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## A time for family & friends

2011 has been a year of mixed performance for many of us - growth, recessionary trends and environmental events. The earthquakes, Tsunami, Rena and the major impact of Psa on kiwifruit throughout the coastal Bay of Plenty will potentially affect all of us.

In the coming month as we look forward to sharing time with family and friends, take time to reflect on the successes, have fun and remember to plan for your future and the legacies you want to create.

*Best Wishes for a Happy Christmas, a great break, good health and an awesome 2012.*

*Mark Barry Les Kath*



## Managing your payroll over the summer season

With the Christmas break approaching we thought it timely to remind you about your obligations as an employer if you employ students or casual staff over this period, and when a Tax code declaration (IR330) must be completed.

### School Students

When employing a student if their full year earnings (1 April to 31st March) are likely to be:

- less than \$2,340 - they don't need to complete and give you an IR 330 and you don't need to deduct PAYE.
- more than \$2,340 - they need to complete and give you the IR 330 and you need to deduct PAYE. If they don't you'll need to deduct PAYE at the no-notification rate of 45 cents, plus 2.04% earners' levy.

If they're not sure what their full year earnings are likely to be, get them to complete and give you the IR 330 and

deduct PAYE. They can claim a credit at the end of the year if necessary.

Students still at school can claim a tax credit of \$245.70 a year at the end of the tax year. Instead of the student having to wait till the end of the year to claim the credit you can reduce their PAYE by \$4.72 a week. Just show the reduced amount of PAYE on your employer monthly schedule.

### Tertiary students and all other staff

When employing any other type of student, and all other types of staff you need to get a completed Tax code declaration (IR 330) and you must deduct PAYE or tax on schedular payments, from payments made to the employee.

### KiwiSaver

Check with the temporary employee whether they're currently a KiwiSaver

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## Rena impact and assistance

If your business has been affected by the Rena grounding there may be assistance or exemptions that you are entitled to from IRD and WINZ.

*Please contact your Client Manager should you wish to discuss further.*

## January 15th 2012 - payments due for GST and Provisional Tax

Just a reminder. Some of you will have GST and/or Provisional Tax due on January 15th. Remember to set aside the funds before you spend them on Christmas Cheer.

*Please contact your Client Manager if you need help with calculations or would like a tax update.*

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member. If so, you may need to make deductions. If not, check the criteria for automatically enrolling new employees in KiwiSaver and enrol them if required. For more information go to [www.ird.govt.nz/kiwisaver](http://www.ird.govt.nz/kiwisaver)

### Employer monthly schedule (IR 348/EMS)

Don't forget to add the:

- start date to the first schedule you show the employee on, and
- end date on the schedule that includes their last pay. For more information on employing staff go to [www.ird.govt.nz/businesses](http://www.ird.govt.nz/businesses)

### Holiday pay and child support deductions

If you make child support deductions from an employees wages, you need to deduct it at the usual rate from their holiday pay.

If your employee requests their holiday pay in advance before going on leave, you still need to deduct child support. This also applies to KiwiSaver and student loan deductions.

*Remember Quay have a team proficient at managing payroll, so if you are finding it a complicated and time consuming task, give your Client Manager a call to find out how we can help.*

## Penny & Hooper implications - IRD Policy Guidance

Recent guidance from IRD sheds some light on the implications of the highly publicised and controversial Supreme Court decision in the Penny & Hooper case. In order to determine if this case has an impact on you, consider the following:

- Do you earn income from your personal services? E.g. professional services or consulting work.
- Do you trade in the name of a Company or Trading Trust?
- Do you channel a percentage of this income after your salary to a Trust or other family member?
- Do you effectively still maintain control of this income after distribution?

If you answered "yes" to any of these questions, then the recent Supreme Court case against Messrs Penny & Hooper may have an effect on your situation.

