

the abacus

Spring 2016



View from the summit of Mt Te Aroha - PRICELESS !!
(Thanks to staff member Megan Farac)

NEW DEVELOPMENT!

WEEKLY BLOGS from our qualified team are now available on our website and Facebook page.

They cover a wide range of topical business, tax and accounting issues designed to keep you informed and get you thinking!

We'd appreciate any feedback on the blog content and suggestions for future topics.

"For every person who has ever lived, there has come at last, a Spring he will never see. Glory then in the Springs that are yours."

Pam Brown

THE OFFICIAL NEWSLETTER OF

DM

DIPROSE MILLER
chartered accountants

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EDITORIAL



Our Spring newsletter is a little later than normal, but so is Spring. It's not cold, but it's certainly wet! I saw a news article last night focusing on farmers on the Hauraki Plains. It's no wonder we can't get you in to discuss your accounts, you're obviously too busy moving cows around the farm! The big news here in Te Aroha is the opening of the new Events Centre. A very smart-looking building and a credit to those involved in the promotion and fundraising.



The economy in our region seems to be bubbling along and property values are extremely strong. I've always thought that Te Aroha values adjusted every ten years or so. If that's the case, we're currently at the end of that cycle because house prices are very strong. Not only that, but subdivisions like the one I live in are now almost built out. This increased activity means good times for our local tradesmen. Rural towns must be growing, so hopefully the retail sector is cashing in.

The dairy farming sector is still fragile. If things hold as they are, the dairy payout for Jun '16 to May '17 will exceed \$5.00/kg. It's not enough, of course - we need \$5.50/kg in a calendar year to balance our books. We also need a "co-operative" season weather-wise and the jury is most definitely still out on that one!

From a workflow viewpoint I think we're probably sitting close to last year in terms of tax returns filed. We've had a few staff changes during the Winter which doesn't help keep up the momentum.

I'm off to Fiji for a week later this month. Probably no kava left over there after their gold medal celebrations from the Olympics! I've yet to see a sad Fijian and I don't think this trip will change that.



Keep an eye on the place while I'm away and those clients I haven't caught up with yet, I'll look forward to seeing you before Christmas.

KB

**There's a technical term for a sunny, warm day
that follows two rainy days.
It's called Monday.**

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In the Community

10,000 a Day for a Good Cause !!

A number of our staff members took part in the “**STEP**tember 2016” charity event to raise funds for Cerebral Palsy.



Teams from both offices recorded the number of steps they took, with a target for each member of 10,000 steps every day for 28 days in September. It became a challenge to see whether Morrinsville's “Super Hot Steppers” could outpace Te Aroha's “Absolutely Fabulous” and raise more money!

The Te Aroha team held a “Green Day” to assist with raising sponsorship. Staff were invited to dress in green in exchange for a donation to the cause and enjoy a few home-baked goodies contributed by the team members.



It's Not What You Know . . .

A couple of teams from our Te Aroha office fronted up recently to a Quiz Night fundraiser for the local hospital, held at the Te Aroha Club. Anthony's Angels (**Anthony Gray, Lyn Miller, Michelle Way & Leanne Baird**) lined up against Jeanette's Jems (**Jeanette Clubb, Megan Farac, Angela Young & Angela's husband Craig**).



Around 20 teams tackled 10 rounds of questions and, by the time the dust had settled, the Angels just edged the Jems in the points race. And **Darren Diprose** won the final mystery raffle, a hamper of goodies for his team to share!

The Angels managed to top the scoreboard on the night and donated their \$100 cash prize to the hospital. Funds from the event went toward the purchase of a steriliser. There's nothing like a good local cause!!



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Exciting Developments

Ultra Fast . . . At Last !!

We're almost ready to tap into a new ultra-fast broadband (UFB) link to our office in the next few weeks and our staff just can't wait!

As with many businesses, much of our work now relies on an internet connection. Over the last few years, as software applications have entered the cloud and become more sophisticated, existing internet connections just don't cope well.

So the new UFB connection is a new, exciting step forward in the way we work and the way that we interact with our clients.

A reminder to clients that we have **Wi-Fi available** in our office if you need to use it. We can even make some office space available to you if you are passing through and need a quiet place to work.



