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DIPROSE MILLER
chartered accountants

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DOING MORE.

The Diprose Miller Diary | Spring 2022

EDITORIAL



Cripes, this year seems to be flying by, here we are already in October! It's a timely reminder that Christmas is fast approaching.

I was in Bunnings in Tauranga over the weekend and they had Christmas decorations already out on sale, which is a little frightening as we here at Diprose Miller have a lot of work to complete before our Christmas office shut-down.

Spring is well and truly here. We've had very changeable weather in the local area and especially after the winter we've just had the land is now very wet, complicating life for those businesses that need to complete work outside and all the farmers out there as well. While the temperature has warmed up over the last few weeks, there is a desperate need for some sunshine to dry the countryside out and get the grass production really cranking.

There has been a lot happening since the last edition of Doing More. The delay in securing building materials has eased,

which is great to see, as this was putting pressure on construction timetables and creating cash flow challenges for some clients. Previous delays have changed the landscape of the construction industry, with some projects being delayed as builders try to have all the required materials on hand from the start so there are no hold-ups once construction begins. In many cases, the client has had to front up and pay the builder for materials in advance.

Interest rates have jumped significantly and the resulting increases in debt servicing are having an effect on the disposable income of borrowers. In some areas this is now affecting retail businesses. We've recently seen a lift in the official cash rate to 3.5% and it looks like there may be more pain to come in this area yet.

The practical impact of Covid-19 seems to be easing, with most restrictions now removed and common sense prevailing. It's been very refreshing to get back to some sense of normality.

There has been plenty happening here in the office with us now in the run-up to Christmas. As directors, we had a few days off to attend the Xero conference in Sydney. It was a hectic trip, but well worth the effort. It had the added bonus of some international travel, which was the first time for all of us for quite a while. Sydney turned on some great weather, so we were able to make the most of the short break.

Outside of the office, we've had some interesting times following the All Blacks performances this year. They'll need to find some consistency if they're to play

well in the upcoming tour to the northern hemisphere. Personally, as a long-term fan it was great that the young players really stood up and coped with the pressure, which makes the future look exciting. It seems all winter sports are now finishing up and as we exit the school holidays we can look forward to the summer ones kicking off soon.

The next time I write this editorial Christmas will be upon us and I'm pretty sure there'll be plenty of interesting national and local happenings worthy of comment between now and then.

The local body elections will be done and we'll be dissecting the results of the All Blacks tour and the performance of other national teams, including the Black Ferns at the women's rugby World Cup to be held here in New Zealand for the first time.

Enjoy the rest of the spring and stay safe

Darren Diprose

FOOD FOR THOUGHT

“Generally speaking, you aren't learning much when your mouth is moving.”

-Anonymous

BREAKING NEWS

SOMETHING TO CELEBRATE

We're very pleased to announce the promotion of Steven Eccles to the position of associate at Diprose Miller Ltd. Steven is a fully-qualified Chartered Accountant and has a long-standing connection with our firm. He's also a born and bred local, growing up on his parents' dairy farm in Te Aroha West.

Steven initially worked with us during his university holidays while studying for his Bachelor of Management Studies at Waikato University. Since then, he's spent four years as an auditor for Findex (Chartered Accountants) based in Invercargill before returning to his home town of Te Aroha to take up a position with us as a Client Account Manager, which he has now held for six years. We'd like to think we've taught him everything he knows, but his audit experience provides him with a unique and useful perspective on the handling of client transactions.

Steven will be taking over the role of advisor for some of the clients of Keith Miller as Keith eases into retirement over the next year or so.

He's looking forward to working more closely with these clients to help plan and monitor their future activities. He joins Anthony Gray, Melissa Slattery and Euan Lock as associates who support our directors and staff, together with taking responsibility for a base of clients.

Steven lives on the outskirts of Te Aroha with his jolly border collie Ollie and enjoys all forms of outdoor activity. At the moment you'll find him spending plenty of time on the squash court, but he's a very keen traveler and doesn't mind roughing it with the best of them if he needs to.



Our directors took a few days out in September to attend the Xerocon event in Sydney. They joined 3,500 accountants from around Australasia for two full-on days of presentations and "break-out" sessions.

They learned about the latest Xero product releases, feature updates and available "add-on" products. As a result, you can be sure that we are well-placed to advise our clients on their options within the overall Xero framework. We've always taken our Xero "Platinum Partner" status very seriously and consider that the skills of our staff in working with the Xero product are second to none.

The convention also provided the directors with the chance to re-charge their batteries before our "pre-Christmas rush" which is coming up fast.



SUCCESSION PLANNING SEMINAR

If you are interested in hearing about strategies for succession planning, mark your diary for Wednesday 15 February 2023 and register to attend our Succession Planning Seminar in Te Aroha.

