

# DAA Bulletin

## Quote

“The best measure of a man's honesty isn't his income tax return. It's the zero adjust on his bathroom scale.”

Arthur C.  
Clarke



DODD AND ASSOCIATES LTD

CHARTERED ACCOUNTANTS

## YouTube

Did you know we're on YouTube?

Go to our website for a selection of our videos or search “doddassoc” on YouTube for the full collection thus far.

You will be sure to find some interesting insights on hot topics by the DAA team!

## Land Damage Packages and Rental Properties

Inland Revenue have included a couple of basic questions in their Hot Topics page about this issue and in both cases stated that “Generally the payments you receive won't need to be included as income...”

This will be mostly true for those people receiving payouts for their family home. If you are receiving a Government payout for a red zoned rental property however you will still need to be very careful.

In April 2011 a proposal was tabled that rollover relief be allowed on depreciation recovered arising from insurance proceeds. This specifically covers depreciable fixed assets that are replaced by the end of your 2015-16 tax year and are located inside the CERA responsibility zone.

This is all well and good but with the Government buyouts you have the option of “selling” both the land and buildings. Land is not a depreciable fixed asset so there will be no issue with depreciation recovered on that portion. The question I am asking myself is – if I no longer own the land, will it be acceptable to adopt an intention to rebuild within five years.

There is already a huge range of differing opinions around the Government offer. Some people are happy they can take their money and run and some of these people will come out of the deal quite well off. At the other end of the spectrum there are those that believe they are being ripped off and that the compensation will leave them much worse off in that they will not be able to purchase an equivalent property anywhere else with the proceeds.

Short of any specific legislation or interpretation from Inland Revenue I am leaning towards the opinion that along with the other issues facing you, if you choose to take a full payout for land and buildings on a rental property that will crystallise the depreciation recovered issue and could leave you with even less cash in hand to invest elsewhere. I'm not trying to put anybody off this option, merely reminding you that this is another issue to consider when making your final decision.

## Tax Management Success Story

At DAA we pride ourselves on quality service and delivering value. One of our high value services is our Tax Management service which we charge annually. Many clients have commented on what we do and we want to take this opportunity to share one of our successful tax management stories.

In April a client paid the terminal tax owing for the 2010 financial year. However in doing so it was after the due date and Inland Revenue charged a penalty. In addition as it was paid late Inland Revenue treated the amount as 2012 provisional tax paid rather than offsetting the 2010 terminal tax due.

Through our efficient tax management service, we quickly spotted this error by Inland Revenue and transferred the payment to 2010 year. By being proactive, the penalties were erased and we achieved a saving of \$70.00 for this client. For a small fee each year the client has been saved from horrendous penalties.

## Tinkering with Tax

We are again entering the silly season when politicians and political parties pontificate over our tax system; as if it wasn't sufficiently convoluted already. As we prepare this newsletter we are awaiting the Labour Party's details on the rumoured capital gains tax along with a variety of other suggestions such as a minimum income threshold and an increase in the maximum individual tax rate which had been leaked to the media over the last few days.

Our great concern continues to be that no thought is ever given by either the politicians or the vast majority of voters to the ever increasing cost of complying with the laws they suggest in such a cavalier style. From time to time we get surveys on what the compliance cost might be. One of the more authoritative studies which took the trouble to calculate the surveyed compliance costs on a per full-time equivalent basis came up with an annual figure of \$3100 per full-time employee for a small business employing up to 5 people. On average tax was a 70% priority.

This is a huge burden not only on the small business community but on the country as a whole. It would be interesting to know just how much in total it costs New Zealand for businesses to comply with the laws the politicians so arbitrarily lay on us.

It is universally recognised that the growth and expansion of the economy will be driven out of the small business sector so it seems to us that the last thing New Zealand needs right now after surviving a very "flat" economy for the last two or three years is anything which is going to add to the costs faced by the small business community. Perhaps a requirement for a candidate standing for Parliament should be that he or she has attended some compulsory courses on basic economics and the principles of good government.

## Payment Options

You may have noticed over the last couple of months that we have, with FeeSmart, introduced a new way to pay your accounting invoices. We are now happy to announce we have another new option.

If you have a Visa or Mastercard we can now offer the service of using these to pay your accounting invoices. We hope to have this option available on our website in the near future but in the mean time for your current invoices you could make a one off payment via credit card over the telephone.

We can set up your future invoices to be paid via recurring credit card payment. If you wish to pay by recurring credit card we will need you to fill out our Credit Card Authority Form which can be obtained from Kate Mitchell. Please note that this service has a 3.2% bank processing fee.

With the introduction of credit card capability this means we now offer the following options when it comes to paying your accounts with us.

- Cheque or cash;
- Direct debit;
- Internet banking;
- Credit card; and
- Financing the accounting fees using FeeSmart.

We pride ourselves on providing quality and prompt advice, and upon completion of work we expect a similar courtesy by way of prompt payment. With all these options there should be no more excuses for late payments!

## Congratulations!

DAA takes pride in congratulating our clients Spencer & Jackie Johnstone of Cressy Farm ([www.cressyfarm.co.nz](http://www.cressyfarm.co.nz)) on winning the prestigious Taste Farmers Market New Zealand award for "Best From The Paddock" for their pork chop.



Competition was fierce but they produced the most "juicy & tender". It is a wonderful recognition for the hard work & effort they put into producing high quality free range pork products. Well done on achieving such an award. To sample their outstanding products see them at the Riccarton Market or contact them via their website.

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