

the abacus

Summer 2019



Staff member **Deborah Young** caught this stunning view of the Kaimai ranges at sunset from her home near Te Aroha

SEASON'S GREETINGS !!

The staff and directors of Diprose Miller Ltd wish you all a wonderful holiday season and a New Year full of happiness and prosperity

Our offices will close
1pm Friday 20 December 2019
and re-open
8am Monday 6 January 2020

"This time of year means being kind to everyone we meet, to share a smile with strangers we may pass along the street."

Betty Black

THE OFFICIAL NEWSLETTER OF

DM
DIPROSE MILLER
chartered accountants


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EDITORIAL



Well, Summer seems to have crept up on us and holidays are looming large. I've had a fair bit of time away from the office due to one thing or another but I'm largely back on deck on a full-time basis now. Jeanette and her staff are very pleased with their move to the new Morrinsville office mid-year and, as noted elsewhere in this edition, the Te Aroha office complex has been sold to an investor.

Despite the sale, it's business as usual for the Te Aroha team as the office block was sold subject to a lease back to our firm. We've greatly enjoyed our Te Aroha base for more than 20 years and I'm very pleased that we don't have to consider a change of location.



With regard to business in general, it seems that our clients are managing well in the current economic environment. Obviously this is a very important time for the retail sector, so we certainly hope they do well in both the lead-up to Christmas and the "aftermath". Our "tradies" also seem to be busy, so there's encouraging signs all around.

For those that are investing, interest rates are extremely low and we have had a number of enquiries from clients relating to property investment as an alternative to bank deposits. Remember that all investment returns are risk-based and a person's appetite for risk should be a major factor when considering investment options.

Finally, it's a very interesting time in the rural sector where we have both low interest rates and an improving milk payout. We also have a season that is (at least so far) very acceptable. All of these positives exist, and yet it seems a difficult time for those who are looking to sell and move on.



As you are all aware, there is a reluctance by some banks to involve themselves further in the rural sector. Maybe this will change when the predicted payout becomes a reality.

In the meantime, I would like to wish you all a Merry Christmas and a prosperous New Year. We can still be contacted over the break if necessary. To those I haven't caught up with recently, I look forward to seeing you in 2020!

Cheers, KB

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Keeping You Up to Date

SOLD !!

Our Te Aroha office premises were sold at auction earlier this month. These premises were owned by all six directors of the former Diprose Miller Ltd business that ceased at the end of May 2019 when the Morrinsville team decided to go their own way. But fear not, we'll still be occupying the premises for at least a few more years, thanks to an existing lease agreement.



I just lost my job as a psychic. Didn't see that coming!

No Papers - How Does That Work?

A number of clients are choosing to upload documents (invoices, receipts, etc) directly into their Xero accounting file for permanent storage. Some are even deciding to discard the original printed version, as the digital copies are satisfactory for compliance with Inland Revenue requirements.

Original documents can be uploaded using a variety of means, including via a photo from a mobile phone and from an email attachment. Uploaded files can either be attached to a particular transaction (invoices/receipts) or held in a customised folder (contracts, loan agreements, employee records, etc).



If you are interested in finding out more about this option, please contact us.

I became a professional fisherman, but discovered that I couldn't live on my net income

AML Matters

Thanks to much-appreciated co-operation from our clients we've made great progress with completing the Customer Due Diligence process necessary to comply with anti-money laundering legislation.

We're now looking more closely at the requirements for us to monitor client activity with a view to alerting Internal Affairs to any "suspicious" behaviour that we might see. This monitoring covers a number of activities we conduct on behalf of clients, from forming a new company to dealing with funds on a clients' behalf.

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We're Always Learning

A Bright(Line) Reminder

It's a good time to remind clients about the implications of the "Brightline Test" that can make the proceeds from the sale of residential property taxable. Introduced in 2015, it will apply to the sale of a rental property if the property was purchased:

1. Between Oct 2015 and 28 Mar 2018 and sold within 2 years.
2. On or after 28 Mar 2018 and sold within 5 years.

The Brightline test effectively taxes amounts that would previously have been tax-free capital gains. Together with the new "ring-fencing" rules for rental losses, it's creating a new tax environment for property investors.

"Christmas is a time when everyone wants his past forgotten and his present remembered."

Phyllis Diller

Student Allowance

It's coming to that time of the year when we start getting questions from clients about Student Allowance applications for their children. Many of these questions are from farming clients who are unsure how the rules apply.

Whether a taxpayer's children are eligible for the Student Allowance will depend entirely on the income generated by the family business, including income from any companies and trusts over which the parents have control.

Until a few years ago, entitlement for Student Allowance was based solely on the parents' individual taxable incomes and ignored any income in the name of a related company or trust. This meant that parents could often secure the allowance for their children by carefully selecting in which related entity the overall family income was taxed.

A screenshot of the 'New Online Declaration' form from the New Zealand Inland Revenue Department. The form is titled 'NEW ONLINE DECLARATION' and includes sections for 'DECLARATION', 'NEW ONLINE DECLARATION', and 'DECLARATION'. It contains various checkboxes and text boxes for the taxpayer to complete. The form is in English and is a standard document used for declaring income for Student Allowance purposes.

