



Autumn 2014

The Season of Change



Who is Jeanette Clubb ??

Our ground-breaking female director, Jeanette Mohring, married long-time partner Trevor Clubb in February. Clients will notice that Jeanette has changed her surname and we are making the associated changes to our stationery and documentation.

See our "Staff Happenings" section for more pics

"I cannot endure to waste anything so precious as autumnal sunshine by staying in the house"

Nathaniel Hawthorne

The Official Newsletter of **Diprose Miller Limited** Chartered Accountants
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EDITORIAL



We're focusing on end-of-year issues in this edition of the Abacus, so whether you're a retailer, contractor, professional or farmer, please keep an eye out for items that may have relevance to you.

By the time you read this editorial, 31 March will be upon us, a very significant day for our business clients as it marks the end of the 2013/14 financial year. 31 March is all about stock-taking, compiling debtors/creditors reports and assessing work in progress. For those of you who have been in business for a while this is "old hat" but for those new to business I can't stress enough the importance of accuracy in your year-end information.

If stock, debtors, creditors and work in progress are inaccurate it affects not only the year you are concluding but also the year you are starting. If in doubt about what is required please don't hesitate to contact the Director or staff member that looks after you.



I'm looking forward to completing business accounts this year as I'm hoping to see improved profits. The last few years have been tough but most of the economic data we have received suggests improvement. We will see. Not a great deal of joy for most of the Waikato from Cyclone Lusi. Te Aroha and surrounding districts copped plenty of rain but most other areas weren't so lucky. If you're farming in the heart of the Waikato I don't recommend you travel to the east coast. It's very green and you're only going to get depressed!

On the positive side, Lusi seems to have brought a change in temperature, particularly in the evenings and early mornings. Dairy farming payout seems to have held up, so although the season locally has been far from perfect, I'm sure we will see some impressive results when we view farming cash flows.

"Good work ain't cheap. Cheap work ain't good"

Norman "Sailor Jerry" Collins

Get the advice that counts!

Q. What's NEW in our practice?

*Special
features
for
farmers!*

A. Absolutely Xero



Beautiful accounting software

*Cloud-
based!*

See back page for more



EDITORIAL (continued)



This is a particularly busy time for us as we look to meet Inland Revenue targets for filing tax returns. I'd like to especially thank Robyn, Kylee and April who work in our tax room. These ladies have done a tremendous job this year as they have incorporated all Tony Brown's clients into our system. Their nerves are frayed and even I have to tread carefully when entering their "zone".

In theory, mid to late April is our quietest time as we undertake some staff training, update our systems and gear up to commence work on the 2013/14 accounts.

I trust you all had a decent break over Summer and are looking forward to the more pleasant Autumn temperatures!

Out of Action (for a while)

Staff member **Melissa Slattery** is now on maternity leave for twelve months. She and husband Justin are patiently awaiting the arrival of their first child which is due at any time.



Annual Questionnaires

Clients with March balance dates will have our annual client questionnaire mailed to them separately. **Please take the time** to complete the necessary details and provide them to us with your papers for the 2014 year.

Farmers with March balance dates : Please complete the live-stock (green) form to indicate the number of animals owned on Monday 31 March.

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Some End-of-Year Tips

Trading Stock

Trading stock must be valued for tax purposes at the lower of cost or market value. However, some concessions apply if turnover is less than \$3m or if turnover is less than \$1.3m and a reasonable estimate of stock value is less than \$10,000. If you are unsure about the correct stock-take process, contact us for advice. And don't forget to retain the original worksheets!


**KEEP
CALM
AND
STOCK
TAKE**

Bad Debts

If you wish to claim a tax deduction for bad debts in the 2014 year, remember that these must be physically removed from your debtors system prior to balance date.

In addition, there must also be evidence that the debts are not collectable, e.g. proof of attempts to secure payment from the debtor. Usually the appointment of a formal debt collector will be sufficient.