The case involved two orthopedic surgeons who trade using a Company structure with the majority of shares owned by their respective Family Trusts. They became employees of the Company with the balance of the income derived by the Company going to their Family Trusts. Messrs Penny & Hooper conceded that they would not have accepted salaries at the level they did in an arm's length

transaction. After a lengthy Court battle the Supreme Court held that the arrangement constituted a tax avoidance arrangement and have assessed tax going back 4 years for Penny & Hooper.

*"The tax advantage was, objectively, at the very least one of the principal purposes and effects of each arrangement. Indeed, the taxation advantage produced by the fixing of salaries at low levels can fairly be seen as the predominant purpose ..." - Supreme Court ruling*

Up until this case, most Accountants have been determining salaries for clients based on market evidence. Unfortunately this case is a move away from market based salaries in the situation where the taxpayer is earning income from personal services and effectively maintains control of the income diverted to other entities or individuals. There is now a risk that, in an IRD audit situation, there may be additional tax to pay going back up to 4 years.

IRD has recently provided some guidance as to where it will focus its resources in any audit activity. Essentially IRD is looking at what it sees as "the most aggressive struc-

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**ATTENTION**

## Kiwifruit Orchardists

It is a little over a year since Psa-V hit our Te Puke kiwifruit orchards and it continues to spread. Although the future of Hort 16A gold kiwifruit appears bleak, we are starting to hear encouraging signs about the recovery of other kiwifruit varieties and there is hope that the recovery continues in the long term.

We are here to help, and are offering a one-hour complimentary meeting to review your particular situation.

*If Psa affects you, please phone and speak to our kiwifruit expert Cathy de Farias to arrange your complimentary meeting.*

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tures". One example of what IRD would be interested to look at is where total remuneration and profit share to the individual are less than 80% of the total distributions

received by the individual and associated entities.

*If you would like further information as to how the Penny & Hooper case decision may impact your unique situation, please contact your Client Manager.*



## All I want for Christmas is ...a holiday

We believe every business owner should take a holiday. By holiday we mean not checking work emails every half hour, or dealing with client/team issues. The truth is that most people generally work far too hard for it to be healthy to go without a holiday. Overworking is eventually going to take its toll on you, and your business will actually suffer for it.

So here are 5 Steps to ensure you have a work free holiday this summer:

- 1. Prepare your clients.** Notify your clients of your plans well in advance so that they can plan around it. Create back up plans for them just in case, and leave an out-of-office message on your phone so that nobody thinks you're avoiding them.
- 2. Trust your team.** If you've decided to keep your business running while you're away, leaving your business in the hands of a trusted, prepared and capable manager or team is the best way to give yourself peace of mind. Preparing them as best you can will also help you feel less stressed while away.
- 3. Disconnect.** Leave your laptop at home and switch off your mobile.

This is a must! Your laptop and mobile will merely tempt you away from what you're supposed to be doing - relaxing. However, if you absolutely *have* to bring your phone and laptop because you know you'll stress more without them, then give yourself a strict rule to only check your inbox once a day.

- 4. Plan fun activities.** These are a great way to help you de-stress and get your mind off work. Exercise and physical activities help to build up your energy, and spending time with your family will also help you feel refreshed.
- 5. Take at least two weeks.** You may think that a week is more than sufficient, but it will take you a few days to actually unwind, and you don't want to leave your holiday just as you're starting to enjoy it, do you?

The most important thing to remember is not to feel guilty about getting away. After all, some of your best ideas happen organically - that is, when you're not trying to think about them. A holiday will help you de-clutter your brain and will allow you to gain perspective. *Enjoy!*

### CLIENT PROFILE



## Off to the Far South

Congratulations to Christine Bowering, one of the Directors of W.E.C. (New Zealand) Ltd, who has been selected to join Gareth Morgan's "Our Far South" Project.

