



## Summer Newsletter 2013/2014

## Risk and Reward

### Mixed Use Assets - taking note

If you own a holiday home and rent this out commercially, there are new rules around how tax deductions are calculated. In order to accurately work out what these will be, there are some crucial points that we will require from you. You will still need to keep your normal records for income and expenses, but as well as that you will need to start recording the following information:

#### How is the asset used for each day of the year?

- Is it rented out?
- Are you using it for personal or private use?

#### Who used the asset?

- How many days was it in use?
- Who used it and what is their relationship to you?
- How much rent/hire cost did you charge to each person?

#### Were any repairs carried out?

- What was the reason for the repairs?
- Did you carry these out yourself?
- Did you stay at the bach while you undertook these repairs?

#### You will also need to make a note of the following -

- The cost of advertising the rental
- The cost of repairs and damages to the asset caused by tenants
- The cost of insuring the bach, any mortgage interest and rates

By keeping a note of the above information, we can assess what is and what isn't deductible for you when we start preparing your annual tax return. If you have any more questions about mixed use assets, feel free to give us a call. We have some handy tools which might help you keep track of usage.

### Increased Payout Requires Tax Planning

The forecast dairy payout of \$8.30 per kg/ms (excluding dividends) is a hugely positive boost for not only dairy farmers but also the country as a whole.

Naturally the Inland Revenue will want to receive their fair share of income tax on the profits that are likely to arise. Farmers need to be aware of the tax obligations that they will face and take appropriate steps to minimise the impact that this will have on their business.

In most cases dairy farmers will pay provisional tax for the current season in three instalments (October 2013, February 2014 & June 2014 for a May balance date farmer).

This provisional tax will generally be based on 105% of the previous year's tax position. With an increase in the payout from \$5.80 per kg/ms in 2013 to \$8.30 per kg/ms in 2014 it is easy to see that the current year's tax position will not bear much resemblance to the previous year.

While some of the increase may end up deferred to the following season the increase in the initial advance payment to \$5.80 per kg/ms indicates much higher taxable profit in the current season.

Increases in profit in excess of 5% can result in the IRD charging use of money interest currently at the rate of 8.4% (particularly for companies and trusts). It is possible to remove the use of money interest charges through voluntary tax payments or alternatively minimise the interest cost by using tax intermediaries.

It may also be worthwhile contemplating income equalisation deposits particularly where it is anticipated that future years' may record lower profit levels, eg possibly as a result of future development, conversion or lower payouts.

We encourage farmers to be proactive and discuss their position with us.

### Christmas Closing Period

Our offices will close from **Tuesday 24 December 2013** until **Wednesday 8 January 2014**.

To all of our fabulous clients, business associates and supporters, we wish you a great Christmas and a successful 2014.

From the team at HC Partners LP.



### Closing down for the holidays? Here's what you need to know...



A closedown period is when an employer closes business operations for a certain length of time, often doing so during off-peak times of the year.

Many businesses tend to do this over the Christmas break and many employees are happy to take this time to enjoy summer holidays with family. But there are some rules that employers need to be aware of before shutting up shop:

- There may only be one closedown period per year, although employers can shut down different business sectors at different times of the year
- Employers must give staff at least 14 days' notice of the closedown period
- Employers can require staff to use their annual holidays over this time. Public Holidays are still recognised during the closedown period and are treated as such

There are many benefits for employers during closedown periods, including less disruption to productivity and a reduction in labour and operating costs. If you are planning on closing down over Christmas, be sure to let your clients know. It's not only courteous but is a good way to touch base and wish them a Merry Christmas.

***Accept responsibility for your life. Know that it is you who will get you where you want to go, no one else.***

Les Brown

### Avoid discrimination pitfalls on criminal convictions

When hiring new employees, you want to ensure you have someone you can trust, especially if there is money coming in and out of the business or the new employee may have access to important or confidential information. So is it okay to enquire about the applicant's history and more importantly, any criminal convictions? As an employer, you are allowed to ask these questions, but there are some guidelines to follow to avoid any potential pitfalls or discrimination allegations.