“Consumable Aids”

Current tax law allows for up to **\$58,000** of consumable aids to be claimed as an expense in the year of purchase even if they have not been “consumed” at balance date.

For farming clients, this rule has particular significance. The \$58,000 threshold applies to brought-in feed purchased off the farm, but does not apply to feed produced on the farm, even if contractors have been used to produce the feed.

Review those Fixed Assets

This is a good time to review the fixed assets in your business and let us know whether any of these have been sold/scrapped/stolen (or are no longer used) so we can make sure that they are removed from your asset schedule for accounting and tax purposes. Often a “write-off” deduction can be secured for these assets.



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Other "Taxing" Developments

Herd Scheme Changes

Changes are in place relating to the use of the Herd Scheme as a livestock valuation option for tax purposes. Firstly, most clients will be aware that an election to use the Herd Scheme is now irrevocable (livestock cannot be moved off the Herd Scheme). Also, there are now restrictions on the valuation options available for livestock that have been sold between **related parties**. These require the purchaser to apply the Herd Scheme to the transferred livestock if this has been used by the vendor. Something else to watch out for!!

PAYE Deductions Changing

Employers need to be aware that PAYE deductions for all employees are changing from 1 April 2014. This is not because of changes to income tax rates, but to the ACC Earner Levy component that is included with the PAYE deduction.

Tax tables are no longer sent to employers, but you can access PAYE calculations on the IRD's website under

www.ird.govt.nz/calculators



"Storm" Warning (what, again?)

Despite a dry period early in 2014, farming incomes are likely to be high in the 2013/14 year thanks to a record Fonterra milk payout.

We'll be talking to many clients over the next month or two with a view to estimating the additional profit arising from this increased milk income. This profit estimate will allow us to better manage the resulting tax liability, by providing you with an early "heads up" on the likely 2014 terminal tax payment due in April 2015, or by recommending voluntary provisional tax payments to reduce and/or minimise any Use of Money Interest that might otherwise apply.

If we prepare a client's GST, we'll use the YTD cash results to assist with the estimate, together with some info from the client.

If not, we'll need up-to-date details from the client's own accounting system.



Get the advice that counts!

Abacus Updates...

Farm Employment Seminar

Our recent presentation for farmers employing staff went well, with around 50 clients learning about changes to the statutory obligations of employers and the minimum record keeping requirements to protect themselves from action by employees and authorities. We've listed the key issues from the presentations below.

1. Be careful with a “Seasonal Averaging” approach

We've given an example of this approach on the next page. Employers must comply with the requirements of the Minimum Wage Act 1998 if additional hours are worked at traditionally busy times of the farming season.



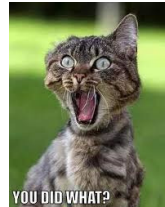
2. Detailed timesheets are mandatory for all employees

JUST
DO IT.

Timesheets must be kept **daily** and show full details of hours worked, together with time taken for all forms of leave. This requirement applies even for salaried employees! See our example on the next page.

3. Wage records to show details of time worked & leave

The “wage book” must show full details of how the gross pay for each period is related to (1) the actual hours worked and (2) any leave taken during that period. This information must be clearly shown and available to the employee (usually on a **payslip**) or Labour Inspectorate at any time.



4. Wage records must be retained for six (6) years

6

Note that all **planners** and **diaries** are **not** recommended as appropriate for permanent time and wage records. We also suggest that records are retained throughout the **entire employment period** of an employee and for **six years** after they cease their employment.

“In a hierarchy, every employee tends to rise to his level of incompetence”

Laurence J Peter

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...for Employers

What is “Seasonal Averaging” ??

The established practice of averaging employees' working hours across a full farming season has come under careful scrutiny from the Department of Labour Inspectorate, a division of the Ministry for Business, Innovation and Employment (think of it as the old Department of Labour). Here's an example to illustrate the application of this concept and how the Department tells us it should be handled.

