way.

Prevail, recovery from business crises can be slow and frustrating but a relentless approach will get you there.

Our isolation has made us a resilient nation. When the chips are down we're generous and supportive towards each other. As 2011 comes to a close, be uplifted by our amazing 2011 Rugby World Cup win (24 years in the making) when an All Black team troubled by injury, securing scraps of possession and facing an impassive French Les Bleus, stoically prevailed.

'The celebration of success overshadows the challenges that were encountered along the way' Jeffrey Benjamin

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.