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Risk and Reward Family Trusts the story continues

The Law Commission's review of Family Trusts continues. A paper on Trustees' duties, the office of trustee administration, and trustees' powers is due out shortly. With the final analysis on trading trusts, the potential registration of trusts and the obligations of trust administrators to be delivered to Government in approximately 3 months' time.

It appears we are heading for a major shake up on the entire manner in which trusts are administered. As your accountants (and for some of you your professional trustees) we're on a mission to ensure your Family Trust's administration processes are robust. If you haven't heard from us yet, you may well soon...

'In the business world, the rear view mirror is always clearer than the windshield.' Warren Buffett

Coping with employment changes

In our Special Employer Alert April, we highlighted major changes to the Employment Relations and Holidays Acts that came into force on 1 April 2011. Of particular concern to us is the requirement for employers to maintain employee personal files this year.

We understand all too well the administration that comes with being an employer. To make our employer clients' lives easier we've developed a simple Employer Documentation Kit, which you now have the opportunity to acquire.

The kit includes almost 50 checklists and letters as well as a detailed procedure that guides you through its use. This covers recruitment, induction, trial & probation, remuneration, training & career development, performance management, sick leave, resignation & termination. (Please note that we have not included an Employment Agreement template in the kit because there are a number of recognised agreement providers).

If you do want help with individual Employment Agreements you can use the Employment Agreement builder on the Department of Labour website www.dol.govt.nz/er/starting/relationships/agreements/builder.asp

Alternatively you can use a specialist provider, such as those listed below:

- § The Employment Relations service offered by the Department of Labour, <http://www.dol.govt.nz/er>
- § Employers Assistance www.employers.co.nz or 0800 800 800
- § Employers And Manufacturers Association Inc (EMA) www.ema.co.nz or 0800 800 362
- § Federated Farmers of New Zealand www.fedfarm.org.nz or 0800 327 646
- § Or, of course your local preferred legal specialist

Our Employer Documentation Kit is available at a cost of \$200 plus GST. It is available in electronic format and there is a copy for quick reference guide. Please contact Leonie Hinaki on (07) 573 5569 or email Leonie at leonieh@busres.co.nz.

Tax Talk

Substantial depreciation allowances still available

While depreciation allowances on most building structures ended on 1 April 2011, depreciation can still be claimed on a wide range of commercial buildings fit for use as out assets.

Just before Christmas, legislation was passed confirming that depreciation will be allowed on building services assets such as lifts, air conditioning systems, electrical reticulation in commercial buildings. The legislation recognises the practical reality that lifts in commercial, retail and industrial buildings suffer significant wear and tear when compared to residential property.

Those clients who have never separately itemised their building assets acquired at the same time as the building can now take 15% of the building's adjusted tax value (the original cost price of the building less any depreciation claimed so far) less the tax value of any separately itemised assets acquired subsequent to acquisition of the building, call it out and depreciate it at the rate of 2% for 10 years downward.

For all new property purchases, building services assets should be properly segregated at acquisition.

Talk to us about shareholding changes

We've recently experienced two cases where clients have decided to make changes to their companies, have gone online to the Companies Office website and Bob's your Uncle, shareholding changes updated.

Actually, it wasn't such a smart idea as it turns out. Changing shareholding in your company without talking to us can have significant tax consequences. These consequences can be far reaching. Continuity of losses carried forward for corporation tax purposes, credits can be lost forever, and under the new Look Through Company regime the flow of losses will be affected.

Moral of the story: Talk to us when you're contemplating share changes. Even better, get Registered Office. In fact we do this for most of our clients. We'll file your annual return for you, and we'll make sure you comply with all of the records requirements under the Companies Act.

Proposals to make the tax system fairer

The 2011 budget included measures to protect the tax base. The Government is concerned about three areas and proposes to release public consultation documents on each of these later this year. Live elections were recovered separately in our BRG Special Alert Newsletter. Alert Summarised below are the other two areas of Government concern.

The first concern is whether certain benefits should be added to income for social assistance purposes, such as Working For Families. Whether salary that is traded for tax-free benefits should be subject to income tax. Typical tax-free benefits may include company cars, gym and sporting club subscriptions, staff discounts, use of company owned holiday accommodation and subsidised health insurance to name a few. Some employees choose to receive a company car by taking a salary sacrifice thereby reducing PAYE deducted from salary.

The second relates to misuse of high value assets such as holiday homes set up as rental properties that have a very low occupancy or are privately during their peak season when high rentals would be received. Yachts and launches that are chartered may well come under scrutiny in this document too.

The net continues to tighten.

Business Perspective

Riskmanagementbasics

We should allow realise what business disaster recovery planning really means and that an event strike can possibly influence your recovery. There are many aspects to review when it comes to your business recovery plan with no 'one size' model available. Below are some important basics that you implement readily.