Gross annual salary of \$41,000 divided by 52 weeks = \$788.46 gross per week
Gross weekly salary of \$788.46 divided by \$14.25 (minimum hourly rate) = 55 hours

If normal hours of work (less unpaid breaks) in busy period = 10.5 hours per day and the week is a 6-day week then 63 hours are actually worked, but the salary only covers 55 hours. **Then** the **shortfall** of 8 hours must be paid to the employee (within that pay period) at the minimum wage of \$14.25 per hour

Employee Timesheets

Many farm employers are not keeping adequate timesheet records for staff and are leaving themselves open to allegations of non-compliance. We've provided an example (right) of a suitable timesheet for a farm employee.

The consequences of **not** meeting minimum employment standards can be severe, with penalties ranging from \$10k to \$20k and the prospect of imprisonment for repeated “offending”!

The Labour Inspectorate has adopted a “**zero tolerance**” policy when reviewing cases. Ignorance of the statutory requirements will **not** be a valid defence for employers who fail to comply.

Individual timesheet
Employee name: Sam Black Week starting: 24.3.14

Day	Time worked		Hours worked	Total hours worked	Comments
	Start	End			
Monday	5:00	7:30	2.5		
	9:00	12:30	3.5		
Tuesday	2:00	6:00	4.0	10.0	
	5:00	7:30	2.5		
Wednesday	8:30	12:30	4.0		
	2:30	6:30	3.0	9.5	
Thursday	A/L				Annual Leave
Friday	A/L				Annual Leave
Saturday	A/L				Annual Leave
Sunday	RTD				Rostered Time Off
Sunday	RTD				Rostered Time Off
Total weekly hours			19.5	13 days A/L	

Codes: T Not at work please enter one of the following codes:
Annual Leave AL Sick Leave SL Bereavement Leave BL
Statutory Holiday SH Rostered Time Off RTD

Employer's Signature: [Signature] Date: 30.03.14
Manager's Signature: [Signature] Date: 30.03.14

Don't be the one to get caught out!!

Any queries on employment-related matters can be directed to
Angela Millward of Abacus Administration Ltd
on extension 816 (Te Aroha office)

Get the advice that counts!

Useful Stuff to Think About

New or Used ? That is the question !

We're often asked if there is a tax benefit in buying vehicles new rather than 2nd-hand. There is none, as the higher depreciation rate applying to new assets has been removed. There is also no difference in the income tax or GST treatment of the operating costs of the vehicle (fuel, R&M, insurance & registration).



However, the **choice of entity** owning the vehicle can have a significant difference on the rules applying for income tax and GST. Contact us for advice on the best option for ownership.

"The decision is mine, and I choose happiness"

Malori Howell

Why is CGT a Scary Word?

Word has it that Capital Gains Tax (CGT) might be a significant issue in this year's general election. Both the Labour Party and the Green Party are promoting the introduction of a CGT.



NZ is one of the few OECD countries that does not have a capital gains tax and there is likely to be a fair amount of discussion on this topic as election day approaches. The issues involved in implementing a CGT are many and varied, but there is every chance that we will have such a tax in place in the near future. It is estimated that it will raise \$4.5 billion every year.

There are a number of key issues that will need to be addressed if a CGT is implemented, including:

- 1) Which gains should be subject to CGT?
- 2) Should CGT be applied at the marginal rate of the taxpayer or a standard rate?
- 3) Should an allowance be made for inflation?
- 4) Should the CGT be based on realised or unrealised gains?

The Labour Party is also keen to reintroduce a 39% top marginal tax rate for individuals, although this may only apply to income over \$150,000 (compared to \$70,000 previously).

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Staff Happenings

All for a Good Cause !!



Staff members **Julie Luxton** and **Kerry Jacobs** recently took part in the annual “Relay for Life” event in Hamilton. They were part of a team that walked continuously for 22 hours to raise funds for cancer research. They tell us that the event was very emotional, with many cancer survivors taking part, together with the families of cancer victims. They’re keen to do it all again in 2015 and plan to rustle up some more participants from their co-workers and families!

