

The LO Down



Autumn 2013

Risk and Reward

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Creating a sustainable company culture

Businesses performing well in the current climate recognise the opportunities that lie within the office walls... your key staff! Developing a healthy business culture will prove a valuable investment, helping you to retain, motivate, and propel key team members and your business. It all starts with strong values and capable leadership.

Fear is a massive barrier to innovation and improvement. Employees face many everyday workplace fears, including: fear of making a mistake, being made redundant, of public speaking, of dealing with a disgruntled client and fear of conflict.

Communication is an effective tool in minimising workplace fear. Through consistent, clear communication and greater employee engagement, you can develop an optimal mix of skills for the future, while fostering awareness, collaboration, and mutual trust. When your team feel trusted, their sense of belonging will grow, as will their confidence, their achievements and their resounding loyalty to you and your business.

1. **Express the business' core values.** If your team truly understand the principles behind the business, then they need not be governed by a set of defined rules. Grant them confidence to act honourably and sensibly of their own accord.
2. **Develop a strong sense of trust.** Be consistent, transparent, and follow through on promises. Relationships thrive on clarity and you'll get out what you put in.

3. **Openness from the top.** Encourage open discussions, and always air conflict. Accept that everyone is different and everyone should be comfortable telling you if they're unhappy or disappointed by your actions. Listen, show compassion and accept feelings whether or not you agree with them.
4. **Minimise fear of rejection, encourage appropriate risk-taking.** Your team will willingly experiment and thrive on developing better processes and products.
5. **Avoid blame, focus on problem solving.** Team members must be accountable for their mistakes, but blaming and shaming only destroys confidence and stifles creativity. Encourage people to openly accept personal responsibility.
6. **Optimism over pessimism.** Positivity spreads like wildfire... and setbacks can prove to be great opportunities. Be patient and find the positive outcome.
7. **Collaboration builds relationships and increases output.** Don't encourage narrow minded competitiveness. Collaborate and bring your team together.
8. **Healthy relationships are built on mutual respect.** This goes for your staff and your clients or customers - respect is fundamental. Especially the kind where you respect someone even if they disagree with you, annoy or oppose you.
9. **Let everyone have their say.** Dominant personalities can outshine quieter teammates. Encourage those less likely to put their hand up and make it clear that all opinions and ideas are treated equal.
10. **Recognise effort and success.** As the boss, you stand to learn a lot from your team. Be specific with praise, share the love and keep morale at an optimum.

Fear generally develops in an information vacuum.

In the absence of truth, employees will assume negatively. Regularly communicate the state of your business, its future direction and any potential hurdles with your team.

Honest and clear communication will promote greater respect for your leadership. It can be a springboard to better performance for your team and your business.



'None of us are as smart as all of us.' Japanese Proverb

Tax Talk



Changes to rates and thresholds as of 1 April 2013:

Working for Families

The net income level guaranteed by the minimum family tax credit will rise from \$22,568 to \$22,724.

ACC

The government announced that the 2013/2014 levy rates will remain at their current levels. However they have introduced three new initiatives:

- § Extended Workplace Safety Discounts
- § Vehicle Classification System
- § Fleet Safety Incentive Programme

We will be following up on these changes in future issues of The LO Down, but in the meantime, visit the following website for more information:

www.acc.co.nz/news/WPC116639

KiwiSaver

The minimum contribution rate for employers and employees will rise to 3% from April.

Primary and Secondary School Children

From 1 April 2013 PAYE must be deducted from payments of salary/wages or schedular payments to school children.

Student loan changes

The repayment rate for student loan deductions increases from 10 to 12 cents per dollar earned over the current threshold of \$19,084 per annum.



Changes to the tax treatment of commercial lease payments

If you're considering entering or exiting a commercial lease arrangement in the coming months we advise you to contact us to discuss the potential tax implications arising from proposed changes effective 1 April 2013.

Lease inducement payments are a lump sum paid by a commercial landlord to a tenant providing incentive to enter a lease arrangement in times of high lease vacancy. Currently such payments are treated as deductible for the landlord and as capital or non-taxable receipts for the tenant.

The proposed changes will make lease inducement payments taxable income for the tenant with the income spread evenly over the lease term. Landlords will now also have to spread the deduction over the lease term.

Lease surrender payments are a lump sum paid by the tenant to a landlord to exit a long term lease. Generally lease surrender payments are treated as taxable to the landlord, but non-deductible to the tenant. In future these payments will be made tax deductible to the tenant.

Both proposed changes will only apply to leases entered on or after 1 April 2013. Effectively landlords and tenants will in future receive symmetrical tax treatment for receipts and payments.



KiwiSaver employer contributions and minimum wage

A recent case must have given some employers pause for thought. The Employment Court has ruled that employers must pay KiwiSaver contributions in addition to the minimum wage, not inclusive in the minimum wage. In a 'total remuneration' package, the gross wage must amount to at least the minimum wage plus compulsory employer contributions. Anything less is a breach of the Minimum Wage Act 1983.

