

## Editorial

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Hello,

Welcome to Taylor Associates March newsletter. We hope you find it an interesting and enjoyable read.

The end of the tax year is fast approaching and shortly you will be receiving a letter from us detailing end of year procedures and the month in which you will be required to supply us with your information.

If this month doesn't suit you for any reason, then please call or email us and we will slot your work into a month that suits you.

On the website we have put checklists that need to be printed off, completed and sent into us with your end of year work. If you are not sure which checklist to use, then please call us and we will advise. Also, if you are unable to print these off please contact us and we will post them to you.

On the website there is a checklist of things for you to look at prior to the end of the tax year – this may save you tax, so it's worthwhile taking a few minutes to look at.

We are in the process of recruiting a graduate at the moment and I will let you know who the lucky person is in my next editorial.

Elliot Willis's contract with Taylor Associates has finished, so if any of you were dealing with Elliot and are not sure who you should be talking to, then contact Gail or Cheryl and they will put you onto the right person.

Cheers,  
Todrick

## Check *before* you get to annual accounts

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HERE are some reminders of things to do to minimise tax risks:

- Don't forget to write off bad debts by balance date (**not after**). Whatever system you use to keep a track of money owing to you, be sure it is clear the debt was written off in time. For example, you keep copies of the invoices and work off these. In this case, write a note on the invoice to show you have written it off. **Initial it and date it**. Take it out of the pile of invoices awaiting payment and put in a Bad Debts folder. **You are still permitted to chase your bad debts**. If you get a payment, this becomes income in the year of receipt.
- If you have stock worth \$5000 or more, be sure to count and value it. Keep the evidence to show IRD, if it ever asks for it. If less than \$5000 you may use the same figure as the previous year.

## On the job market research

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ASSISTANTS ringing up sales have a chance, at that time, to gather information about customers by asking them a question. I recently made two purchases in a departmental store and noticed I was asked, on both occasions, which part of the city I lived in. If you are a retailer, you might wish to gather more information about your customers, such as how often they shop at your store. Frame your question carefully. The assistant should use the same words every time to ensure you get the response you want.

## Interest-free student loans

FROM 1 April 2006, former students will be entitled to a write off of all their student loan interest, subject to these conditions:

1. Initially, they must stay in New Zealand for 183 consecutive days. The write-off is then backdated to the first day.
2. They may go overseas during this time on the condition they are not away for more than 31 days within this period.
3. Once borrowers have qualified for the write-off, they remain entitled to it unless they become absent from the country (see 4 below). This means your daughter could take five months off and go to Europe and still not lose her entitlement to the write-off. However, when she becomes aware she will be absent from New Zealand for more than three months, she must write and tell Inland Revenue as soon as possible.
4. If your daughter was away from New Zealand for 184 or more consecutive days, she would become absent and lose her loan write-off from the day she left.
5. The 184 days rule can't be avoided by popping back here for a few days. She would need to be back for more than 31 days out of the 184 days.
6. An absentee can re-qualify by complying with condition 1 (above) again. If your daughter went away for two years, she would cease to get the write-off during this time. However, on returning, she could serve her 183 days and get her rights back. She would pay interest on the loan for the two years she was away.
7. Part days in New Zealand are treated as being present for the whole day. The day your daughter leaves and the day she returns count as being in New Zealand.

### *Exemptions are available:*

A borrower may apply to IRD for an exemption from the 183 day rule. The following are acceptable reasons for an application:

- She is working overseas for the New Zealand Government.
- She is working for a "charity" on no pay, or very little, for a maximum of 24 months.
- She is an accompanying life partner on conditions set out in the Act, including proof of the relationship.
- She experiences an unexpected delay as specified in the Act.
- She has an unplanned personal absence as specified in the Act.
- She is employed or is in a business requiring her to be overseas on conditions set out in the Act. These are designed to ensure she is earning income which will be taxed here.
- She is absent for post-graduate study on provision of specified information.

### *Amnesty for those who have skipped and not made loan payments*

Non resident borrowers, or someone on their behalf, can apply to have penalties cancelled provided:

- They are non-resident at 31 March 2006.
- They meet all their obligations under the Act for two years from the date IRD receives their application.
- Their application is received by IRD by 31 March 2007.

## New business? 10% risk free!

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NEW businesses, started after 31 March 2005, can pay their income tax early and the Government will pay them 6.7 percent **tax free** on the early payment. As you would expect, conditions apply. One of them is payment has to be made **by the last day of their financial year** (for most people this will currently be 31 March 2006).

Conditions include:

1. You must be a sole trader or partnership.
2. No interest is paid on any amount which is more than 105 percent of the final (known as Residual) Income Tax.

6.7 percent tax free is equivalent to 10 percent taxable for those paying tax at 33 percent, and nearly 11 percent for those on the 39 percent rate.

## How to sell firewood

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A LOG merchant was having no luck stuffing pamphlets into people's letterboxes. A marketing expert gave him an idea. He took 500 pamphlets and used a blow torch to singe the edges. He then put those in the letterbox. Sales soared.

**Message:** if you want to be noticed, do something different. Thanks to Business Growth Pty Ltd for this story

## Donations

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DONATIONS are not a tax deductible cost, as a rule. Big companies, described as not being "close" companies, are the exception. When making donations, be sure they are from you personally and make a claim for a **rebate**.

## Shareholder agreements

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THE value of shareholder agreements lies in providing internal mechanisms to deal with unforeseen circumstances and to avoid costly disputes.

At a minimum the following matters should be addressed:

1. A company overview that provides vital background information about the company's purpose and objectives.
2. Management guidelines that stipulate the power of shareholders to appoint directors, the authority of directors, voting thresholds and reporting requirements.
3. Share structures and capital funding arrangements, including dividend policies and agreed valuation methods.
4. Exit strategies, including where appropriate any pre-emptive purchase rights and insurance policy requirements.
5. Dispute resolution procedures.

## Invest wisely

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YOU can make more money, but you won't get more time. Treat your time as expensive because it is limited. The fastest capital growth comes from investments you actively manage — usually businesses and real estate. Grow your wealth by investing others' money, for example a bank loan, profitably. This is financial leverage.

Lending your own savings is a slow way to success. It lacks leverage. However, for some, it may be a lot safer.

## Setting your goals for 2006-2007

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FOR most people, a new financial year starts on 1 April. Set some goals for 2006-07 financial year but be SMART. Goals need to be:

**Specific** – not vague. More sales is vague. New corporate clients is specific.

**Measurable** – quantified, like get 12 corporates as new clients.

**Attainable** – be realistic. You should stretch but it is good for team morale to win.

**Relevant** – must relate to the direction you want your business to take.

**Time limited** - goal has to be achieved within a defined time.

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### *Contact Us*

Please use the following information to get in touch, should you have any enquiries:

**Email** enquiries@taylorassoc.co.nz  
**Web** www.taylorassoc.co.nz  
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