

Moving into Matamata

Cooper Aitken and Partners Ltd now have a Matamata presence after accepting the opportunity to take over the practice of Cameron Accounting Ltd.

“We have the greatest respect for Roger (Cameron), what he’s achieved and the importance of the relationship he has with his clients. So when Roger approached us and felt that we were the firm he would like to entrust his clients to, we also felt that the synergy was right. We have strong experience in getting the balance right and providing the best of services combined with valuing every client individually. We have the same sense of privilege to serve our clients and community that Roger has always shown. People matter to us” says Rodney Aitken.



Roger Cameron and Trevor Cooper take time out from discussing the changes.

The team at Cooper Aitken would like to take this opportunity to welcome both Roger’s clients and his accounting team on board.

New Associate



We take great pleasure in announcing the appointment of Coral Phillips as an Associate of the firm.

Coral has been working at Cooper Aitken & Partners since 1998 and has been Trevor Cooper’s PA for a large part of that time. With a strong background in farming and an interest in taxation she particularly gains satisfaction from being able to help clients in their business. Coral became a Chartered Accountant in 2006.

Be Aware

There have been a number of tax agents offering to complete your Income Tax Returns at shopping malls. Please be aware of the following:

- You are liable for any incorrect information submitted to the Inland Revenue Department (IRD). All of your income sources must be returned in your Income Tax Return. In many cases the information that needs to be included in your Income Tax Return is complex and varied.
- These tax agents generally charge you a percentage of your refund as a fee. Such as if you are entitled to \$1000.00 they could charge you \$350.00. The fee charged is not necessarily a fair reflection of the time taken to complete the Income Tax return.
- If you sign an authorisation form for the tax agent to view your details from the IRD, the IRD will deregister our firm as your tax agent.

National Average Market Values of Specified Livestock Determination 2009.

Note that we have values for other livestock on request.

Beef cattle	2009	2008	2007
<i>Beef breeds and beef crosses:</i>			
Rising one-year heifers	429	333	406
Rising two-year heifers	663	547	620
Mixed-age cows	770	638	752
Rising one-year steers and bulls	534	427	502
Rising two-year steers and bulls	748	640	720
Rising three-year and older steers and bulls	908	801	882
Breeding bulls	1743	1464	1546

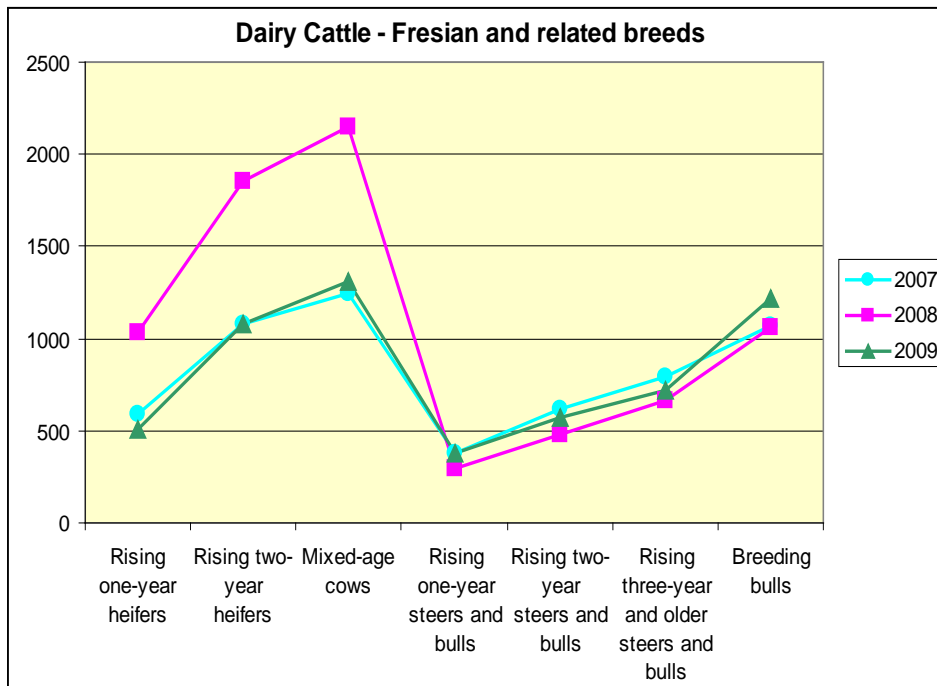
Dairy cattle

Dairy Cattle - Friesian and related breeds:

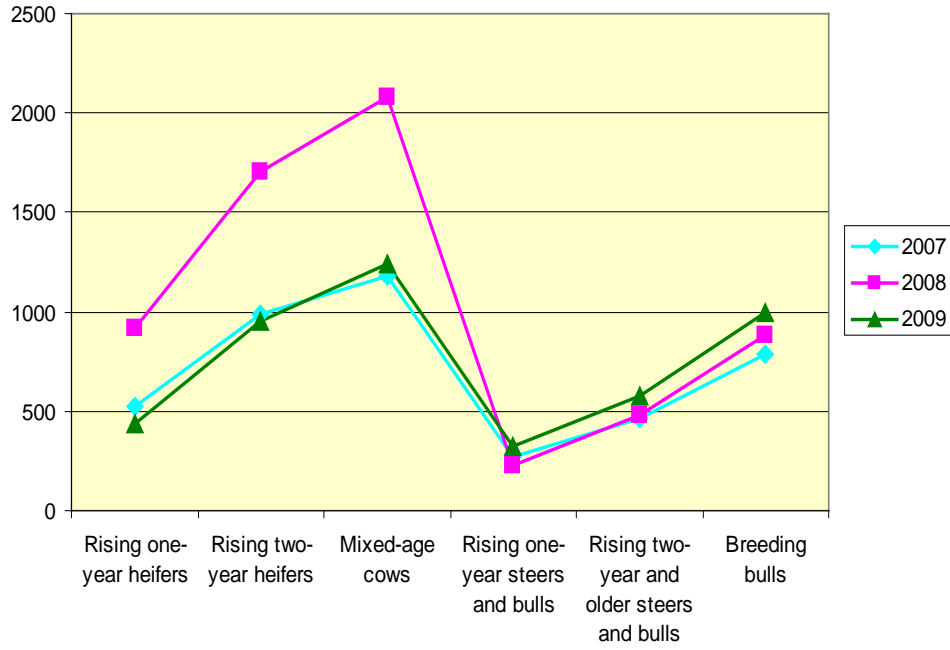
Rising one-year heifers	511	1037	594
Rising two-year heifers	1083	1856	1075
Mixed-age cows	1312	2150	1245
Rising one-year steers and bulls	381	292	379
Rising two-year steers and bulls	576	480	618
Rising three-year and older steers and bulls	724	664	797
Breeding bulls	1220	1062	1067

Dairy Cattle - Jersey and other dairy cattle:

Rising one-year heifers	434	920	524
Rising two-year heifers	953	1702	986
Mixed-age cows	1243	2079	1176
Rising one-year steers and bulls	322	225	271
Rising two-year and older steers and bulls	577	478	461
Breeding bulls	998	884	785



Dairy Cattle - Jersey and other dairy cattle



Beef Breeds and Beef Crosses





[Caption: Rodney Aitken, Peter Hexter, Janet Pitkethley, Grant Eddy, Diana Sadler, Gavin Haddon, Anna Bennett]

The Team **Graduates**

We took great delight in celebrating the graduation of three of our team late in May as they become Associate Chartered Accountants (ACA). NZICA say on their website “Associate Chartered Accountants are synonymous with high professional standards and reliable business advice.”

Janet Pitkethley, Diana Sadler and Melissa Parry all gained entrance however Melissa missed the graduation dinner due to flying out for her great overseas adventure as she moves to the UK for the foreseeable future.



[caption: Janet Pitkethley]

[caption: Diana Sadler]

Congratulations to you all for a great achievement.

New arrivals

Joining us since last newsletter are Hayden Bowman (just finishing his degree), Karen Arnold (changed employer to be closer to home), Leanne Silvester (moving into a newly created role as PA for the some of the directors) as well as the team from Cameron Accounting, Julie Cameron, Karen Hines and Stephanie Howard.

Merger Ball

After a year of internal changes, the social club decided it was time to celebrate these changes with a ball. Following are a selection of photos from an evening that was enjoyed by all.



Can School Students Claim Tax Refunds?

The child rebate of \$351 per annum means that, in most cases, school students with part time jobs can claim a small tax refund. It means an eligible child can earn income (less interest and dividends) up to \$2,340 per annum, tax-free.

If your child is in this category, we can process their return when doing your own accounts.

Otherwise they could do it themselves by using the Inland Revenue website if they wish at www.ird.govt.nz. The main steps involved are:

1. Request a summary of Earnings
2. Do a Personal Tax Summary calculation – this will indicate whether or not a refund is due
3. Request a Personal Tax Summary

Note, it is important that a Personal Tax summary is not requested unless it is known that it results in a refund. Otherwise there could be tax payable, which then is triggered at the IRD and will need to be paid.

For more information on this, we have an information sheet you could collect from our office, or go to our website www.cooperaitken.co.nz and look under the services link.