Case Study: Employees were being paid the minimum wage, with their employment agreements stating remuneration was 'inclusive of KiwiSaver compulsory employer contributions'. The KiwiSaver Act 2006 allows total remuneration packages, provided that mandatory employer contributions are accounted for.

The Court found that employees have an inalienable right to receive the minimum rate irrespective of anything in any other statute or agreement. A payment of a compulsory employer contribution was not 'payment for ... work' performed by an employee for the purposes of the Minimum Wage Act. Here, the Court said, the employer was effectively expecting its employees to pay for the employer contributions.

In themselves, the caregivers' agreements did not infringe the requirement to account for the contributions. The Court said there did not need to be a numerical figure for the deduction; simply a statement as to how that figure is arrived at.



'A good plan today is better than a perfect plan tomorrow' - old proverb ted.

New rules for mixed-use assets

In the 2012 budget the government announced proposed changes to the rules surrounding the deductibility of expenditure incurred for mixed-use assets. The main purpose of the change is to reduce the ability for people to offset the holding costs of their assets by renting the asset occasionally. Mixed-use assets include such things as bachs, boats and aircraft. Owners still need to apportion the use of their assets into taxable and non taxable deductions, but the apportioning rules have changed.



An asset will fall into the apportioning rules if:

- § It is used privately by owner or relative
- § It is used to generate income
- § There are more than 62 days when the asset is unused
- § It costs more than \$50,000

The rate changes are still in the process of becoming law but once in place, they are likely to apply for the next financial year. The proposed changes to the apportioning of mixed-use assets are likely to extend to the deductibility of interest where you have more than one entity. If you have mixed-use assets, the impact of these changes may be significant and we will let you know as soon as we have an update. In the meantime, if you're concerned about how these changes may affect you, talk to us today to find out more.

Are you ready for 2013 payroll changes?

For more information on 2013 payroll changes effective April 1, visit the IRD website and use their helpful checklist. Visit the website and follow the simple step by step guide from the homepage: www.ird.govt.nz

Timely Reminders

- § The proposed starting out wage will be available 1 April
- § Terminal tax for clients on our agency list is due 7 April (if balance date is between March and September)

**ARE YOU CONSIDERING A
COMPUTER SYSTEM FOR
YOUR BUSINESS?????**

STOP!!!!!!

**PLEASE TALK TO US
FIRST.**

There are huge advantages to you using a computer system for your business and there are a lot of excellent products available. The trick is choosing the right one for you.

You don't want a system that is too big and you pay for some things you won't ever use and is far too complicated.

You also don't want a system that is too small and won't allow you to grow or give you all the information you need.

Or maybe you don't want a computer system at all, you just want to be able to deliver accurate information for us to deal with, direct from your bank.

Having a computer system that works for you means you are able to monitor your business more efficiently and be able to discuss business options with up-to-date data. This enables us to get alongside you as your strategic business partner to help grow your business.

It also makes our job of collating end-of-year data easier and therefore will assist us in maximising the value of services we provide.

The system you choose should enable you to do what you do best – operate your business, while the number crunching is dealt with accurately and efficiently.

We have access to a wide range of accounting products and staff available to assess your needs and find the right system for your business.

**ONE SYSTEM DOES
NOT FIT ALL.**



CLOUD ACCOUNTING

We are hearing more and more about operating our computers and storing data in the "Cloud". Cloud computing is the delivery of computing as a service rather than a product. Resources are provided to computers over the Internet, rather than having the software installed on your computer. Smart Phones, iPhones, iPads, Tablets, etc are opening doors to being more mobile with data and being able to store more data, without having huge servers. No installations, no updates and no backups as it is all done in the cloud.

With clients being bombarded with new options for Cloud based Accounting, we are getting more and more enquiries regarding the opportunities now available.



Xero seems to be heading the way with on-line accounting options. Xero is an on-line accounting system

that has live integration with your bank, ensuring that your business data is always accessible and up-to-date. This allows you to view your financial information in real-time. Xero is easy to use and is available on PC or Mac in the office, at home or on popular mobile devices – anywhere, anytime.

As your accountant, you are able to give us permission to also access your Xero data to collaborate on-line. This enables us to work alongside you at any time to assist with processing, look at results, and plan for the future, without the need to transfer files.

Leslie & O'Donnell are now a Xero Certified Partner. We have 4 staff that have completed and passed the Xero certified program. If you want to know more about Xero, please do not hesitate to contact us or have a look on www.xero.co.nz.

MYOB Accounting Packages are also transitioning to On-Line Solutions with MYOB LiveAccounts being the first. Again, this is an anywhere, anytime accounting package that is designed for small business. Check out www.MYOB.co.nz for more details or ask us.

For our rural livestock clients, CCM also have an on-line system upgrade available and Banklink are in the process of developing an on-line product too.



We are sure other Accounting Systems will soon be offering on-line solutions to keep pace with the changing face of technology. Please do not hesitate to talk to us about any options you may be considering or if you want more information.



Interest Rates Review

Recent Economic commentary from various bank economists and comments by the Reserve Bank Governor saying "they may intervene in the currency when the circumstances are right" may mean that increases in the official cash rate are the result of such action.