"All my life I thought air was free, until I bought a bag of potato chips"

Anon

Just Like We "Figured"

A number of our farming clients are starting to use the Figured software for their budgeting and forecasting and enjoying using the connection between Xero and Figured to automatically compare actual results against budgets without the need for a spreadsheet.



Figured

Rural bank managers like the ability to view cash results on a "real-time" basis, especially in times when funds are tight. More features are scheduled to further improve the flexibility and usefulness of this cloud-based software.

Building is Building

The government may be tackling a national housing shortage, but it will take some time for resources to be available to meet the current demand. However, we're told that in Auckland they are currently building an average of **45** new homes **every day** !! Just imagine that sort of growth in the Te Aroha or Morrinsville townships. Our provincial "pieces of paradise" would literally change shape overnight! Mmmm . . . good or bad?



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Advice from Abacus

Employment Agreements

Abacus Manager **Angela Millward** often deals with problems arising from employment agreements where the content does not properly reflect the true legal nature of the employment relationship.

There are three types of employment relationship

1. Permanent (either part-time or full-time)
2. Fixed Term
3. Casual

It is **very** important that the written agreement accurately reflects the true relationship. How do you decide which relationship applies?

A PERMANENT employee is one who

. . . is employed for an indefinite period (until resigning or dismissed). They will have regular, predictable work patterns and must be paid holiday, sick and bereavement leave.

A FIXED TERM employee is one who

. . . agrees to a temporary position ending with a fixed date, period or event). The reason for the fixed term must be genuine and clearly explained in the agreement.

A CASUAL employee is one who

. . . has no expectation of employment and no guarantee of work from one offer of employment to the next. Work is offered on an "accept or decline" basis and is so intermittent that it is not practical to apply four weeks annual leave. Instead, holiday pay of 8% is added to each pay and must be clearly specified on the payslip. Employers need to be careful that a casual employment relationship does not evolve into a part-time permanent relationship with an on-going expectation of work.



REMEMBER

ALL employment agreements must be **in writing** !!

It's all about getting the basics right !!!

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Charities Reporting

Big Changes Already Here

Statistics from Charities Services show that NZ has over 27,700 registered charities who manage assets of \$NZ52b and have a combined income of \$NZ17b. And, until now, there has been no consistent basis for those charities to report on the financial and non-financial results of their efforts. However, a new range of annual financial reporting standards is now in place and applies to charities with balance dates **on or after 31 March 2016**.

A number of community groups that we assist have told us that Charities Services are returning annual reports that are not based on the new standards and asking for these to be re-filed. Fortunately, there are now useful web-based resources available to assist organisations to comply. A freephone number (**0800 CHARITIES**) is also available. For organisations using the Xero software platform, ready-made templates for Tier 3 and 4 reporting are available that pull much of the required information directly from the Xero ledger.

Information on the new reporting standards for charities (including templates and guidelines) is available on the Charities Services website. Check it out at www.charities.govt.nz.

What is “Service Performance” ?

The objective of the Service Performance information is to provide an opportunity for the charity to demonstrate that it is achieving useful outputs from the inputs it has received. It is intended that this will lead to better outcomes for society.

For the current year, only Tier 3 and 4 charities are required to prepare the Statement of Service Performance, but this will be extended in the future to include Tiers 1 and 2.

“You have not lived today until you have done something for someone who can never repay you”

John Bunyan

What About Non-Charities ?

Organisations that are not charities, but still non-profit (or, as the accounting standards refer to them, “Not For Profit” or NFP) **may** be required to prepare their annual financial reports in the new Tier-based formats. Contact our office to discuss your obligations.

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Walking the Walk

Top of the Town

We're excited and proud to report that our Morrinsville office won the Matamata-Piako District Council's 2016 Bayleys Business Excellence Award. Director Nigel McWilliam had this to say:

*"Winning the Business Excellence Award is recognition of our best practice in business strategy and processes and our integration of **high-tech client solutions** through cloud accounting and benchmarking. It also recognises our **commitment to the local community** with ongoing sponsorship and professional expertise at Committee level. Most importantly, it highlights the **quality of our people** and their commitment to provide the best accounting and advisory services to both the business and non-profit community."*



Diprose Miller Ltd Morrinsville directors (from left) Jeremy Skedgwell, Tony Brown and Nigel McWilliam accept the Bayleys Business Excellence Award

And on the "Not So Serious" Side . . .