Our Far South is a study tour to the Sub Antarctic Islands and Antarctica, leaving in a Russian Icebreaker from Bluff on 9th February 2012 and returning to Lyttleton on 9th March 2012. The object of the project is to raise New Zealanders' awareness of the importance of the area between Stewart Island and the South Pole. The project will seek to explore key issues around climate change, biodiversity, territorial rights, fishing, tourism and mineral resources. Christine will be joining the crew of 50 made up of a mixture of scientists, university professors, environmentalists, researchers, TV personalities and adventurers. On her return she will be sharing her experiences with school children and community organisations in the Bay of Plenty region, to raise the profile of this precious area south of New Zealand.

There are a number of ways you can get involved with the voyage whilst it is happening. To track Christine's progress, ask the crew questions, and to learn more about the "Our Far South" project please visit [www.ourfarsouth.org](http://www.ourfarsouth.org)

## New medical facilities for Omokoroa

Bethlehem Medical Centre has expanded their services through the opening of the new Omokoroa Medical Centre on November 7th. Dr Murray Smith one of the partners, says the Omokoroa community is growing at a rapid pace and the new Centre is well placed to cater for the health needs of residents well into the future.

The new practice operates as a branch of the Bethlehem Medical Centre, and is staffed by their highly

experienced professionals providing treatments as diverse as acupuncture and sports medicine, which is a special interest of another partner, Dr Alistair Raiman.

Should you be looking to expand your business there are two units available to rent in the complex, one with a garage, suitable for professional rooms, retail use or a cafe with an outside deck area. If interested please contact Omokoroa Health Centre.

## News from the Quay offices



Danielle, Aimee and Gina

Congratulations to **Gina, Danielle, Jenny** and **Aimee** for their completion of the *Tois Challenge*, last month. A great effort involved by all.

Also Congratulations to **Jason Lougher** who has passed his exams and is now a qualified *Chartered Accountant*.

**Kalena Herewini** has been promoted from *Client Services Assistant* to an *Assistant Accountant*. A great achievement in the four months she has been with the team.

**Danielle Munro** successfully completed a 10 day training program with *Air Training Corps* which now enables her to be an officer within the New Zealand Cadet Forces. The course covered mainly Leadership and Risk Management, plus also aspects of Youth Law, Equal Opportunities Employers, Fitness, and personal development.

As well as working hard by day at the office, **Gina, Danielle, Jenny, Cushla,**

**Kalena** and **Rosie** have been studying hard and all have passed the papers they undertook this semester.

It appears we have our own female version of Michael Campbell in the making. **Nicole Ludlow** won her first golf trophy. She had the *Best Net Score* over three rounds in a recent Ladies competition at the Whakatane Golf Club.

**Vickie, Jolene** and **Jeanette** were asked by *Irene Van Dyk* and *Leana De Bruin* to join the *Silver Ferns* next year, but due to their work commitments they declined the invitation and settled for a photo instead!!

Tauranga played host to all the **Quay Team** and partners for this year's Christmas event. The whole team enjoyed a brief trip to the Tauranga Office, where they had to participate in a few quizzes which involved walking the streets of Tauranga to discover the answers. Then it was off to a "whodunit mystery show and meal", where it was a little uncertain who was providing the most entertainment!!

### Christmas closure

Just a reminder our offices will close on Thursday, 22 December 2011 and reopen on Monday, 16 January 2012.

*In lieu of sending cards and gifts at this time Quay have made donations to Trust Power Helicopter, Ohope Surf Lifesaving and the Salvation Army Food Bank*

## The Quay Accountants team

Aimee Nottingham  
Ali Holmes  
Barry Morgan  
Cathy de Farias  
Charlene Purcell  
Cushla Richardson  
Danielle Munro  
Don Pilbrow  
Donna Turner  
Evelyn Goile  
Gina Webster  
Jason Lougher  
Jeanette Mindham  
Jenny Rapana  
Jo Galloway  
Jolene Scott  
Judith Russell  
Kalena Herewini  
Kath Dorrans  
Leon Alison  
Lesley Patchell  
Mark Jenkins  
Moana Cassidy  
Nicole Ludlow  
Rae Tee  
Raina Hiki  
Rosie Laurenson  
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