

Gift duty abolition – write off all of that debt?



Gift duty was as a protection for the Estate Duty regime and it was designed to ensure that people did not try to avoid estate duty by transferring all of their assets prior to their death.

In recent years it was a regular occurrence to sell an asset, usually to a family trust, take a debt back and forgive the debt over a period of time. Generally, the debt was forgiven at a rate of \$27,000 per annum being the amount exempted before a gift duty cost was imposed.

Gift duty was abolished as at 1 October 2011.

Many people will still have a substantial balance of loan yet to be forgiven – should they take the opportunity to forgive this balance in one lump sum?

It is worthy to note that the changes in the law only apply to gift duty and that there is other legislation where the amount being gifted is still relevant.

The Ministry of Social Development carry out financial needs assessments where an application is made for Residential Care Subsidies (RCS). Gifts made in the five years prior to an application for RCS are subject to limitations (substantially less than \$27,000). "Excess gifts" made more than five years prior to RCS application can also added back in the means assessment calculation. Property (Relationships) Act - provides for situations where one

party has disposed of property in order to avoid claims by a person they have been in a relationship with.

Company and Insolvency law have provisions to protect creditors from schemes designed to protect assets in the event of a business failure.

There are no allowable gifts in the Social Security Act 1964 for persons applying for general benefits and assistance.

The timing and amounts of gifting will still require some planning. While there will be no requirement to file gift statements and associated deeds, there will still be a continuing need to document the transfer of assets, associated loans back and the forgiveness of the amounts owed. In the absence of any formal record of a gift, proving that a gift has been made may be difficult. We can assist with all of these matters.



Let us entertain you . . .

Let's look at the tax treatment of saying thanks to customers and staff typically with gifts, wining and dining.

Inland Revenue's guide gives the following examples of where entertainment expenses are 50% deductible:

- Taking customers, suppliers and business associates out for dinner or putting on a function for them
- The traditional Christmas party for staff
- Shouting customers, suppliers and staff to an event, e.g. a rugby game or a show
- Taking them on a jaunt in your lunch (running/hireage costs and food and alcohol)
- Giving them the use of your bach or time share apartment as a thank you gesture (the occupancy costs)

We've been asked 'why only 50% deductible?' Apparently it's because we get some personal enjoyment or benefit from quaffing a wine and tucking into a steak (too right!).

In lieu of a Christmas party you may give your employees restaurant vouchers to use at their discretion. This cost is fully deductible but is subject to fringe benefit tax (FBT), although there is an exemption of \$300 per employee per quarter (a maximum exemption can apply). The same treatment applies to staff gifts, again fully deductible but subject to FBT under the 'other benefits' category.

As a thank you gesture many firms give their customers gifts during the festive season. The cost of the gifts is fully tax deductible as marketing and promotion expenditure.

Many firms pay their staff a Christmas cash bonus. These payments are classed as 'extra emoluments' and are fully deductible but have PAYE deducted at the employee's marginal tax rate e.g. 33% if earning over \$70,000 per annum.

If in doubt about where you stand tax deductibility-wise with your generosity to customers and staff, check with us and we'll help you get it right.

The Social Network

facebook

twitter

LinkedIn

Social media networks have emerged as a great tool to foster professional connections and generate new revenue streams. The use of formats such as LinkedIn, Facebook and Twitter requires a strategic approach, nevertheless.

Heather Maloney, CEO of technology solution consultancy Contact Point IT Services, says clever use of social media networks allows small businesses to engage with target markets. "So it's more important than ever to be smarter about how you get out there and let people know what you do," she says.

However, Maloney says it is still important to complement social media tools with in-person meetings with clients. "You don't want to do it to the exclusion of face to face."

Here are some rules of thumb with using social media:

- Select the best network: this will vary between organisation depending on objectives. Remember that LinkedIn is largely a business-to-business tool; Facebook is more a business to consumer model; and with Twitter it is best to transfer tweeting relationships to Facebook or LinkedIn.
- Behave appropriately: posting compromising photos or making comments in the heat of the moment can come back to haunt you. Think before you take content of comments live.
- Don't be lazy: Just like face-to-face networking, you have to be diligent to benefit from social media tools. Make sure your profile is up to date, stay in touch with contacts and post meaningful content where applicable.

Marketing specialist Jane Toohey is a fan of social media networks, but notes that they are not always the best marketing option. A lot of time writing a blog, for instance, may be

wasted if the target clients do not favour social media and prefer communication through direct marketing or other more traditional formats. Likewise, a Facebook page may not be necessary for all companies.

"You can waste a lot of money developing a Facebook fan page and building up fans and then realise they are not the right people for your market," Toohey says.

Maloney agrees it is important to maximise the power of online networks by being active. If you sign up to a site such as LinkedIn, take advantage of avenues such as linking a corporate blog to your profile page. If you are on Twitter for sales purposes, make sure you regularly post information on new products and features.

"If you going to be there you should allocate some time to it," she says.

Follow a cloud project on facebook

Watch this space.....

You will be able to follow the progress of a real Marlborough business as it moves its in-house computer resources, away from the traditional IT model, to one based on the cloud. Hear about the good the bad and the wonderful! For more info check our website after Christmas.....