Our Te Aroha office was awarded the "Best Shop Display" for the 2016 Aroha Cruise-In event. Based on the "Grease" movie, the display included posters, clothing, a video and our very own John Travolta (**Grant Glover**) and Olivia Newton-John (**Erica Rigter**) !!

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Useful Stuff to Think About

Watch Those Kids !

If you have a trust that regularly makes income allocations to children over 16 years of age, make sure they don't decide to visit one of the many "woo-hoo" tax refund booths littered around the major shopping centres these days.

We've seen cases of children getting refunds of provisional tax paid on their behalf by parents planning to make allocations of trust income to the child. And in at least one case, the child didn't mention it to the parents!



I'm a Company Man !

Clients often ask whether a company is the right choice of legal structure for their new business. There are three primary benefits:

1. To secure the **legal protection** that "limited liability" provides.
2. To present a **corporate "face"** to clients, suppliers and others.
3. To provide for future **ownership changes** (via shareholding).

From an income tax perspective, current legislation and case law mean that a company provides very limited permanent benefits.

Just remember . . if the world didn't suck, we'd all fall off

Please . . . Watch Those Payments !

A large number of our clients control multiple entities as part of their business structure, usually a combination of partnerships, trusts and companies with particular functions.

We're noticing a growing trend for clients to pay the costs relating to one entity through the bank account of another. In days gone by, this was often because the client only had the chequebook with them for one of their entities. However, in these enlightened days of internet banking, there is no excuse for not matching the payment to the appropriate bank account.

We can spend large amounts of time creating manual accounting entries to transfer transactions between entities. Please try to be careful when selecting the bank account for the payment of business expenses.



Get the advice that counts !

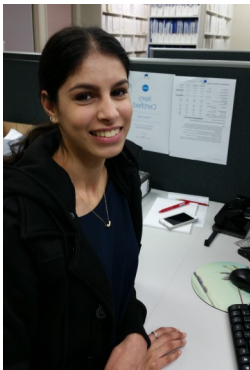
Staff Happenings

The Wagstaff Tribe Expands

Our hearty congratulations to staff member **Ed Wagstaff** and wife Hayley who welcomed their daughter **Isla Allison** into the family on 10 July. Isla is their first child, and they've had more than a few sleepless nights over the last few weeks as they settle into the never-ending joys of parenthood. Despite the fact that she bears more than a passing resemblance to her father, she's a real cutie!



Harjot Steps Up



Harjot Singh joined Tony's team a few months ago as a Junior Accounts Clerk. She's well known to us after working in the Morrinsville office for some time as the resident after-school "Office Junior".

Now on the staff full-time, Harjot is in her first year of a Bachelor of Management Studies degree at Waikato University majoring in accounting. With an interest in cooking and baking she's got the Morrinsville crew very excited about future morning teas!

Our Scandinavian Connection

Born and raised on a dairy farm in Hinuera, **Simon Germann** joined our Morrinsville office in early August.

Simon's wife Synnove is from Norway and they have two young children that keep him very busy when he's not working. They've returned to Hinuera to live after Simon spent ten years working on dairy farms in both NZ and Norway, so he's well qualified to assist our rural clients!



Simon will be working in Jeremy's team while completing his Bachelor of Applied Management at Wintech. He's got one paper to go, then he'll be starting his Chartered Accountant (CA) programme.

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More Interesting News

IRD Targets Local “Cashies”

At a recent presentation in Hamilton, Inland Revenue representatives outlined their plans to target the “Hidden Economy” in our local area. They’ll be out and about visiting businesses from now on and will be using a variety of “cold-calling” and pre-arranged visits.

Their initial focus is on three areas:

1. **Hospitality** (cafes, restaurants, bakeries, takeaways, etc)
2. **Construction**
3. **Property Compliance** (incl the new “Brightline test”)

In the hospitality area they are focusing on gross margins and the levels of cash income declared. They are able to calculate the percentage of cash income (declared) to total income from EFTPOS records and GST return figures. Any business whose margins and cash percentages are significantly lower than expected will be subject to scrutiny. Their data is very robust and taxpayers with “discrepancies” will need a good explanation to avoid further action.