It's also worth mentioning that there are no specific rules for farmers when it comes to Student Allowance entitlement. The same rules apply to all taxpayers.

"The whole purpose of education is to turn mirrors into windows."

Sydney J Harris

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Things You Need to Know

Is Overseas Income Taxable in NZ?

A reasonable number of clients generate income directly from overseas investments. This could be from direct ownership of non-NZ shares, interest on an overseas deposit account or profits from a business based overseas.

Anyone who is a NZ tax resident must **declare all their worldwide income in their NZ income tax return** regardless of the source of that income. Any income tax paid in the country in which the investment is based is generally able to be claimed as a credit in the NZ return, although this is not always allowed and limits can apply.

Some clients think overseas income is not taxable in NZ unless the cash profits are “brought back” into a NZ bank account. This is not true, and governments are now actively swapping tax information.

“Tradies” & “Cashies”

Inland Revenue has recently issued a statement to tax agents advising that they are “looking hard at tax crime in the construction industry” and see this as a serious issue.



They plan to contact tradies to remind them of their tax obligations and the negative consequences of not declaring cash jobs, which range from tax penalties to criminal convictions and even prison time.

They have also asked us to talk with our clients about cash jobs that need to be declared in their 2019 tax returns and to encourage them to make voluntary disclosures about any undeclared income from previous years, which can significantly reduce (or eliminate) any penalties that may otherwise apply.



This is clearly an initiative that Inland Revenue are taking seriously. Given the efforts they are making to encourage voluntary compliance, they are highly unlikely to take a concessionary approach to taxpayers who they find out have undeclared income.

The Cost of Xero



Xero have advised us that the cost of their standard and premium business plan subscriptions are increasing by \$2 (plus GST) per month. The increase is effective from March 2020.

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Ed's Thinkin' . . .



Rather than get all technical at this time of the year, new director **Ed Wagstaff** has decided to get just a little “philosophical” on us and talk about making the most of the festive season to think carefully about your plans for the coming year. That’s not to say he’s against making sure that it’s also a time for fun and laughter with friends and family!

Let’s Work on this Together

The Christmas and New Year holiday break is one that we can often use to reflect on how we have managed the past 12 months and consider where we’d like to be this time next year.

This is a good time to quiz yourself honestly about the goals you may have set at the start of the year (whether written down or just expressed as an idea) and how many you have actually achieved.

If you’re not sure how to answer this, or don’t like the answers you’re giving yourself, you may like to consider taking advantage of our “**Complimentary Client Review**” process in 2020.

**I asked my wife what she wanted for Christmas.
She said “Nothing would make me happier than
a diamond necklace.”**

So I brought her nothing.

This process begins with an initial meeting with your Diprose Miller advisor and is provided free of charge. The meeting provides an opportunity for you and us to talk openly about some very important aspects of your business.

A typical session might review the matters listed below.

1. The current legal and operational structure of your business and whether this is the best for your ultimate succession plans (no matter how far away they may seem at this time).
2. Your financial goals for your business and whether it is heading in the right direction.
3. How successfully your business is meeting your goals for your personal life.
4. Whether you have an overall strategy that will realistically achieve your goals.
5. How to set up a documented plan for the future and how we can help you get to where you want to be.

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Sharon Says

New director **Sharon Coombe** decided to organise a Diprose Miller Xmas colouring competition for local children. Entry forms were provided to local primary schools and playcentres. A total of 300 entries were received, making the judging a tough task for our independent panel from the Te Aroha Arts Centre. A very big thanks to them for all their help!



And the Winners are . . .



Winner (0-4 yrs)
Nikylah Pakinga-Murcott



Winner (5-7 yrs)
Cayden Carter



Winner (8-10 yrs)
Marcus Zhong



Winner (11-13 yrs)
Beth Carter-Rigter

Sharon tells us that the time spent running the competition was a handy diversion from the hectic schedule we all seem to have leading up to our Christmas and New Year office shutdown!

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HR & Payroll News

Get Xero Payroll Certified Now

We have a number of clients who process their own payroll using the Xero software. Xero provides regular update videos to keep users aware of changes to their product.



Xero Payroll Certified

However, unless the user is personally “payroll certified” with Xero, they will **not** receive automatic email reminders to advise them that the updates are available.

Users can start the payroll certification by selecting the “Learning” tab that can be found under the “?” icon at the top right of your Xero screen. If you need help with this, please **contact us**.

“Sometimes the best Christmas present is remembering what you’ve already got.”

Cathy Guisewite

Updates from EMA

Here’s some interesting info from the latest EMA “Members’ Briefing” publication.

Employees are having more success with personal grievance claims. The average award for “hurt and humiliation” in 2018 was \$10,360, the average award for lost wages was \$16,449 and 73% of employees won their cases. Most grievances occurred within the first 12 months of employment. The average legal cost for employers was \$24,784.

An employment agreement can contain a “garden leave” provision. This allows an employer to direct an employee to remain away from the workplace during their notice period to ensure that the employee is not privy to confidential information during this time.

