



Winter Newsletter 2013



HC PARTNERS LP

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Encouraging employers to employ youth

The government has introduced a new initiative aimed at encouraging employers to recruit young New Zealanders, especially those who have been on a benefit. It allows the lower minimum wage rate - 80% of the adult minimum - to apply to a wider range of people. The new scheme came into effect on 1 May 2013. The 'starting-out' minimum wage can be paid to certain categories of youth aged 16-19 years. Currently, the categories are:

- 16 and 17 year olds in their first 6 months of paid employment with their current employer
- 18 and 19 year olds who have received a benefit for 6 months or more and have not completed 6 months' work with any employer since starting on that benefit
- 16 to 19 year olds involved in a recognised industry training course of at least 40 credits per year

The starting-out wage replaces the new entrant minimum wage and the trainee minimum wage and the trainee minimum wage for under 20s. (There is still a trainee wage for those who are 20 years or older).



Is your workplace safe?

ACC levies will not be rising this year but that's not the only good news. If you run a safe work environment, you may be eligible for a Workplace Safety Discount from April 1, 2013.

In 2012, Cabinet agreed to expand the Workplace Safety Discount programme from the current seven high-risk industries to all industry groups.

This decision was made for a number of reasons but came about after requests were made from major industries to be considered for Workplace Safety Discounts. It aligned with ACC's goal to make health and safety incentive schemes attainable for all self-employed people and all small to medium-sized businesses in New Zealand.

Most importantly the expansion of Workplace Safety Discounts is an opportunity to encourage small to medium-sized businesses in all industries to increase their focus on their health and safety systems and raise their standard of safety management.

What does the expansion of Workplace Safety Discount mean for New Zealand businesses?

It means that all self-employed and small to medium-sized businesses will have the opportunity to apply for a Workplace Safety Discount, regardless of their industry. It's a way to save 10% on the work component of the levy.

Tax Talk

To save or splurge?

So you had an exciting moment when you received a letter advising you of your tax refund. A clatter of thoughts tumbled through your mind about how you might use the money. A fancy item for your wardrobe? A deposit on a holiday? A new electronic device?

That little devil on your shoulder shook his head wildly when you made a conscious effort to think about using it for new car tyres, putting it into a savings account or doing anything remotely sensible. However, being sensible with your tax refund is not such a bad idea. Before you let the cash burn a hole in your pocket, think about the following options:

Consider your business - Perhaps you own your own business and need to replace particular assets within your business or purchase new ones? By doing this, you can substantially improve your business' health, which in turn can lead to greater cashflow down the track.

High interest debt - Are you currently paying off credit cards, hire purchase or a personal loan? By paying a large chunk using your tax refund, you will be surprised at how quickly you can bring down the remainder of your debt.

Save it or set up an emergency fund - It always pays to have a stash of cash on hand. A healthy savings account allows you to have the freedom to enjoy the things you like to do, without having to pull out the plastic. An emergency fund provides you with the comfort of knowing that if unexpected costs arise, such as car repairs or medical bills, then you are capable of paying them.

Consider your children - If you have children, remember that they can get refunds too and your accountant can help you with this. Talk to your children about the importance of saving and look at opening a high interest savings account in their name. Monitor their access so they can learn to budget effectively.

Home improvements - If you own your own home, take a look around your house and assess whether any repairs and maintenance need taking care of. Often if left, general repairs can become expensive so it's best to deal with these early on to save additional cost.

If it's a substantial sum, you may have the option to use part of it for something nice but receiving a tax refund does not necessarily mean it's a good time to splurge. Take the time to assess all your options and put the money to good use.

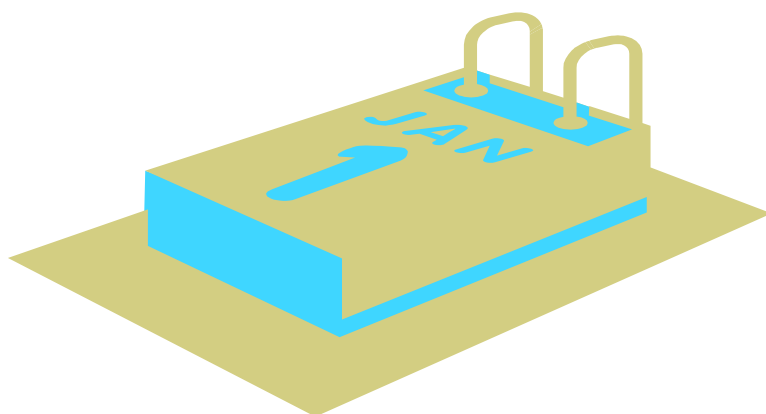
'Mondayisation' ahead

Previously, when New Zealand celebrated Waitangi Day or ANZAC Day, and it fell on a Saturday or Sunday, it wasn't recognised with a day of paid leave unless the employee normally worked on that day. For some New Zealanders, this projected the idea that these dates, marking significant moments in our history, weren't important enough. Many also wanted to see employees enjoying their full entitlement of 11 public holidays every year.

We will now see the Mondayisation of these holidays. That means that if the date in question falls on a Saturday or Sunday, the public holiday will be treated as falling on the following Monday for those staff who do not normally work on the day upon which it actually falls. (Of course, the employee will only be paid for that Monday if it would otherwise be a working day.) And the public holiday will continue to be treated as falling on the Saturday or Sunday for those staff who normally work on the day it actually falls.

The changes do not mean that the actual observance of the two holidays will occur at different times.

The cost to businesses following the law change is not enormous since these holidays fall on weekends in only two out of every seven years. Although the relevant amendments come into force on 1 January 2014, the first time one of these holidays falls on a weekend is not until 2015.



'Wise are those who learn that the bottom line doesn't always have to be their top priority.' - **William Arthur**



Keeping the wolf from the door

The first few years in a new business can be the most delicate and you really don't want any unwanted surprises when your initial tax bill arrives. There have been constant murmurs recently about what to do if you're facing tax debt but what about some guidance as to how to avoid it altogether?

It's that age old solution: planning. By planning ahead and ensuring you have a surplus set aside for tax payments, you'll prevent any over the top or unexpected bills. The key is to start putting money aside from the beginning. And the trick? Once it's there, don't touch it. This is an essential point for new businesses because in the first year of operation, the IRD do not charge tax. However, these first year taxes will be lumped in with the second year tax charges and this is often where businesses get into trouble and wind up facing tax debt.

It's not just about the additional cash though. Always ensure you keep hold of your receipts and ensure your records are as accurate as possible.

- Understand your tax obligations and budget for them
- Keep money aside from a capital gain when selling an asset such as property or shares
- If you are collecting GST, always keep it in a separate account
- Update your financial records regularly (at least once a month)

We may be able to help you forecast for potential cashflow and assess what you may expect in your first few years of business. Avoiding tax debt should be on the radar for all businesses, new and established. Call us today if this is something you'd like to discuss.

Staff Profile – Nick Krivan

Recently we welcomed Nick Krivan to HC Partners LP.

Nick has returned from working in London for two years. Prior to that he worked in a Wellington accounting firm for six years, specialising in Business Advisory and the Not For Profit industry. He loves nothing more than getting to know his clients and helping them drive their business forward, not just preparing their annual accounts.

When he is not travelling and enjoying the outdoors with his girlfriend, he is watching or playing sport, anything will do but rugby and cricket are his passion. Not one to miss an All Black match, he has also stayed loyal to the Hurricanes!

If you have colleagues or friends looking for an accountant please give Nick a call.

Nick looks forward to working with many of you in the near future.



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.