Now may be a good time to review fixed rate vs floating rate options on some or all of your debt exposure.

We suggest you seek advice from your bank manager about these options and to help assess your debt risks.

✓ Financial New Year Checklist!

Business Perspective

Take the time to consider ways to minimise tax and maximise cash surpluses for the coming year.

☐ Will the company make a loss?

File loss offset elections and make subvention payments for the 2011 income year by 31 March 2012.

☐ Can you pre-pay expenses?

Many items can be prepaid and claimed as a tax deduction in the year to 31 March 2012.

☐ Are you committed to employee expenses?

Amounts owing for holiday pay, bonuses, redundancy payments, long service leave etc. can be claimed, if the employer is committed to them at year end and they're paid within 63 days.

☐ Have you scheduled a stock take?

Dispose of obsolete trading stock by 31 March or alternatively write it down to its net realisable value, the lesser of cost or market value.

☐ Have you reviewed fixed assets?

If you have assets no longer in use, the book value can be written off - provided the cost of disposal is expected to outweigh the proceeds from its sale, e.g. the keyboard you spilt coffee on.

☐ Are repairs and maintenance due?

Consider undertaking repairs and maintenance to key assets before 31 March to ensure a full tax deduction.

☐ Do you discount for prompt payment?

You may claim deductions for a discount reserve. In the first year a deduction for the actual discount percentage is allowed. Subsequently the amount is calculated at a percentage level. Different rules apply if credit extended to customers exceeds 93 days.

☐ Have you talked to us about the ICA and dividends?

The imputation credit account must balance so there is no debit balance at year end. If you have imputation debit balance, we'll contact you to discuss further.

☐ Have you reviewed your debtors' ledger?

To claim a deduction you need to physically write off bad debts in your debtors' ledger before 31 March. You must have taken reasonable steps to recover the debt first.

☐ Have you reviewed all contracts?

Have you invoiced retentions that are not due and payable for another year? If they are payable in the current year they need to be declared as income but if not, the income will be deferred to a subsequent year.

☐ Have you reviewed all credit notes?

Review credit notes issued to customers after 31 March which might be applied to the previous year, potentially reducing the current year's taxable income.



GET YOUR DOC'S IN A ROW...

We aim to prepare your financial statements and tax returns in good time. To do this we need your completed annual questionnaires (available from our website www.leslieodonnell.co.nz or from our office) with full supporting documentation. Minimise costly delays by keeping in mind likely supporting documents for:

- ✓ **New Bank Loans**, balance outstanding at year end, security, interest rate, loan term
- ✓ **Fresh Hire Purchases Items**, interest rate, term and repayment plan
- ✓ **Vehicle/Plant & equipment purchases**, agreements. Was finance obtained?
- ✓ **Closing Stock and WIP (Work in Progress)**. Stock on hand at year end? Any un-billed work in progress?
- ✓ **Income**, include details of Wage or Employer Subsidies, additional income as defined for Working for Families

- ✓ **Bank Statements**. If you use MYOB or a similar system, copies of final bank and credit card statements let us check the reconciled balance
- ✓ **Property/Business Sales/Purchases**, agreements and settlement statements
- ✓ **Debtors and Creditors**. What is owed to or by your business, including whether amounts are GST inclusive or exclusive?
- ✓ **Donations/school fees?** Receipts needed please
- ✓ **Interest, dividends and rebates?** Provide details

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

LESLIE & O'DONNELL ARE PROUD TO SPONSOR THE MARLBOROUGH CURIO'S & COLLECTABLES ROADSHOW

CALLING ON ALL MARLBURIANS
TO DISCOVER THIS PROVINCE'S
LOST TREASURES AND HELP SUPPORT
MARLBOROUGH GIRLS' COLLEGE.



YOU NEVER KNOW WHAT YOU'LL FIND.



MARLBOROUGH'S HIDDEN TREASURES REVEALED

MARCH 8/9, 2013

THERE'S SOMETHING VERY SPECIAL
TO BE FOUND...

*... in some long forgotten corner of Marlborough;
a treasured piece of family jewellery, an historic heirloom
or that terrible old teaspoon collection of Aunt Fay's.*

Who knows what they're worth?

*Chances are you'll find out... and much more at the Marlborough
Curios & Collectables Roadshow, a weekend fundraiser
for the Marlborough Girls' College visual arts complex featuring;
An evening with NZ antiques celebrity Peter Wedde
on Friday, 8 March. Includes an auction
of special packages and wonderful experiences.*

Tickets \$35 from MGC and ASB Bank.

*Then on Saturday, 9 March be part of Marlborough's very
own Antiques Roadshow, where your hidden treasures will
take centre stage and receive a professional appraisal.*

Who knows what will be discovered?

Entry \$5. Children free. Appraisals \$10 per item.



MARLBOROUGH'S HIDDEN TREASURES REVEALED

MARCH 8/9, 2013

A MARLBOROUGH GIRLS' COLLEGE FUND RAISING EVENT

www.mgc.school.nz

The Leslie & O'Donnell Team are also competing in the Blenheim Rotary
Business House Yacht Race for the 8th time on the 9th March