This session will be presented by Fraser Belgrave. Fraser has a wealth of practical experience with steering clients through the succession process. While his experience has been primarily related to succession in the farming sector, the concepts he will present apply equally to non-farming activities and we'll discuss examples of both.

We'll talk about effective strategies to hand over to the next generation and discuss the common problems and pitfalls to avoid. There'll be examples of how we have assisted clients to successfully transition from one generation to the next.

There is no "magic formula" that can ensure a trouble-free succession. The process takes

careful planning and generally involves a number of parties. Not just the family, but also their professional advisors. Focusing on developing a plan that is transparent, concise and well-documented can help to avoid messy family situations in the future.

In addition to family considerations there are financial, accounting and tax issues to be considered and dealt with.

The seminar kicks off at 12pm. Contact Lyn Miller at lh@DiproseMiller.co.nz or phone the office to register. Attendees will receive an additional complimentary one-hour personal session to discuss their options for succession planning.



Fraser Belgrave.

Book early to avoid missing out!

MEL'S RURAL REFLECTIONS



Diprose Miller Associate Melissa Slattery shares some thoughts on topical happenings in the rural sector. As a farmer herself, she takes a keen interest in matters that will impact she and husband Justin's farming future. Melissa is particularly interested in changes on the horizon relating to sustainability and management of the environmental impact of farming.

GREENHOUSE GASSES (GHG)

The Government must decide how to price agriculture emissions by 2025. Consultation on the recommendations made by the government has already begun and we can expect a pricing decision by the end of this year.

The final pricing system will recognise gases separately based on their warming potential. For example, methane from cow's burps (a short-term gas) will be priced differently from nitrous oxide (a long-term gas). This is a world-first treatment of GHG.

Here's a comparison of the agricultural GHG reduction targets set by New Zealand and Ireland, two countries with similar farming practices. It makes interesting reading.

2030

New Zealand	10% reduction in methane
Ireland	22-30% reduction in all GHG

2050

New Zealand	24-47% reduction in methane
Ireland	Net zero emissions for all gases

190N CAP

Farmers are required by law to report their synthetic nitrogen use annually from July 2021. To find out if you're legally required to report your synthetic nitrogen use, check out the flowchart in this link:



Scan QR code to access flowchart link

There are three ways to report your synthetic nitrogen use:

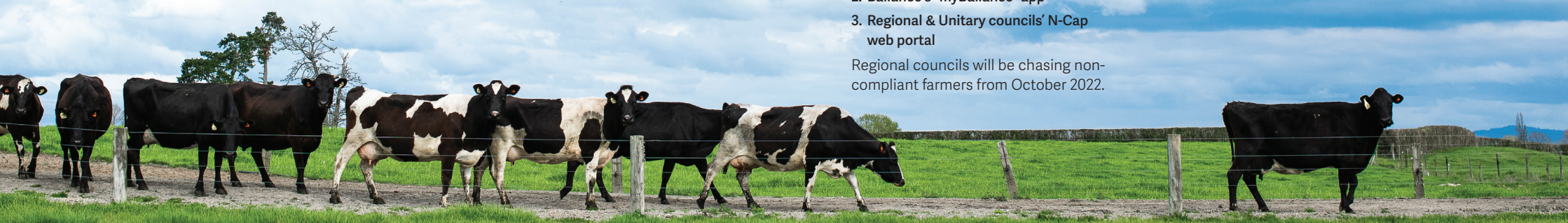
1. Ravensdown's "Hawkeye" app
2. Ballance's "myBallance" app
3. Regional & Unitary councils' N-Cap web portal

Regional councils will be chasing non-compliant farmers from October 2022.

RURAL BANKING

We have recently met with the main trading banks and our discussions focused on inflation, increasing interest rates and opportunities for growth in the rural sector.

There has been a major turn-around in the banks' appetite for rural lending. That's a big positive for our farming clients looking to expand. It was interesting to hear that sustainability credentials are becoming a factor in rural lending; a trend that is likely to continue and increase in the future.



OFFICE UPDATES & HAPPENINGS

NEW TRUST SERVICE & MANAGER

We're currently finalising arrangements for our new "Professional Trustee Service" (PTS) package that will be the cornerstone of ensuring our client trusts comply with the requirements of the new Trusts Act 2019 and good trustee practice.

The PTS will be managed by a qualified Legal Executive employed specifically for this role. The manager will work with our clients, their Diprose Miller advisors and their solicitors to discuss and document important decisions relating to the activity and management of the trust.

We'll have full details of the new manager and operation of the PTS in the next edition of Doing More. By leading the way in pro-active trustee activity and record-keeping we're looking after our clients' best interests and also making sure we properly discharge our responsibilities as a professional trustee.