A note of caution – in many cases school children receive beneficiary distributions from the parent's family trust. If in doubt, it is a good idea to discuss with your accountant before going direct to the IRD.

Making the most of the changes

The Government's relief package for small to medium sized businesses includes a new provision which provides beneficial treatment for legal expenses. Under the general deductibility provisions of the Income Tax Act, if an expense is of a capital nature it is non-deductible. The process of analysing expenses to determine if they are of a capital nature can be complicated and time consuming. Legal fees are often reviewed for this purpose as legal services are often required for transactions that are of a capital nature, such as the acquisition of a building.

The new legislation provides that in deriving income or running a business, where a taxpayer incurs legal fees of \$10,000 or less in a tax year, the legal fees will be deductible irrespective of whether they are capital in nature. However, it is important to note that if more than \$10,000 of legal fees are incurred the whole amount will be subject to the capital limitation and require analysis to confirm deductibility. The definition of legal services is tied to the definition under the Lawyers and Conveyancers Act 2006, which is very wide and is likely to cover most types of services. A further requirement is that the services be provided by a person holding a practising certificate issued by the NZ Law Society or an Australian equivalent.

A practical method of applying the provision is to monitor legal expenditure and where possible request that your lawyer defers further services until the following tax year.

Use-of-money interest (UOMI)

From 1 March 2009, the UOMI rate for underpayments of tax to IRD fell from 14.24% to 9.73% and the rate for overpayments of tax fell from 6.66% to 4.23%.

Preparing your business for sale: There's no time like the present!

It has been widely publicised that a significant number of businesses may swamp the market in the coming years as baby-boomers look to sell their businesses. This increased supply is likely to make selling your business more difficult than it may have been in the past. Perhaps more than ever before it will be important that businesses are well presented for sale.

The following are four practical suggestions to enable you to start preparing your business for sale in today's environment.

Prepare a formal succession plan - before you can determine what sort of preparation or 'grooming' your business requires it is important to clearly establish your succession plan and exit strategy. If your succession plan involves a progressive sell-down to key employees then an important consideration might be to establish a strong shareholders agreement. By contrast, if your exit plan involves a complete sale then a shareholders agreement may be unnecessary. A formal succession planning document should include:

- your goals and objectives
- intended exit strategy (include a 'Plan B')
- indicative timeframes – this will enable you to tailor and plan your sale preparation initiatives accordingly

Obtain a valuation - a valuation of your business at this stage might seem premature, however, a formal business valuation prepared by a credible valuer will likely form a key part of your succession plan. Amongst other things, a business valuation will:

- enable you to assess whether your lifestyle goals and objectives will be met by the sale of your business, and
- identify the key drivers of value in your business which will provide an important focus for your business grooming initiatives and identify areas where you can improve value.

Business valuation is a specialist area. It is important to ensure that the valuer you choose has the appropriate expertise and experience.

Document key business processes - any potential purchaser will consider the ongoing assistance they are likely to require from you as vendor to operate the business going forward. Well documented business processes will minimise the required 'handover period' and will also maximise the conversion of 'personal goodwill' to 'business goodwill'. As a bonus, well documented business processes will also aid the induction and training of new employees.

Clean up the financials - one of the most important sets of documents upon which a potential purchaser will base their decision is your business's financial statements. Not only might these determine whether or not a sale takes place at all, but they will also have a significant bearing on the value you are likely to realise. It is essential therefore to ensure that your business's financial statements are as 'clean' as possible, which will include:

- ensuring any personal expenditure is not included within the Company's accounts
- paying 'fair market' salaries to shareholders and family members, and
- paying 'fair market' rents for premises owned by associated persons.

The process of preparing a business for sale is unfortunately something most business owners do not consider until it is far too late. By the time your business is placed for sale there are a limited number

options for improving its value. By contrast, good planning and preparation now will ensure you extract maximum value when you decide it is time to exit.

Remember that the team at Cooper Aitken are here to help you with this.

Bosses in firing line as grievances soar!

Ouch! That was a headline in the Sunday Star Times on May 17th 2009.

Basically the article was all about the global recession and businesses laying off staff – and getting it wrong and having grievances being taken out against them.

The article, with input from one of New Zealand's best law firms points out five ways employer's mess up redundancies. These were:

1. By failing to flag the possibility of future redundancies.
2. By using invalid selection criteria.
3. By threatening to make redundant those staff who won't accept a pay cut.
4. By holding secret meetings, which fuel employees' anxiety about who's next for the chop.
5. By not giving staff the opportunity to have union advocates with them during redundancy talks (where the union has members on site).

