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DIPROSE MILLER  
chartered accountants

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# DOING MORE.

The Diprose Miller Newsletter | Spring 2020.

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# EDITORIAL

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Well, it's been a tough winter for the whole country. It hasn't been overly cold, but in Te Aroha we've had one of those nasty 'once in a decade' gales that seemed to go on and on. I reckon the wind lasted around 60 hours and for two nights I wouldn't open the garage door to put the car away. Many would say it's typical for the Te Aroha township – if you lived 5km down the road at Waihou you would have asked "What gale?".

Of course, for months the news has been all about Covid-19, a serious issue that has been done to death by most writers and pundits. It's affected our clients involved in tourism and travel dramatically and, of course, our retailers. Our tradesmen were locked down for a short while but appear to be bouncing back strongly. My neighbour's building a new home, so it seems that the smaller provincial towns might be a bit insulated from the full economic impact. No doubt it's a different situation in the bigger cities. We've also been helped by having a number of big essential industries locally such as Fonterra, a couple of meat processing plants and, of course, the Inghams chicken processing operation. Here at the office we're a reasonable way through our workload for the year and what has impressed me is the quality results coming through from the farming sector. I'm not just talking about dairying, but all farming types including beef, goats and kiwifruit. We're now in a new season and asking

ourselves if milk payments will match last year. Initial forecasts suggest that they will not, which means we need to be careful assessing clients' provisional tax requirements for the 2021 financial year. No one wants to overpay their income tax and have to wait to get it refunded! While talking about the farming community, they've weathered the Covid storm well so far and, I would have thought, been looked on kindly by the country as a whole. They've been under the hammer for a year or two with average milk payments and the need to upgrade their business facilities to cope with increasing environmental demands. Now it would seem they are our main provider of overseas funds so their stocks should have improved. Mind you, try telling that to a couple of banks that seem intent on reducing their farming exposure! Our firm has recently hired former rural bank manager Fraser Belgrave and I'm looking forward to working with him to get a sense of what really makes bankers tick. Lately I just haven't been able to figure it out!



**In closing, the one sector I haven't yet discussed are the investors. With interest rates at an all-time low, what can one say? I'm eagerly awaiting my personal investment portfolio quarterly report for the end of September. Did I say eagerly? Perhaps more likely with apprehension. Anyway, best wishes from me for an enjoyable spring.**

# A FEW WORDS FROM ED



Director Ed Wagstaff has some thoughts on how we might assist clients to avoid an unnecessarily high tax rate on the ultimate distribution of company tax-paid profits to shareholders.

Many clients think that the company tax rate of 28% is a final tax on income generated by the company. However, at some point the company's tax-paid income will be distributed to the shareholders, either as a dividend or as part of the eventual winding up process.

At the time of distribution, the company's tax-paid profits are taxable to the shareholders at their personal marginal tax rates, which may be higher than the company rate. The additional tax payable often surprises clients. This effect can be worsened when the shareholders' tax rate at the time of distribution is higher than when the income was earned.

Many commentators are of the opinion that an increase in the top NZ tax rate is unavoidable, particularly given the increased government spending created by the Corona virus.

With this in mind, during our annual review of the level of tax-paid profits (or 'retained earnings') in our clients' companies we will be making recommendations to clients, where appropriate, to declare a dividend in the near future so these profits are taxed at a maximum rate of 33%.

These dividends will likely take the form of a credit to the shareholders' current accounts with the company, rather than a lump sum cash payment, although the company may be required to pay Dividend Withholding Tax (DWT) to the Inland Revenue on behalf of the shareholder.

**“Nobody ever wrote down a plan to be broke, fat, lazy or stupid. Those things are what happen when you don't have a plan.”**

Larry Winget

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# SHARON SAYS

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A few of our staff have opted to work from home on a permanent basis on certain days, so the office feels a little 'roomier' since lockdown, which allows us to more easily maintain social distancing in our workplace.

The few days leading up to the Level 4 lockdown were pretty frantic as we worked to set up as many staff as possible to work from home at short notice. There was a reasonable amount of time involved in ensuring staff had access to workstations and, where necessary, printers. Access to our client and practice data was made possible through a secure "virtual private network" (VPN) that our directors and senior staff had already been using from time to time. Once we got through the first few days of lockdown we were operating at close to 100% capacity, with only a few minor "glitches" to resolve as the lockdown period progressed.

One positive from the experience is that we are well-placed to offer uninterrupted service to our clients if we need to 'abandon ship' from the office in the future. We're well aware that the Covid threat is far from extinguished and that we need to remain alert, so we're still being very careful and making sure we comply with all health and tracing requirements.



**Director Sharon Coombe has been reflecting on an interesting year so far. She's been in charge of our journey through the Covid minefield and has made some comments on how we, as an accounting firm, dealt with the challenges Covid presented (and continues to present).**

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# USEFUL TIPS

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## PROVISIONAL ACC LEVIES FOR 2021

If you are an employer whose payroll cost has reduced because of the impact of Covid, it may be worth contacting ACC to make an estimate of your gross payroll for the 2021 year. This will result in a reduced ACC provisional levy invoice for the 2021 year and assist with post-lockdown cash flow. We can make an estimate on behalf of a client, so please feel free to contact us to discuss this option.