If you are concerned that the applicant may have a criminal conviction, you are allowed to enquire about it if you believe it may have an impact on the role. Ask the applicant directly in the interview process or ensure you get their consent to do so before obtaining the information from a third party.

Be sure to tell the applicant the reason for collecting the information and who will be holding it. It's important for them to know and understand why this is happening and who will know about it. Let them know who the information will be disclosed to, to avoid any unwanted surprises. Also, the applicant has the right to ask for access to this information at any time, so communicate this.

Always respect the privacy of each and every applicant and don't request information that is too personal or irrelevant to the job at hand. It's important to be as open and communicative as possible with the applicant throughout this process. That way, it's likely you will avoid any conflict or discrepancies along the way.



## Cashing up annual leave - some things you may not know



What are the rules when it comes to annual leave?

Employees can make a request to employers to cash in annual holidays, opting instead to take a lump sum payment rather than time away from work, but there are a few rules that need to be taken into consideration.

The request must come from the employee and not the employer. Although the employee is entitled to leave, the employer can decline the request at its own discretion and does not need to give a reason for its decision. However, the fact that employers owe a duty of good faith to their employees suggests that an employer's response to a request should be reasonable.

In addition, there is a limit to the amount of leave that can be converted to payment. By law, the employee can only exchange a maximum of one week annual leave for cash payment per annum.

An employer is entitled to have a policy that it will not consider requests from employees in its business or in a particular section of its business.

*I am thankful to all of those who said no to me, it's because of them that I am doing it myself*  
Albert Einstein

## Health and Safety obligations with employees working from home

It is becoming quite common for employees to decide to work from home for part of the working week. So what are your obligations as an employer when someone from your team makes this decision to do so? As an employer, do you have any obligations at all? The answer is yes, you do.

The definition of place of work includes any place where a person is to work or is working for gain or reward and this includes the worker's own home if that is used for work. As an employer, it is your duty to take all the necessary steps to prevent harm to your employees when they are at work.

Be sure to check that your employee has adequate resources to perform his or her role and the home office is a safe environment.



This includes ensuring that the home is appropriately furnished and computer equipment is functional.

These elements are essential to maximising productivity but are also crucial when ensuring the health and safety of your team member.

Health and Safety requirements when working from home should be covered when setting out the terms of working from home. To find out if you're complying with Health and Safety requirements, come and see us.

## Important Reminder

UPGRADE FROM MICROSOFT XP SOONER RATHER THAN LATER.

From April 2014, Microsoft will no longer supply security updates for PC's running the Microsoft Windows XP Operating System (XP).

These security updates protect your PC from harmful viruses, spyware and other malicious software.

It is likely that most software developers will no longer provide versions of their software that will run on XP.

To upgrade your operating system please talk with your computer technician or visit Microsoft's website: [www.microsoft.com](http://www.microsoft.com)



## Staff Snippets

❖ Many of our staff undertake study whilst working. Congratulations, on passing their recent accountancy exams, to:

- Aleeshia Wilson

- Angus Dyer

- Arianna Williams

- Brooke Skinner

- Diana Dimova

- Jo Rooney

- Scott Keene

❖ Congratulations to Arianna who recently married Hoss.

❖ Congratulations to Aleeshia on her recent engagement.

❖ Recently the staff and their partners enjoyed a "Christmas day at the races". The betting syndicates proved very successful with the winning team taking home \$250 each. Congratulations to those who entered the "Fashion in the Field" with Elly Aukes taking home runner up.



❖ We recently entered the Timaru Corpor8 Rowing Challenge. This was a fun day with some interesting training rows in the "creek". The regatta day was enjoyed with performances improving over the day, unfortunately due to gear failure we didn't get the opportunity to row our final.



### Disclaimer:

*This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.*