In simple terms what it all meant is that there is a process that the law requires that employers follow when restructuring. A process that involves potentially affected employees and is transparent. But get this, the article also points out the following;

"Many grievances were unsuccessful – they were simply raised as a negotiating tool to improve the deal." Now for an employer who is already anguishing over having to make staff cuts and trying to save his business that just rubs salt into the wound.

So protect yourself as much as possible. If your business is being affected by the recession then talk with us. We are here to help with business development and human resources advice to help ensure that you get the processes right, restore your margins and do all you can to keep your business strong in the current climate.

Call John at Cooper Aitken & Partners Ltd today. Phone 07 889 7153.



Bruce Lee's 5 tips for productivity.

Famed martial artist and actor **Bruce Lee** was undoubtedly an icon and a trailblazer. But did you know he was also a personal productivity guru?

Well, maybe not exactly. But The Positivity Blog from Bnet notes that several of his [fundamental beliefs for life](#) can translate pretty well into guidelines for personal productivity. My fave five:

- ***"As you think, so shall you become."*** Keep yourself and your thoughts on the right track to reach your goals.
- ***"If you spend too much time thinking about a thing, you'll never get it done."*** Don't over think, don't procrastinate, and just do it.
- ***"To know oneself is to study oneself in action with another person."*** How people respond to you says a lot — and what you see, hear and feel in other people may be a reflection of you.

- **“Showing off is the fool’s idea of glory.”** Bragging is an attempt to gain validation from others, but it alienates those around you and makes you look needy. Instead, practice inner validation by setting and achieving goals.
- **“To hell with circumstances; I create opportunities.”** Be proactive instead of reactive; don’t blindly go with the flow. Be willing to take the lead to get what you want.

Some days we need to remember action is the most important part of a decision and knowing ones self is the most important step in achieving goals.

GST Refunds

The IRD screens GST returns filed by taxpayers to determine if a review or investigation of that return is warranted. This is likely to occur where a taxpayer claims a GST refund that is higher than normal based on that taxpayer’s GST return filing history or where a first GST return is filed claiming a GST refund.

The legislation requires that where the IRD does not investigate a GST refund or request information from the taxpayer, the IRD must release that refund within 15 working days of the IRD receiving that return. If for instance, the refund is higher than normal and no information is sent by the taxpayer to the IRD to support the GST return, an IRD investigation will invariably arise and involve a request for information from the taxpayer.

The High Court in *Contract Pacific v CIR* has recently confirmed that where the IRD commences an investigation and requests information from the taxpayer the refund must be released if the request for information is not made within 15 working days after the return is received by the IRD.

If a request for information is made within the 15 working day timeframe and the IRD requires further information, requests for that further information must be made within 15 working days from the time the IRD received the last submission of information. If however the IRD were to make a request for further information after the 15 working day period is up, they must then release the refund.

In the event the IRD requests information and the IRD satisfies the 15 working day timeframe requirement, there is no legislated time limit for when a refund must be released. However, administrative law principles require a refund to be processed within a reasonable timeframe.

The value for taxpayers in this decision stems from the requirement that the IRD must progress its investigations in a timely manner. If delays occur and a request for information is then made after the 15 day timeframe the IRD will have to release the refund. It should be noted that the release of the refund is subject to the taxpayer’s remaining tax obligations being satisfied and the IRD could continue to investigate and dispute the validity of the refund after its release.

Renting out your holiday home

The income tax treatment of a holiday home that is used both privately and rented to third parties can be difficult to determine because of its mixed use. The difficulty arises because expenses of a private nature cannot be claimed, but expenses incurred to derive income can be claimed. The issue then becomes how to apportion expenses between the private and taxable use of the home.

The IRD has recently clarified its position based on general tax principles of how holiday homes should be accounted for, but has stated that each situation will need to be considered on an individual basis. Where a taxpayer can show that a particular expense directly relates to a time when rental income is being derived, then the expense may be deductible. For example, a telephone or power bill that shows actual usage while the home is being rented. However, the deduction may be limited to the lesser of the actual expenditure or rent received, (i.e. deductions cannot exceed rent received).

If the holiday home is treated as a genuine income producing asset and is only partially used for private purposes, deductions may be available for the periods during which it is available but not occupied. Proof of the home being “genuinely made available for rent” requires evidence of “active and regular marketing” of the holiday home for desirable periods at attractive rates. If the holiday home is only sporadically made available, for undesirable periods at unattractive rates it is more likely to be a personal asset for the intervening periods and deductions therefore would not be available.

Where a part of the property is not made available, the expenses should be apportioned to exclude an amount reflecting that proportion.

The IRD also contends that where the home is made available to friends or family at less than market rates, deductions should be limited to the amounts received, so the net income is nil.