**"When all is said
and done, more is
said than done."**

- Anonymous

ACCOUNTING FOR NEW RESIDENTIAL RENTAL TAX RULES

For the 2022 income year we've been getting to grips with the new tax rules that limit the deductions available for interest on funds borrowed to invest in residential rental property. Each client (and property) must be considered separately, as the limitations are based on both the purchase date and nature of the property.

Between the interest deduction limitations, the ring-fencing of residential rental losses, the bright line "capital gains tax" test and the removal of depreciation claims for residential buildings, the tax landscape for clients with rental properties is becoming significantly more complicated.

As accountants and tax advisors, we're finding that income tax returns for landlords are not the simple task they used to be, with various additional factors to be considered when buying and selling residential property and reporting the associated results for income tax purposes.

HR AND PAYROLL NEWS

THINK ABOUT STAFF RETENTION

The success of any business depends on its ability to recruit and retain quality staff. Whether it's a small business with just a few employees or a large organisation, businesses function best when they have a team of talented people focused on performing not only individually, but as a team to reach the organisation's goals.

In the current labour market skilled staff are in high demand. Gone are the days of employees staying in one job, with one company, for most of their working life. Instead, talented people are willing to trade long-term stability for personal development, career advancement and a better work-life balance.

Businesses that fail to look after their employee's risk losing them to another employer who will. Business owners shouldn't wait until they have a problem with the retention of high-performing staff. They should have strategies in place to keep their employees happy and motivated so they will remain with the organisation for as long as possible.

Common strategies to maximise retention include:

1. **Recognising achievements and expressing appreciation**
2. **Supporting professional and career growth**

3. **Creating a supportive culture**

4. **Embracing flexibility**

5. **Connecting and communicating effectively**

Losing a high-performing employee costs you money, both in financial terms and in the time and effort it takes to recruit and train a replacement.

The moral of this story is this: Don't wait until you have a problem with staff turnover. Implement strategies now and ensure your team is engaged, happy and keen to remain part of your business.

MAKING PAYMENTS TO ACC

When paying ACC invoices via internet banking, we strongly advise that you set up a separate, one-off payment for each ACC invoice that is being paid. This will ensure that each payment is receipted against the correct invoice by ACC.

We have seen cases where clients have paid invoices for multiple entities (e.g., a company and individuals) with a single internet payment and ACC did not correctly apply the payment to the correct invoices. As a result, ACC CoverPlus Xtra policies have been cancelled for "non-payment", requiring a new policy to be set up, even though payment was made on or before the due date.

TAX BITS & PIECES

TAXING KIWISAVER

It's good to see that the Government has withdrawn plans to subject services supplied by providers of managed funds and retirement schemes to 15% GST. They got the message loud and clear that Kiwisaver investors weren't interested in having the returns on their hard-earned retirement savings reduced by increased provider fees.

It seems that the Government just didn't do their homework properly on the impact of the proposed change. It will be interesting to see if the strong backlash has any impact on their popularity with election year almost upon us.

INLAND REVENUE INCREASE USE OF MONEY INTEREST RATES

From 30 August 2022 the Use of Money Interest (UOMI) rate for underpaid tax increased from 7.28% to 7.96%. The rate paid by Inland Revenue for overpaid tax finally rose from 0.0% to 1.22%.

YET MORE COMPLICATIONS WITH PROPERTY TAX?

The Government is making noises around relaxing the new rental property interest deduction limitation rules for landlords who provide tenants with a 10-year fixed rental contract. They seem driven to introduce more and more refinements to the tax rules in an attempt to solve the housing problem.

We can't think of too many clients that will find a 10-year fixed rental contract very appealing if this change is brought in. In our opinion, any housing shortage can only be solved by building more homes, but there does not appear to be any tangible effort to make this a reality.

We suspect most landlords are hoping we'll see a change of Government next year that will remove the interest deduction limitations and make life less complicated.

COST OF LIVING

Self-employed clients who qualify for the new cost of living payment will receive it as a lump sum. Qualification will be automatically assessed by Inland Revenue once the individual's 2022 income tax return has been filed.

Taxpayers receiving National Super, or any other MSD benefit or support won't qualify. We've had a surprising number of clients contact us to ask about this payment.

XERO WORKSHOP SERIES

During September we held three in-house client sessions covering different aspects of using the Xero accounting software. These sessions broadly covered the topics listed below.

1. Managing bank accounts, reconciling transactions and preparing GST returns
2. Managing invoices, bills and contacts
3. Generating reports and working with "add-ons"

Feedback from clients who attended the sessions was very positive. Although numbers were small, this allowed us to keep the sessions both interactive and relevant to information the attendees were looking for.