Inland Revenue has made a commitment to apply serious resources to this well-funded initiative on a long-term basis. They are encouraging taxpayers to make a “voluntary disclosure” **before** notification of a review to avoid penalties. The penalties can be up to 150% of the tax shortfall and will often be applied to both income tax and GST shortfalls. Once you add interest on top of the tax shortfall and penalties, the numbers can be scary!

Business Meets Social Media

Here’s some interesting statistics that help explain why businesses are making increasing use of social media to promote their services.

1. **2.5m** NZers visit Facebook per month, that’s 2/3 of people aged over 15 years.
2. There are 316m monthly users on Twitter worldwide.
3. LinkedIn is the world’s largest professional network with **433m** members over 200 countries and in 24 languages.
4. There are **1.97b** mobile social media users - that’s 27% global penetration!

Wow, I think you went too far with the plastic surgery!



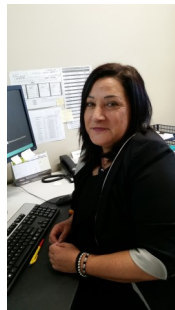
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Staff Happenings

There's Nothing Like Experience !!

We're very pleased to welcome back staff member Linda Harding to our tax team. Linda worked for some time in our Te Aroha office previously before purchasing a business and having a crack at self-employment for a few years.

She's now back on deck at the Morrinsville office, although she is initially spending some time in Te Aroha to help bring her up to date with tax changes while she's been away.



Annual Xmas "Fun"ction

Diprose Miller staff from both offices got together in September for our annual mid-year (OK, we're stretching that a bit in 2016) Christmas function. This year the venue was the Laughing Peacock Café & Function Centre in Taupiri.

The evening followed a "dine & dance" format with everyone taking the opportunity to get to know each other a little better. With an expanding staff and two office locations it's not easy to get the whole crew in one place at the same time !!



First Time Grannie !!

As you can see, Te Aroha staff member **Debbie King** is very excited about the birth of her first grandchild. Granddaughter Poppy was born in late July. Her parents live in Australia, so Debbie now has another reason to plan trips over the ditch! She was a surprise visitor at Poppy's birth, much to daughter Nikki's delight!



Back from the Deep South

We're pleased to announce that former staff member and local boy **Steven Eccles** is heading back to Te Aroha and taking up a permanent position with us in November. More about Steven in the next edition.



Any Last Requests ?

We have a polite request from our accounting staff to all those clients for whom we prepare and file GST returns. Over the last few months we've noticed that it's taking longer for clients' papers to arrive at our office for processing. Our staff take great pride in making sure that GST returns are dealt with in a timely manner and we'd appreciate whatever efforts clients can make to provide documentation as soon after the end of the GST period as possible.

"It isn't what you have, or what you are, or what you are doing that makes you happy or unhappy. It's what you think about."

Dale Carnegie

STAFF EXTENSION PHONE LIST



**TOLL-FREE
0800 888 055**

Te Aroha

(07) 884 8055

Angela Millward	816	Ellie O'Donoghue	868	Kylee Elgar	839
Angela Young	819	Eric Russell	820	Leanne Baird	837
Ann-Marie Sutherland	807	Erica Rigter	823	Lyn Miller	0
Anthony Gray	805	Erin Morgan	817	Megan Farac	800
Barbara Jenkins	862	Gail Brown	802	Michelle Way	858
Chelsea Grace	814	Grant Glover	895	Murray Whittaker	829
Damien Waitai	865	Joann O'Donoghue	813	Phillip Legg	821
Debbie King	832	Judith Borrie	804	Robyn de Boer	827
Deborah Young	831	Kathy Reily	866	Sharon Coombe	859
Diane Cooper	899	Keri Allen	815	Wendy Gwynne	803
Ed Wagstaff	864	Kerry Jacobs	830	Yvonne Avery	856

Morrinsville

(07) 889 1018

April Dornan	707	Harjot Singh	724	Nicky Kidd	728
Andrew Pullon	731	Jo Walton	708	Nikki Brown	709
Dan Howard	733	Joy Craig	700	Sandra Green	710
Deena Hobbs	703	Kassie Thomas	705	Sharon Lawson	729
Etana Zaguri	730	Kayla Jeffrey	723	Simon Germann	725
Euan Lock	711	Linda Harding	722	Tonya Whitten	702