



THE BALANCESHEET

Winter 2016

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Did you know?

Our website www.cooperaitken.co.nz has a wealth of information on it regarding everything from PAYE to accounting software - check it out today.



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The legal stuff

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New tax payment option



Recently the Government announced a number of measures targeted at reducing tax compliance costs for small business.

Provisional tax is currently paid in three instalments based on the previous year's earnings, to give an estimate for the current year's tax bill. A new pay-as-you-go option will be available, to be known as the Accounting Income Method (AIM) for calculating provisional tax payments.

This initiative will be open to taxpayers with turnover of less than \$5 million and will provide the option of paying provisional tax every two months based on actual earnings. This option will be available from April 2018. Inland Revenue is proposing that the use of accounting software will be a fundamental feature of AIM, the idea being that software, such as Xero or MYOB, would have functionality added that would allow for the provisional tax liability to be calculated throughout the year, and payment being dealt with by the software itself.

This will put greater emphasis on ensuring up to date information is being

entered into accounting software but will provide the benefit of matching tax payments to income. This method will be of benefit to seasonal businesses or businesses subject to volatility when earning income.

Audits are on the rise

Inland Revenue has sharply increased its audit activity. This means you are more likely than ever before to be selected for a random audit, enquiry, investigation or review.

If your business or individual return is subjected to a random audit you are responsible for the professional fees involved in providing the required information. Even the simplest enquiry can require hours of work.

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Our newbies



It's a bouncing boy

for proud parents **Sharlotte** and Glen on the birth of Blake McFarlane, born on 9 April 2016.



It's a gorgeous girl

for **Tracy** and Keegan on the birth of Stella Williams, born on 1 May 2016.



Congratulations

to **Gemma Woodham** on her 10 years of employment with CooperAitken.

Imran will be on Sabbatical

Imran Raza, director, will be on sabbatical leave from 4 July to 8 August. In Imran's absence please contact either his client manager, Linda Mason-Riseborough or his personal assistant, Kim Bruce.



COMMUNITY SPIRITED Farmstrong and Fit4Farming

We are proud supporters of Terry O'Brien who participated in the Farmstrong Challenge.

Many of you will know Terry's daughter, Maree Dobson from our office.

The challenge was a new initiative with local cyclists and farmers joining together to create the Rural Cycle Tour, to encourage rural people to take notice of their health and well-being. The riders cycled from Ngatea to Bluff, a 1400 km cycle tour through rural New Zealand.

We have also sponsored the Matamata Squash Club, where many of our staff and clients play regularly, and the Morrinsville College Junior Rugby team. The team have also raised funds for St John, Westpac Rescue Helicopter and Endometrosis NZ (pictured right).





Don't get caught out with the new Bright-line Rule

New rules, known as the 'bright-line test', were introduced in October 2015 to allow Inland Revenue to easily tax property investors that frequently buy and sell residential property for a profit.

These new rules apply to residential property that is purchased after 1 October 2015 and sold within two years of purchase. The way the legislation is drafted may result in some taxpayers being unexpectedly caught. This is due to the wide definition of what constitutes residential land; for our rural clients there are some situations where this tax rule might apply.

Residential land is defined as any land that has a residential dwelling on it, or is zoned to allow one to be built. This wide definition means a significant number of rural properties will be caught. Thankfully, an exclusion is in place for land that is, or is capable of, being worked as part of a farming or agricultural business of the land owner. For example, a five hectare plot of land suitable for floriculture use is excluded from the definition of 'residential,' as it is being worked as a farming or agricultural business.


Not all large areas of rural land will automatically be treated as farmland. To determine whether land is capable of being worked requires looking at the capability of the land at the time of sale. Land that requires significant investment or modification to be used as a farming business would therefore not qualify. Inland Revenue has provided an example of a 50 hectare plot of land that is covered in gorse. The land is not farmland as it is not currently capable of being used for farming purposes.

Clearly, lifestyle properties would also not be able to apply this exemption. Instead,

the principal residence exemption would need to be applied. This exemption, known as the main home exemption, exempts from the rule any property that is used as the principal residence of the owner. It is important to note that this exemption can only be used twice in a two year period.

The definition of 'principal residence,' however is not straight forward to apply. Caution should be taken when purchasing property that will not be lived in for more than 50% of the time. An example of this would be second homes such as the family bach. As these types of properties are unlikely to be used as the principal residence of the owners, the main home exemption won't be able to be applied. Therefore, if these types of properties are purchased and sold within two years, it is likely any gain made will be taxable.

Care is also needed for residential property that is owned in a trust. The main home exemption should be able to be applied to most simple trust situations but, where the principal settlor of the trust is not living in the property, then the exemption cannot be applied. An example of this could be where a trust, settled by the parents, purchases a unit for their daughter to live in while at university. As the parents, the settlors of the trust, are not living in the property they are unable to apply the main home exemption for any gain made if purchased and sold within two years.