## EMAIL THAT INFO STRAIGHT ON TO US

Many banks, financial institutions and companies are now providing statements and related information to their clients via email. This includes term deposit, loan, share and dividend documents, much of which is required by us to prepare annual financial statements and income tax returns. It's very useful for clients to forward these emails directly to us as they are received so that we have this information on hand at the end of the year. It will save us time having to ask you for them when we prepare the financial statements.



## WATCH YOUR JUNK MAIL

We're finding that, more frequently, emails containing financial information such as dividend notices and investment updates are finding their way into our clients' junk mail inboxes. It's a good idea to check the contents of your Junk Mail on a regular basis for any important email communications.

# KEEPING YOU UP TO DATE

## The changing face of meetings

One of the most significant changes brought about by the Covid lockdown is the difficulties in conducting face-to-face meetings. During the Level 4 lockdown we were forced to use online meeting software such as Zoom to have sessions with colleagues and clients.

Even now, under Level 1 & 2, not everyone is comfortable with a face-to-face meeting in person. We're trying to use

a mix of methods for reviewing financial statements and discussing other matters with clients so that we minimise the risk of any accidental transmission.

We don't know what Covid-related restrictions may apply in the future, but we need to be ready to get our work done using a more diverse range of tools. Please let us know if you have any concerns with meeting in person and we'll arrange an alternative.

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# STAFF HAPPENINGS

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## ANOTHER CHARTERED ACCOUNTANT JOINS THE CLUB

It's a big congratulations to Morrinsville staff member **Barbara Jenkins** (aka Barbs) on attaining Chartered Accountant status with CAANZ, our governing professional body.

It's been a long road for Barbs, who has worked for us full-time along the way, so it's been a few years of hard work and sacrificing her leisure time.

A Morrinsville local, Barbs is now enjoying the extra freedom created by not having to study and likes to spend time outdoors hunting, fishing and camping. She's also taking advantage of the bigger 'bubble' by catching up with family and friends over dinner and a drink or two. We think she absolutely deserves it.

So Barbs, it's thumbs up from our directors and all your workmates.



## BABY PHOTO COMPETITION

We recently held a staff baby photo competition to help us get through a lengthy in-house staff training session. We had 15 photos supplied, with Gail Brown taking the prize with 9 out of 15 correct picks.

The most difficult photo to pick was Murray Whittaker's rather blurry image from 60 years ago. There were also a few photos where everyone had trouble picking the gender, let alone the staff member!



# THE BEST LOOKING DINNER TABLE

## MID-WINTER CHRISTMAS FUNCTION A WINNER

In early August we held our annual Diprose Miller mid-winter Christmas function at Viligrad Winery near Ohaupo. After the distraction of Covid it was clear that everyone just wanted to get together, spend some time catching up and enjoy a good meal. It was nearly a full turnout from the crew, with the bus not dropping the last few partygoers off back in Te Aroha until around 2am. Needless to say, there were a few tired faces on Monday morning, especially amongst the oldies in the office.



# HR & PAYROLL NEWS

## FARMERS, WATCH THOSE STAFF HOURS

A reminder to farmers to carefully monitor the hours worked by salaried employees over the spring season as activity increases on the farm. You must ensure that employees are paid at least the minimum adult wage per hour for every hour that they have worked.

This may require a 'top-up' payment above their salary to reflect the increased seasonal workload. For advice and assistance, contact our office.

## FARMERS NEED TO BE TRACING TOO

Another reminder to farming clients that they are required to comply with the same Covid tracing requirements as non-farming businesses. This includes displaying a QR code poster for all visitors to use with the tracer app. Visitors who do not use the app must record their details in writing.

For further information, refer to the Ministry of Health guidelines.

## NEW LAW FOR TRIANGULAR WORK ARRANGEMENTS

A triangular work arrangement is one where a person is working in one workplace, but legally employed by someone else. Common examples are temping positions and secondments.

The new legislation provides for an employee to add a third party (other than their legal employer) to any personal grievance claim if that third party has contributed to the problem leading to the grievance.

The ERA can divide compensation between both the legal employer and the third party to reflect the extent to which each has contributed to the personal grievance. Oh, what a complicated age we live in!

## YET ANOTHER 'CATCHY' COVID SUBSIDY NAME

Work and Income have introduced an initiative called Apprentice Boost to assist employers with taking on and retaining apprentices as the economy recovers from Covid. Apprentices must be actively training through an Industry Training Organisation (ITO) or the Tertiary Education Commission (TEC). They must also be in their first 24 months of training.

The subsidy is available from early August for a maximum of 20 months and is paid in advance monthly. The amounts are \$1,000 per month for a first-year apprentice and \$500 per month for a second-year apprentice.

