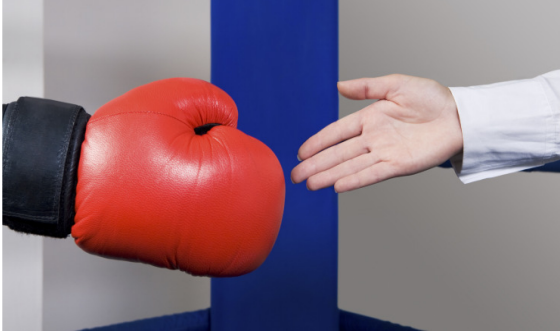


## Autumn Newsletter



## Risk and Reward

### Employment law changes 1 April 2011

Changes to both the Holidays Act and the Employment Relations Act will come into force on 1 April 2011. These changes are intended to reduce compliance costs, increase business confidence in recruiting new staff as well as speed up the resolution of workplace disputes. The main changes include:

- Employees will be able to cash in one week of their four weeks' leave.
- Employees who have irregular working hours and pay will now have their holiday, sick and bereavement leave calculated on an average daily pay basis.
- Employers and employees will be able to agree to transfer taking a public holiday to another working day.

- The minimum wage will increase from \$12.75 to \$13.00 from 1 April, while the training and new entrants' minimum wage will rise from \$10.20 to \$10.40, effective as of the same date.
- The 90-day trial period is being extended to all employers (currently limited to those with less than 20 employees). From 1 April employers and employees can enter into an employment agreement which provides for a trial period of 90 days or less. During the trial period the employer can dismiss the employee without risking a personal grievance.
- Employers will have to keep detailed personal files for each employee. These files must contain signed copies of employment agreements, other terms and conditions, handbooks, as well as any intended agreements (even where these have not been agreed to by the employee). These documents must be available to employees on request. Employers have until 1 July to get their files up to the new standard. We estimate that a good number of our clients will have some work to do here! Keep an eye out for upcoming information on this very subject. An Employee Personal File Checklist will be available to help employers meet the new standards.
- Union representatives will need an employer's permission to enter the workplace.
- Employers will be able to communicate with employees during collective bargaining.
- Minimum requirements establishing a fair and reasonable dismissal process will be set out in the Act and employers will have a much clearer process to follow. This is great news for our employer clients, who can be fearful of dismissal processes being scrutinised for minor defects.

### ACC levies, no-claims discounts and experience rating

Government is introducing experience rating into the ACC levy system on 1 April 2011. Here's how it is likely to work:

- Small employers (paying less than \$10,000 per year in work related levies) will be entitled to a no-claims discount
- Larger employers (paying more than or equal to \$10,000 per year) will be part of an experience rating programme. This programme will reflect both the employer's and its industry's performance in preventing injuries and claims and could create an increase or reduction in levies of up to 50%!

Clearly Government is trying to provide employers with a financial incentive to prevent injuries as well as make levies fairer by ensuring low-risk employers aren't paying for high-risk ones. Having said that, is a no claims discount or loading of minus or plus 10% (the majority of employers will fall into the 'small employer' category) really going to incentivise employers to get serious about workplace safety?

### Minimising shareholder employee ACC levies

Changes were made last year enabling shareholder employees to be classified under their individual occupation rather than the business activity of their employer company. This change can make quite a difference to the levies you pay. For example, the levy rate for an office manager is much lower than that of a factory supervisor.

We provide an ongoing ACC administration and advisory service to our clients on an agreed annual fee basis. Let us review your cover structure and premiums, to ensure your cover is appropriate and levies are minimised. If you have not already authorised us to act as your agent with ACC, there are significant benefits in our having access to their online service on your behalf.

## Tax Talk

### Company tax rates dropping

The company tax rate will reduce from 30% to 28% from the 2011/2012 income year (for most companies, 1 April 2011).

### Building depreciation gone

Depreciation deductions on buildings with an estimated useful life of 50 years or more disappear from the start of the 2011/2012 year (for most of you 1 April 2011). New rules have been introduced to ensure the fit-out of commercial and industrial buildings continues to be depreciable.

### At last – some GST simplification

**Sales of land now zero rated** : In the past, whether GST should be added or not to the sale of land, has sometimes been a complex matter. From 1 April 2011 these transactions will be zero rated, as long as the following apply:

- The purchaser declares in writing that the property is to be used for a GST activity, and
- The purchaser is GST registered.

### Farewell to Michael Sewell

On 31<sup>st</sup> March, Michael Sewell's consultancy arrangement with the firm comes to an end and so, in cricketing parlance, "ends a fine innings of almost 50 years" with the firm. We wish Michael well in his retirement and hope that Jocelyn can handle his more regular presence.

We will continue to utilise Michael's expertise and experience as required for ad hoc projects and some ongoing client relationships.



### Private use adjustments on cars

As of 1 April the rules for calculating private use adjustments on vehicles for sole traders and partnerships have been simplified... sort of. By way of example, if you expect business usage to be 80%, then you simply claim 80% of the GST on the cost of the car and any running expenses. Sounds logical, some would say obvious (accountants have been suggesting this to Government for years). That was the simple bit. If you underestimate your private usage by 10% or more, or if any GST over-claimed due to such underestimating comes to more than \$1,000, an adjustment (not so simple) has to be made.

But wait... there's more. There's a wash up calculation when you sell the car and it's complicated. In fact, we won't bore you with the details in this newsletter. To talk through your situation, give us a call or email us, and we'll provide you with the maths!

*Opportunity is missed by most because it is dressed in overalls and looks like work - Thomas Alva Edison*

### Working for families - tax credits income net widened

As of 1 April clients will no longer be able to use investment losses such as from rental properties to reduce their income for working for families (WFF) tax credit. The definition of income will also include an extra nine types of income:

1. Attributable trustee income.
2. Attributable fringe benefits.
3. PIE income other than registered superannuation schemes such as Kiwisaver and retirement benefit schemes
4. Passive income earned by children (includes interest, dividends and rent). Amounts over \$500 per child will be included as family income.
5. Worldwide income received by a non-resident spouse.
6. Tax exempt salary or wages under specific international agreements.
7. Income equalisation deposits made by you, your trust, or a company controlled by you or your trust.
8. Certain pensions and annuities – includes 50% of payments from life insurance policies or a superannuation fund (excludes NZ super).
9. Other payments received from any sources that are used for your family's day-to-day living expenses (but only if the total amount from those sources is more than \$5,000). An example of this might be board received.

In future, when you apply for WFF tax credits, you will need to let IRD know about amounts from above of the above sources. For those clients who receive or are entitled to WFF credits, when we prepare your 2012 tax return, we will need to request the above information. Good communication will be essential.

### 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.*

**Sewell  
& Wilson Ltd**

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