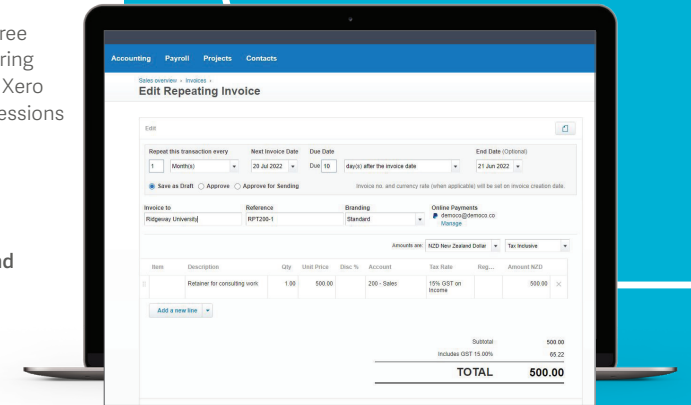
After the Covid-19 limitations of the last couple of years, it felt great to get back to engaging with clients face-to-face in a workshop setting.

FOOD FOR THOUGHT

"Confucius say . . . man who have last laugh, not get joke."

- Anonymous

XERO TIPS & TRICKS



Repeating Invoices

Did you know that Xero invoices can be set up to be created, approved and even emailed automatically?

Repeating invoices can be set up for any start and end dates and can save considerable processing time. They can be amended or deleted as required and are very useful when invoicing regular items such as lease income, regular product sales and standard contracting fees.

Tips & Tricks in Xero Central

Xero has a particularly good reference facility that is available to all users to access. This can be found in Xero Central which is available to all users under the Help menu icon ("?) at the top right of the Xero screen.

From Xero Central you can search for assistance any topic, from "Tips and shortcuts" to "Difference between Starter and Standard Plan". You can even filter the results to suit whether you are an accountant/bookkeeper or a business owner. Our staff often find it very handy, but we suspect many clients don't make the most of this excellent resource.

STAFF HAPPENINGS

AMY'S UP FRONT IN TE AROHA

It's a big welcome to Amy Pelham, the new face on the front desk at our Te Aroha office. As well as looking after reception, she's busy learning the basics of managing client records and related tasks. This role gives her a chance to build on the skills she learned when completing her Certificate in Business Administration from Wintec.

Amy's previous work experience has been in retail stores throughout the Waikato area. She grew up in Morrinsville and lives there with her partner Mark.

Outside the office, Amy enjoys hanging out at the beach and relaxing with family and friends. She also likes spending time in the kitchen and especially trying new recipes. She's making the most of our standard office hours and doesn't miss the evening and weekend work one bit!



DEBBIE MOVES ON (BUT NOT OUT!)

Debbie Gorman, our previous Te Aroha receptionist, is now working as a Client Account Manager. She'll be working with clients of Sharon, Keith

and Anthony, focusing on those clients with more straightforward business structures.

Debbie already has a good working knowledge of the Xero accounting software, but she'll need some time to get familiar with the preparation of annual financial statements and using our associated online work papers. She's in training mode at the moment and picking things up nicely.

It's great to see our staff building their skills and taking on further challenges within the office.

NAKITA HELPS OUT

Staff member Nakita McNab decided to hold a Daffodil Day fundraiser in the office. She baked goodies for the staff to enjoy in exchange for a donation to the cause. She raised \$242 for Daffodil Day – a great result.

A second fundraising session was held for Blue Ribbon Day (Prostate Cancer) and raised

\$431. At the time of writing, she's lining up yet another session for Pink Ribbon Day (Breast Cancer) in October. She's a winner in our books!



The staff get into the Blue Ribbon spirit



Up close with the quokkas

QUOKKA TIME

Staff member Janeece Thomson visited Australia recently for a long-awaited catch-up with family. While in Perth, she visited Rottnest Island to check out the quokkas. She's been excited about the quokka experience for some time and tells us that the quokka has a reputation as being the happiest animal on earth. Quokkas have been described as "kind of a rat as big as a cat" and the name "Rottnest" comes from the Dutch phrase "rat's nest". As you can see from the photos, Janeece made the most of the encounter!

GAIL BROWN IS ONLY 40?!

Long-serving staff member Gail Brown clocked up 40 years with Diprose Miller Ltd in July and enjoyed a celebratory dinner with directors and staff at the Te Aroha RSA.

It was an enjoyable evening, fitting for the occasion, with a heart-warming speech from the person that has worked closely with her for all those years, the "unaccustomed as I am to public speaking" Keith Miller.

40 years is a significant achievement and it's fair to say that there's not much about Diprose Miller and her clients that Gail doesn't know. She's vastly experienced in all aspects of accounting and taxation and has provided a shining example for many new employees over the years.

As retirement gets closer, she'll be thinking about spending more time with husband Gavin, daughter Ashleigh and grandson George. One thing's for sure, after 40 years the place just won't feel the same without her stately presence once she decides to hang up her keyboard.



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