*The link below will take you to the information page on the Work and Income website.*



[www.workandincome.govt.nz/employers/subsidies-training-and-other-help/apprenticeship-boost.html](https://www.workandincome.govt.nz/employers/subsidies-training-and-other-help/apprenticeship-boost.html)

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# STAFF PROFILES

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FRASER'S READY TO GET HIS HANDS DIRTY

"THE  
DIPROSE  
MILLER GPS  
PROGRAMME  
PROVIDES  
A SOLID  
PLANNING  
BASE FOR  
BOTH  
CLIENTS  
AND THEIR  
BANKERS."

## FRASER BELGRAVE

Fraser joins us after spending five years as an ASB Rural Manager. Initially working part-time in our Te Aroha office as part of Darren's team, Fraser will be helping to build our GPS (Governance Partnering Services) programme together with director Ed Wagstaff and our new associate Melissa

Slattery. He has extensive experience in farm budgeting, valuation, advisory and banking requirements and will provide a valuable resource for both directors and staff. He'll need to spend some time becoming familiar with our software and systems, but once this is done you'll be hearing more about his

progress. Fraser is married to Kirraly and they have recently celebrated the birth of their first child, Margot. Outside of the office, he is a keen cyclist and enjoys the occasional hunting trip.



## ANNE MOHRING

Our Morrinsville office welcomes new part-time staff member Anne Mohring. Anne has previous accounting experience with Morrinsville firm Crawford Churton. Anne

will be a Client Account Manager in Jeanette's team, preparing GST returns and financial statements. In her spare time Anne is heavily involved with the Scouts and Venture Scouts organisations. She's also kept busy keeping an eye on 8-year-old son Michael.



# REMINDERS GET THOSE PAPERS IN!

We're busy working on annual financial statements for our clients. We always try to have the majority of our March balance date clients completed before we get too far down the track with our May balance date clients.

If you have a March balance date and have not yet sent in your end-of-year papers, please try to get these to us as soon as you can. If you are not sure what we require, please contact your Client Account Manager.

## **STATEMENTS ARE NOT ENOUGH**

A reminder to clients that we need to sight copies of invoices from suppliers to accurately determine the correct income tax and GST treatment of goods and services supplied to you.

It is common for clients to provide the monthly statement from a supplier, which usually only shows the invoice numbers, dates and total amounts of each invoice. To make our work (and yours) easier, please try to provide the invoices with the statement.

# XERO TIPS FROM OUR STAFF



## TRY THINGS RISK-FREE WITH THE DEMO COMPANY

All Xero users have free access to the Demo Company, a fictitious business set up by Xero to allow users to see how things work and practise using the Xero software.

The Demo Company can be accessed from the drop-down menu at the top left of the Xero screen by selecting the 'My Xero' option. The next screen will show the organisations the user can access, with 'Try the Demo Company (NZ)' available at the bottom of this list. The Demo Company file contains realistic data that users can play with.

Changes that each user makes to the Demo Company file are retained for 28 days or until the user manually resets the data using the 'Reset' option on the My Xero screen.

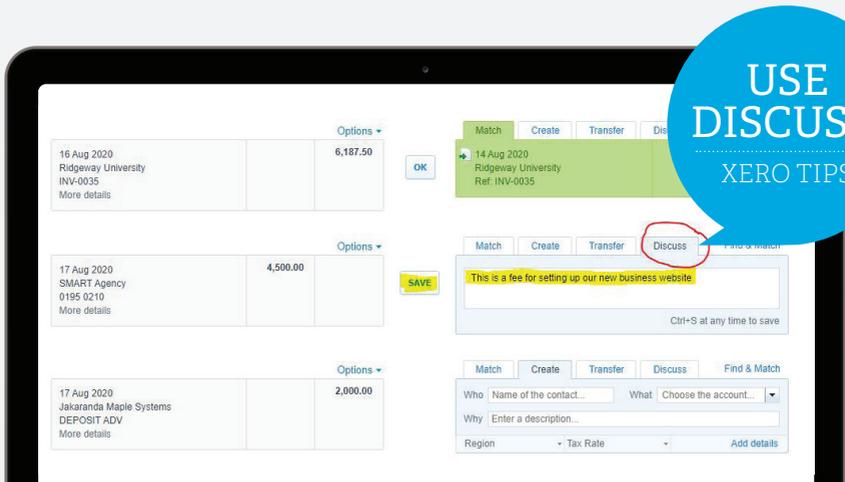
## NOT SURE ABOUT THE CORRECT CODE FOR RECONCILING? USE THE 'DISCUSS' OPTION

Those clients that reconcile (code) their own Xero transactions may not be aware of the use of the 'Discuss' tab that is available for each transaction under the 'Reconcile' tab. Selecting this option provides the user with a blank data entry box that can be used to enter information about a transaction that can be saved and accessed by another user.

Many clients find this a useful way to tell us about the nature of a transaction when they are not sure of the correct account code to apply. Once saved, we can add the correct code after reading their comments.

The 'Discuss' tab is not available in the 'Cash Coding' screen.

**"By three methods we may learn wisdom: First, by reflection, which is noblest; second, by imitation, which is easiest; and third by experience, which is the bitterest".**





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