Let's have a warm welcome for

Debbie King

Debbie enjoys a farming lifestyle and lives locally with husband David and their numerous “pets”. She has extensive experience in the accounting industry and was previously a Client Advisor with Staples Rodway in Hamilton. Her knowledge of farming practice provides additional skills that she is applying to her work with our rural clients.



Debbie is working with Jeanette’s team, preparing GST returns and financial statements. When not at the office, she has a passion for dancing, especially ballroom and rock and roll.

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Staff Happenings

Idaho : Famous Potatoes !!

Staff member **Matt (Spud) Ward** has just returned from a 3-week stint in the US. Most of Matt's time was spent in Idaho where he was based in the capital Boise, a city a bit bigger than Hamilton.

One of the highlights of Matt's trip was a visit to the Bonneville salt flats made famous to Kiwis by Southland's Burt Munro and, more recently, Te Aroha's oldest boy racer Bill Ward. Here's some pics from his trip.



The sign says it all!



Wishful thinking



Make my day!



<== The end of the road



"Tubing"

Annual Car Rally

Early March saw the running of the annual Diprose Miller Ltd Social Club car rally. Once again this event was organised by Murray Whitaker and the course saw seven carloads of staff and family cruising around the Waikato region picking up the answers to clues, eventually ending up at the Woodside Estate in Matangi.

The winning team was Darren Diprose and his family. Everyone appreciated Murray's efforts in planning the rally route and clues, although he made the job more difficult for himself this year by losing his notes after driving the route for the first time!

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The Big Event of 2014

Wedding Bells in Morrinsville

On 22 February 2014 Jeanette Mohring “tied the knot” with partner of 17 years Trevor Clubb. The wedding ceremony took place at their home in Morrinsville, with the reception being held at the Morrinsville Sports Rugby Club HQ in Campbell Park.

A number of directors and staff were on hand to witness the happy occasion. Unfortunately, the happy couple only managed a couple of days holiday from their businesses. Life's tough at the top!!



Jeanette celebrates her wedding day with Kelly, Megan, Keith, Darren and Angela



Proud parents Rob & Judy Clubb (left) and Ken & Pam Mohring (right) enjoy the occasion



Completing the formalities - who is that sneaking into the rear of the photo with a beer in hand?

Get the advice that counts!

Exciting Developments!



Beautiful accounting software

We're very excited to announce that we are taking the next step in our relationship with NZ-based accounting software firm Xero. Already a registered Xero "partner" with a certified Xero consultant (Jeremy Skedgwell) on our staff, we're moving ahead with using the Xero cloud-based software for a number of our business clients.

A functional "add-on" for farming clients allows for forecasting and livestock tracking and will soon be available.

If you are interested in talking to us about using Xero as the platform for your accounting work, talk to **Jeremy Skedgwell**, **Anthony Gray** or your advisor.

STAFF EXTENSION PHONE LIST

Te Aroha

Angela Millward	816	Judith Borrie	804
Ann-Marie Sutherland	807	Julie Luxton	818
Angela Young	819	Keri Allen	815
Anthony Gray	805	Kerry Jacobs	830
Barbara Jenkins	862	Kylee Elgar	839
Debbie King	832	Matt Ward	895
Deborah Young	831	Megan Farac	800
Diane Cooper	899	Michelle Way	858
Ellie O'Donoghue	868	Murray Whittaker	829
Eric Russell	820	Nigel Pearce	814
Erica Rigter	823	Phillip Legg	821
Erin Morgan	817	Robyn de Boer	827
Euan Lock	866	Sharon Coombe	859
Gail Brown	802	Wendy Gwynne	803
Heather Neems	0	Yvonne Avery	856
Joann O'Donoghue	813		

Morrinsville

April Dornan	707
Jeremy Skedgwell	706
Karen O'Connell	708
Kassie Thomas	705
Nikki Brown	709
Sandra Green	710
Sharon Lawson	700
Tonya Whitten	702



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