GST basis review

For most businesses there are two options for accounting for GST on income and expenditure:

INVOICE BASIS

- Pay GST based on the date you issue an invoice to a customer (even though you may not have been paid)
- Claim GST based on the date your supplier issues an invoice (even though you may not have paid for the goods)

PAYMENTS BASIS

- Pay GST in the period that income is deposited to your bank account
- Claim GST in the period your payment appears on your bank statement

In the start-up period where there is little or no income many businesses register for GST on an invoice basis in order to claim the GST on their inputs, a developing vineyard is a good example.



Once the business starts to generate income it is worth reviewing the accounting basis for GST to avoid being out of pocket by having to fund a large GST payment before seeing the cash! For example, a vineyard registered on an invoice basis is required to pay GST on their total grape income, even though they may have only received a deposit from the winery.

We are aware of the IRD being interested in this area, if this applies to you we can assist with a review of your GST basis and making the change from an invoice to payments basis.

Year-end computer detox!

By December most computers are feeling the effects of over-indulging. Perhaps not on Christmas wine and chocolate but as the result of viruses, document hoarding and other accumulative hangovers. Detox your computer to get it working faster, safer and more efficiently.

- Clean it. Literally. You'll be amazed what appears when you tip that keyboard upside down (only use anti-static wipes or a soft brush. NOT water!)
- Remove clutter, delete unwanted documents off the desktop and tidy up your folder structure
- Remove any programs that are no longer required
- Empty your recycle bin!
- Check that all necessary updates have been installed
- Is it time to look at upgrading to Microsoft Office 2010 or 365...?
- Update your security passwords!
- Double check your antivirus protection is up to date and won't expire while you're on holiday
- Make sure your firewall is active
- Perform a last minute virus scan - check out Spybot Search & Destroy
- Perform a disk cleanup and disk defragmentation (set this to run overnight as it may take several hours)
- Perform routine backups of all files and settings
- Archive files offsite



Computer systems vary. If you use an external IT provider to manage your computer requirements then liaise with them as to what they have planned and what you can carry out yourself. And remember... your computer needs a holiday too - make sure to shut down and turn off before you leave the office!

Xero

At TvA Lock we provide professional and cost effective accounting services to our clients. We have partnered with Xero, an online accounting system. Xero is easy to use as it has been designed specifically for small businesses. Xero provides you with a view of your financial information in real-time. There's no need to buy expensive software and install upgrades. The beauty of Xero is that you can invite a number of trusted people such as us, your accountants, to collaborate online. No more cumbersome transfer of data that can be corrupted or is out-of-date. As a Xero Certified Partner we are happy to discuss the benefits of working online with us on Xero. To find out more - please give Brian a call on 578 3386 or email him at brian@tva.co.nz



The outlook for accounting?

Cloudy.

There's something new on the horizon and it's about to make your entire business life a whole lot easier and more streamlined. It's called cloud computing and it's a revolution in the way you handle those everyday tasks in your company's accounts.

For more information on how to set your accounts up in the cloud, talk to TvA Lock.



PO Box 1003, 52 Scott Street, Blenheim Tel: 03 578 3386 Fax: 03 578 3448 Email: all@tva.co.nz www.tva.co.nz CHARTERED ACCOUNTANTS

“Another 4 years”

As 2011 comes to a close, be uplifted by our amazing 2011 Rugby World Cup win (24 years in the making) - when an All Black team troubled by injury, securing scraps of possession and facing an impassioned French Les Bleus, stoically won the final. They remained calm, advanced steadily and prevailed – there is a message in that for all of us!



What people say about TvA Lock



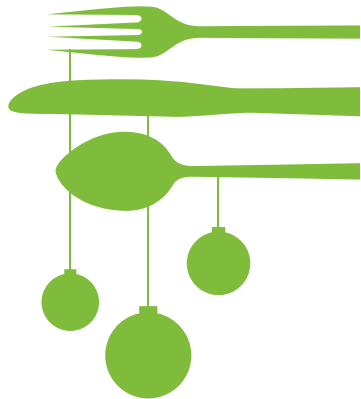
Astrolabe Wines

We are in quite a unique position in that our Accountant – Geoff van Asch is one of our growers. When I first joined Astrolabe Wines this was a concern to me and I sat down with Geoff and discussed it. My worries were short lived because he is a consummate professional. I think it is testament to the type of guy he is that he can wear both hats and handle this dual relationship with ease.

TvA and Geoff are management accountants for us, they are our ‘financial rudder’.

They have empathy, personality and are real people. They are certainly as far away from the stereotypical ‘bean counter’ mould, as you could possibly get. They are also genuinely interested in what we are doing and I value his business acumen. I don’t think Geoff could look at a set of our accounts without finding something we could do differently to improve the business.

Visit our web site www.tva.co.nz to read other testimonials.
If you know someone else that needs some quality help from TvA Lock, don’t be shy, make the suggestion, get them to come and see us.



Christmas closing period

Our offices will be closed from 12pm Thursday 22 December to 8.30am Monday 16 January 2012.

To all of our wonderful clients, business associates and supporters, we wish you a wonderful Christmas and an exciting and successful 2012. From the team at:



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.