

SEPTEMBER 2011

All information in this newsletter is, to the best of the author's knowledge, true and accurate. No liability is assumed by the author or publisher for any losses suffered by any person relying directly or indirectly upon this newsletter. We recommend that readers should consult this firm before acting upon any information contained herein.

Gift Duty Abolished

With the abolition of gift duty on 1 October 2011 many lenders to family trusts by way of settlor loan advances will wish to take advantage of the ability to gift off remaining loan advances in one sum, without incurring gift duty, there only being a requirement to prepare a Deed and other supporting documents.

There may be, however, valid reasons why the debt should in fact remain so we encourage our clients who are considering carrying out this "one off gift" to consult their lawyer to ensure that you are made aware of the reasons why perhaps a gift, in full, of remaining debt may not give the desired outcome.

We understand there may be subsequent advances made to family trusts which will still require an annual gift statement to be prepared forgiving those amounts.

Gifting documents executed need to now give consideration as to whether the donor is solvent after making gifts.

We further note that should a gift after 1 October, be processed, the amount will generally relate to amounts quantified from Financial Statements prepared at 31 March 2011, so further gift documents may be required for advances made after this date.

Employment Agreements

A timely reminder that it is a legislative requirement that all employees are provided with a written employment contract. From 1 June 2011 failure by an employer to provide an employee with a copy of a written employment contract can result in significant penalties being imposed.



New GST Rules On Asset Purchases That Do Not Have 100% Business Use

From 1 April 2011 GST input tax claims on assets that are purchased with less than 100% business use are now based on their estimated use in a taxable activity, when previously the eligibility of a claim merely rested on whether the asset was used principally in a taxable activity. A claim on estimated use must be based on records available, previous experience, or with reference to business plans or any other suitable method. There are exemptions from the apportionment claim in some limited circumstances so if any client has a particular query on an asset acquisition please call the office.

The new rules are further complicated by subsequent adjustments if a change in the level of use of those assets occurs, which can provide an administrative and calculation nightmare. Again if any client is purchasing an asset that has mixed business and private usage or has purchased an asset since 1 April 2011 with mixed levels of use please call us for advice.

GST Rules Affecting Holiday Homes

From 1 April 2011 there is the ability for an otherwise private holiday home to now be caught in the GST net where it is acquired through a structure, that is already registered for GST. This may be a trust or even individuals if they are GST registered. This is due to a change in the definition of "dwelling" to now exclude, in the main, beach houses and holiday homes. If any client is contemplating or has acquired a beach house or holiday home please call the office urgently for advice around the risks involved from a GST perspective.

BankLink/Xero

A reminder that we are an accredited provider of BankLink and Xero cash book and accounting systems. The new Xero software is proving very popular with clients as your business and our firm operate on the same single online ledger. In some cases there are cost advantages using a BankLink or Xero package over the traditional in-house MYOB general ledgers and cashbooks. The main advantage is your time spent inputting data.

If you have any query in regard to either system please contact the office.

Building Depreciation

From 1 April 2011 the depreciation rate for buildings with an estimated useful life of 50 years or more is 0%. The removal of this deduction from your income calculation may mean that you have a profit rather than a loss to return for the 2012 income year onwards. If this could potentially be you please contact the office as we can assist with tax planning in this area.

Client

Editorials

We regularly publish editorials for clients who want to promote their wares. Just a reminder to any client who wishes to take advantage of this opportunity to contact Kathryn at the office.

Email Option

If you wish to receive the newsletter via email please email

office@johannesson.co.nz with your request.

