

# Accountable News

August 2007

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## Bridgecorp

With the Bridgecorp failure we once again have a rash of media publicity about investor behaviour. We take pride in saying that we have never recommended Bridgecorp and indeed we have a few clients who have told us how grateful they are to us for recommending they do not invest in Bridgecorp. We strongly recommend that if you are an investor the first thing you must satisfy yourself about is who you will take your investment advice from and this means you must be convinced about the credentials and the integrity of that person and the company they represent. In our view the interest rate is the last factor we take into consideration in making a recommendation. Sadly for thousands of New Zealanders it has been the first (and only?) factor they took into consideration when they invested in Bridgecorp.

## Staff Changes

After several years of having the same team for you we have recently had Ellen & Michelle leave us but are delighted to welcome as replacements Kate and Jenny.

Feel free to call and have a chat to our new staff if you had previously dealt with Ellen or Michelle and are unsure who you now have working with you.

Both Kate and Jenny have earned good commerce degrees at Canterbury University. Kate has the additional advantage that she has spent over a year working for another Christchurch chartered accounting company.

### *The Brain Drain*

The New Zealand Chartered Accountant training and qualification is internationally recognized as being one of the best in the world and graduates of the New Zealand system are instantly employable in such diverse places as Sydney, Singapore, Hong Kong, Beijing, London, Moscow and New York. Salaries in these locations are dramatically higher than those currently available in New Zealand. It is inevitable that the brain and knowledge drain from New Zealand will continue under these circumstances. Unfortunately, it is also inevitable that New Zealand salaries

## Quote

*Man is the only animal that can remain on friendly terms with the victims he intends to eat until he eats them.*



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## Business Tip

*As our American friends say, if you live by the lowest price, you will die by the lowest price.*

within New Zealand are having to rise closer to international standards just to retain good people here let alone to counteract national resource competition.

At Dodd & Associates we give priority to customer relations so thanks to all of you who have shown their patience as we work to make this staff transition as smooth as possible.

## Kiwi Saver

As we all know from their massive advertising campaign, the 1<sup>st</sup> of July was the start date for the Government's new retirement savings scheme **KIWISAVER**. That means every employee and employer now has to sit up and take notice of this new initiative.

Every time that you start a new job, or take on a new employee, you will have to think of Kiwisaver.

For individuals, this will mean deciding whether to join the scheme or not. Remembering that if you do not want to join, you must actively "opt-out" each time you start a new job.

For employers, it will mean more paper work and record keeping.

There are a number of sources providing more information about the scheme. As always, you can contact us for some general information on the topic particularly Elizabeth Hislop who is actively following any/all new developments as they come about.

There are also two main websites providing more information for both employees and employers.

[www.sorted.org.nz](http://www.sorted.org.nz) has a range of calculators and decision models, and the kiwisaver website, [www.kiwisaver.govt.nz](http://www.kiwisaver.govt.nz)

## IRD Announcement

GST return and payment due dates will be changing for taxable periods ending on or after 31 March 2007.

For most months, GST return and payment due dates will fall on the 28th (or the next business day) of the month following the end of the return period,

**except** for the periods ending:

- 30 November – the due date remains 15 January
- 31 March – the due date will be 7 May.

This is the first stage of aligning the due dates for GST and provisional tax payments. As part of this alignment IRD will be changing the GST returns in a two-stage process. The first change occurred in April 2007 with the removal of the carbon copy of the return. The next stage will see the form redesigned to include provisional tax calculations & payments. The date for this stage is yet to be announced.

## Price Increase ??

All New Zealand businesses need to be looking at their pricing. There have been significant cost increases under the current politico/economic climate. Unless there is something unusual about your business your profit margin is by now being squeezed by these cost increases, I refer to the additional one weeks annual leave, the need to now accommodate the administration relating to Kiwi Saver (& soon the cost of the Kiwi Saver subsidy) wage and salary increases, increased cost of freighting and transport and the general inflationary creep in overheads. If you have not increased your prices you probably should have.

In that regard, we are sorry to report that we have no choice but to accept our own advice. Wages and salaries are our major cost by a significant margin and nationally accountants' salaries have increased 6% over the last 12 months. Add to that the 2% for the additional one week's holiday and the need to recover higher overheads simply means that we have no choice.

We continually try to achieve time efficiencies and often do. We have been pleased that in the last few weeks we have been able to charge some customers less than we did for the same job a year before.

You can help us to achieve these efficiencies for you simply by the quality of the records you provide to us, the way in which they are filed and the promptness with which you answer any questions we need to ask of you. However, the best way you can control your accounting costs is to take advantage of one of our packaged processes. If you are not already using one of these processes please

## Tax Audit

In light of IRD's news to expand its Audit Activity by providing an extra \$14.6 million in the budget to be used over the next three years, we want to help you avoid an audit. So we make no apology for setting high standards. We have evidenced one big pay off from our high standards policy in how few of our clients have been audited. Two client audits we have helped with recently have been instructive of IRD's current practices and attitudes. Let me pass on some guidance:

- 1** They can be unbelievably picky & they are relentless.
- 2** They are expected to recover at least \$585 of tax per hour of audit time.
- 3** They expect a very high standard of records.
- 4** Missing records &/or mistakes with recording intensify's the audit.

- 5** Expect them to be very intrusive. They will want to see & inquire into **all** of your bank accounts; **all**.

IRD undertake a risk assessment of every taxpayer which determines who will be audited. A combination of some of the following will increase the likelihood of an audit:

Industry of operation; has every return been filled on time with tax paid on time; who are you associated with; how many businesses do you have.

*The best possible defence is to be careful who you get involved with and make sure you have immaculate & accurate records. Defending clients being audited is an expensive business. Far better to pre-empt the*

**IRD budgets  
\$14.6 million more  
over next 3 yrs to  
carry out more Audits!**

## Companies Office Prices

The Companies Office fee to incorporate a company over the internet have increased from \$50 to \$150. A fee of \$250 will apply where documents for incorporation are lodged in paper.

You may or may not be aware that we are able to incorporate companies for you taking only 30mins from start to finish! Our prices are not increasing so give us a call next time you thinking about setting up a company.

The fee to view documents on the Companies Register will be removed making it free to view all information held on the register.

Re-registration of a Personal Property Securities Register financing statement will be reduced from \$5 down to \$3.

The fee to file financial accounts will be increased from \$100 to \$250. This fee increase results from a decrease in the volume of companies who have to file financial statements and will affect around 5000 companies.