1. Internal safety: Have you reviewed your premises to be sure they are safe and items are secured? Do you have the regulatory fire equipment? Do you have food and stocks on-site? First aid: Do you have a clear and documented evacuation plan? Review and cement your plans as a team. Impose regular reviews and discuss the plan, keeping new team members up to speed.
2. Evolving cloud technology and the virtual workplace have had a hugely positive effect on the recovery process. Important documentation can now easily be offsite 'in the cloud' as well as there being a definite trend towards web based software. At the very least, review (and update) your current backup procedures.
3. Which of your staff could work remotely with minimal disruption? Why not investigate remote computer connections in the short term rather than as a reaction to a disaster? There can be positives to having the right staff work remotely. It's also easier than it seems and for some industries it's becoming the way of the future.
4. Have you reviewed your paperless possibilities? What you currently store on hand copy that should be scanned and sucked into your server or a 'cloud' based backup?

5. What about your most vital of business documents? Do you have the originals stored in a safe location as well as 'soft' copies (stored in your computer server with adequate backup of course)? Examples include: insurance policies, key client contracts.
6. Insurances: Do you have cover for the building and equipment, vehicles, electronics, furniture and fittings, stock, wages and salaries, loss of profit, additional increased cost of operating your business, claim preparation costs (accountant, solicitor, and insurance advisor fees), reinstatement of rates? Add the list goes on.
7. Finally, do you have the names and home phone numbers and personal email addresses of your team members stored in your mobile phone? A Christchurch acquaintance could not stress strongly enough his importance at having this information readily available, not only in the immediate aftermath but when he needed to coordinate his team remotely in the following weeks.

We recommend you do your research and establish management that best fits your business. The NZ civil defence website (www.civildefence.govt.nz) is a great starting point.

'If you see a bandwagon, it's too late' James Goldsmith

Rebuilding community spirit

'Climate change and the alarming increase in extreme weather patterns are a reality. Since 1960 natural disasters and extreme weather events have increased from 50 to 400 per year.... Bouncing back from adversity is the foundation of resilience. Bounce back is learned.' Profound words from Dr Sven Hansen of Resilience Institute.

Dr Hansen outlines a number of key focus points to strengthen your resilience in the aftermath of a natural event. In summary:

1. Be around others, laugh or relax. Commit to using positive language, focus on the small wins and be aware of the future you are working towards.
2. Repel negative emotions (grief, terror, etc). Constructively identify them and move forward.
3. Relaxation: even the most resilient succumb to psychological damage, destructive emotions, fatigue, insomnia, injury and dietary lapse. Practice relaxation and appreciate the human courage as it spreads around you.

Rebuilding community spirit (cont.)

4. Move forward. Focus on what you can control for deliberate action, even if simple and routine. 'What can I do/achieve/start/supplement constantly reflect on positive stepping stones.
5. Maintain daily routine. Critical events change everything. regular breaks, stretch tired muscles, snack and rehydrate. Power nap. Establish routine in recovery efforts. 'Sleep is mission-critical in long-term recovery'.

Resilience is one of the cornerstones of a successful business in the world we live in, a unique ecosystem in its own right that regularly experiences natural events as well as the odd disaster.

Turn your business green

Today's consumers are becoming more selective when engaging with business, choosing those with a cleaner environmental conscience.

Building and retaining a green approach is said to be a major factor involved in gaining customer loyalty.

Going green is a proactive approach to social and environmental responsibility that can help boost your business's brand image whilst creating financial savings in the long run.

Cheaper energy solutions that rely on sustainable resources include solar and natural gas power. The initial installation is your biggest cost, however once you will notice even bigger savings!

Of course a total green makeover takes time and sound planning so here are a few ideas in the right direction.

1. Consider ditching unnecessary and useless energy drainers. This includes office equipment such as fax machines and landlines and outdated practices such as mailing. All these can be substituted for digital and mobile technologies.

2. Switch to energy efficient light globes. If you can screw in a globe you can certainly screw in an energy efficient one.

3. Switch off your computers when leaving the office. This is a simple step that only reduces your energy bill, also increases the life of your computers.

4. Instead of using Styrofoam and plastic cutlery, store reusable cutlery and ask your staff to bring in their personal mugs from home.

5. Install low water usage facilities. This includes (when necessary) washing machines, dish washers, taps, showerheads and toilets.

6. Recycle. It's been drilled into us since childhood however, it is still neglected

by many businesses! Consider recycled paper or refilling rather than replacing ink cartridges.

Do some research online. There are plenty of businesses who have followed this trend and proudly broadcast their tricks for the use of others. In addition, there is an entire plethora of small companies who specialise in eco-friendly office equipment.

In the end it's simply a matter of applying creativity in devising methods that will turn your business environmentally friendly and socially aware.

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.