Business sentiment continues to fall and is now at levels not seen since the GFC. Constraints on staff recruitment and retention were pinpointed as a major sticking point for businesses.

Unemployment remains at around 4% overall, but a whopping 10% of 15-24 year-olds are not in employment, education or training.

“I’m dreaming of a white Christmas. But if the white runs out, I’ll drink the red.”

Anonymous

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Staff Happenings

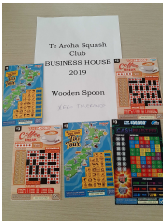
Knee Deep

Fresh from his 65th birthday celebrations and a week in Fiji, **Keith Miller** recently underwent a knee replacement operation that kept him from the office for a couple of weeks.

Keith had been putting up with considerable discomfort for many months leading up to his surgery, but all went well and he is enjoying the excuse to wear some casual clothing to work!

Winners at the Wrong End

Congrats to the Diprose Miller squash team that won the “wooden spoon” in the recent Te Aroha Business House tournament.



Frankly, we're a little surprised at their lack of success, given the amount of time they spent talking strategy at afternoon tea sessions.

However, all was not lost, with the team's efforts securing them a prize of “scratchy” lottery tickets. Unfortunately, the performance of the tickets matched that of the team, so they're still turning up for work.

So to team members **Sharon Coombe**, **Darren Diprose**, **Lyn Miller**, **Ed Wagstaff** and **Steven Eccles** (& partner **Jennie**) all we can say is “better luck next time”.

BUT . . . We weren't completely useless . . .

We also had a team in the Morrinsville Business House tournament and they managed a very impressive **3rd place!** **Jeanette Clubb** (and husband **Trevor**) joined **Erica Rigter**, **Steven Eccles** and a few “hangers-on” to restore some pride to the Diprose Miller name.

Trying Out “The Old Forge”

We're keen to support local business where we can, so it was off to the newly-opened “The Old Forge” function centre in Te Aroha West last month to have our mid-year office Christmas function (yes, we know November is stretching “mid-year” a little, but it's been a hectic year!). It was an enjoyable night, with live entertainment provided by a 3-piece band who helped us dance away the evening. It's great to see some activity happening again in the rural areas. Let's hope it's a sign of more to come around the district!



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Some Bits & Pieces

Farm Profits On the Up ?

With a pretty useful milk payout forecast for the current season and production numbers looking good, we're talking to farming clients about managing their tax obligations, particularly with the banks keeping a very close eye on farming cash flows of late.



If the weather continues to co-operate, many farming clients will be facing some substantial tax payments between October 2020 and June 2021. In our next issue we'll cover some of the simple tools available to assist with tax management under these circumstances.

Bank Accounts, Please !!

We're asking clients for personal bank account numbers to load on to the Inland Revenue myIR website. This allows tax refunds to be paid out much more quickly than the process of issuing a cheque, which Inland Revenue will soon be ceasing. So it's a case of "no account number, no refund" in this modern world.



Keeping Up with the Xeros

We were well-represented at the recent Xero Roadshow in Tauranga, with a total of 10 staff and directors attending. Given that we now use the Xero software for both our accounting and client management work, it's important that we understand how the software works and what developments are in the pipeline. It's also a good opportunity to talk with other accounting firms about their experiences with the product, both good and not-so-good!



Erica Rigter (L) and Angela Young sample the "lighter side" of the Xero Roadshow

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Staff Happenings

Lynden Joins the Team

New staff member **Lynden Wagner** is based in our Te Aroha office. Working closely with Janeece Thomson, she is responsible for maintaining our client company and trust records. This includes the preparation of resolutions and related documents for signing.



Lynden lives locally on a 2ha lifestyle property and (fortunately) is a keen gardener. She is also involved in both the Manawaru Garden Circle and the Te Aroha West Women's Institute. She has two adult children and two grandchildren. However, with both "grandies" living in London, there's not much opportunity to spend time with them.

Her recent work experience was as PA to the director of a firm of Chartered Accountants based in Parnell, so she's pretty familiar with the accounting office environment and is enjoying her role.

"Dear Santa, this year please give me a fat bank account and a slim body. And please don't mix these two up like you did last year."

Social Club Xmas BBQ

Staff members and their families enjoyed a Friday night Xmas BBQ at the end of November. With so many Christmas events to work around these days, this was held earlier than in previous years.

Dianne Cooper looked after the BBQ, With **Nakita McNab**, **Lynden Wagner** and **Steven Eccles** assisting with the salads. A few rounds of Christmas bingo kept the adults entertained.



There was no sign of Santa himself, but the elves visited with presents for the young ones. The kids also enjoyed water balloon fights on what was a very hot and humid evening.



Adults Only Please !!

Along with our kids' colouring competition (see separate article) we decided to run a staff version for the "big kids".



The winner of the staff competition was **Janece Thomson** (#13) with **Barbara Jenkins** (#9) the runner-up. The "People's Choice" award went to **Lynden Wagner** (#2).

... and that's it for 2019 !!