 The application of the rules can affect more than just property speculators, so if you have any questions contact **Rory Noorland** on **07 889 8850**.



Xero and Figured Presentation


We are offering our farming clients an opportunity to attend a presentation by Xero and Figured.



Xero is accounting software for processing bank transactions and financial reporting.

Figured is a farming 'add on' to Xero for production information, budgeting and reporting, capturing livestock transactions, milk production etc and integrates seamlessly with Xero to help farmers plan ahead with confidence.

The presentation will provide an overview of these software packages and is on **Tuesday, 28 June 2016** at our Morrinsville office.

 **Book now by going to our website, or contacting our office on 07 889 7153.**



DATES FOR THE DIARIES

Sunday, 16 October
Morrinsville Fun Run -

This is the 15th year for the fun run, a great community event that CooperAitken enjoys sponsoring and participating in.

Saturday, 10 December
Morrinsville Christmas Parade
The highlight of December - come and join us at 1.30 pm.

Independent Trustee – the importance of getting it right

Being a trustee comes with a great deal of responsibility. Trustees make decisions regarding the trust, beneficiaries and the assets held in the trust. Decisions made need to be in the best interests of the beneficiaries, therefore trustees need to be able to show they have acted with a duty of care to the beneficiaries.

We have seen many people accept the role of independent trustee in their personal capacity on behalf of friends or neighbours, without understanding what the role is and the risks involved.

The trustees have a duty to manage the trust properly effectively and always in the best interests of the beneficiaries.

- Are there appropriate trust records and are they kept up to date?
- Does your trust have independent input in decisions made?
- Are decisions of your trust recorded properly?
- Could the trustees account to beneficiaries if required?
- Are the trustees protected in their role? In many instances the independent trustee can become personally liable if their duties are not fulfilled to the beneficiaries. Reimbursement for this liability may be available from the trust fund, however this is not always an easy process.

More trusts are using a professional independent trustee, such as their accountant or lawyer, rather than having a family member or friend hold the responsibility.

CooperAitken offers an independent trusteeship service. As an independent trustee we are actively

involved in all decision making, reviewing and signing documentation, record keeping, answering trust queries and reviewing the trust as a whole at each annual meeting.

Further, as part of the professional trustee role we are available to assist in specific matters such as:

- Transition of trust in dealing with death / incapacity of trustee / settlor;
- Review of estate planning alongside the trust deed;
- Distribution of trust assets to beneficiaries;
- Confirmation of wind up / distribution process with the beneficiaries;
- Wind-up of trust

Having CooperAitken as an independent trustee of a trust will:

- Strengthen the validity of the trust;
- Ensure the best interests of beneficiaries are considered with each decision made;
- Assist in the better management and administration of the trust;
- Assure the aim of the trust is followed.

For more information contact our Trust Manager, Megan Wood, on 07 889 8842.

Audits are on the rise - better to be safe than sorry

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In some cases, when there are complex environments, unusual circumstances, multiple years and/or multiple companies and trusts, thousands of dollars in accounting and legal fees can be incurred.

To provide you with peace of mind, please consider Audit Shield Master Policy which can provide you with comprehensive relief from these costs (fees).

The Audit Shield Master Policy is fully tax deductible and provides the

following features:

- Our accounting fees in responding to audits, enquiries, investigations and reviews of your lodged returns, including those from previous years, are covered.
- Specialist professional fees if we need to engage a tax expert or lawyer for an opinion or defence are covered.

To find out more about our Audit Shield Master Policy, please contact us on 07 889 7153.



Making farm wage recording easy

To keep on top of employees time-keeping, minimum wage and leave entitlements, particularly over the calving period, you should think about using AgriSmart.

AgriSmart, created by CooperAitken, is a new time-keeping software system especially designed for dairy farmers that will improve ease of compliance. The requirements on employers to ensure they have accurate records regarding employees pay and leave is becoming more and more stringent. At any time you can be asked to show your records to prove you are operating correctly. This can be difficult on the farm and more so around the busy period of calving.

AgriSmart was recently reviewed by DairyNZ along with other most commonly used time-keeping tools and they reported AgriSmart as 'a comprehensive programme giving a clear picture of timekeeping, rostered days off, when you need to top up wages to comply with minimum wage, leave owed and taken.'

AgriSmart also offers roster builders, task calendars, and clear and simple records and reports to ensure compliance. Timesheet entries can be entered either on a PC, tablet or a smart phone. Your employees enter their timesheet entries directly into AgriSmart, or you can enter them on their behalf.

To be compliant, your entire team needs to be onto it. Make sure your team realises the reasons why they need to get this right. If busy staff do not record their hours correctly employers do not have the correct data to ensure things are right.

In reality, recording time accurately only takes a couple of minutes a day. Some people resist change but it's a change we have to make - and the responsibility is on both the employer as well as the employee.

AgriSmart will be at this year's Fieldays in the Innovation Centre.