



Building better business.

An update for March 2011

We sincerely hope that you, your family and friends are safe and well. Our thoughts and condolences are with those who have lost loved ones during this tragedy.

We would also like to acknowledge all those who have sent messages of support. It's good to know people are thinking of us at this time.

Temporary Offices

As of Monday 28 March 2011 we will be operating out of the Board Room of Aitken & Co Limited located at 328 Tuam Street. Access is off Fitzgerald Avenue. While we do not have a definitive timeframe that we will be operating from these premises, Civil Defence has indicated that Zone 4 North may be opened up within two to three weeks. We will keep you advised of our return to 149 Victoria Street as soon as Civil Defence let us know anything.

We have managed to remove all of the files from our offices and these are now stored offsite, giving us access to anything that you may require. If you need any records or information in support of a business interruption claim or for any other matter then please feel free to give us a call.




Craig McCoy - Director



We offer:

- Fixed price annual accounts
- Monthly payment options
- Agreed deadlines for delivery of accounts
- Free initial consultation
- Business advisory services

Important dates 2010:

- Terminal tax due date for March 2010 balance date due on the 7 April 2011
- 31 March 2011 GST due for payment on 7 May 2011
- Third Provisional Tax payment due for March 2011 balance date on 7 May 2011
- Fringe benefit tax due date for the quarter ended 31 March 2011 – 31 May 2011

Government Extends Support Package

The Earthquake Support Subsidy (ESS) is to be extended for two weeks to April 18. There will also be a second round based on tightened criteria to run for a maximum of six weeks from April 19.

Support Package	Dates covered	How to apply	Applications open	Application DEADLINE
Original ESS package	Up to 6 weeks from 22 February	Online at Work & Income or the Earthquake Government Helpline on 0800 779 997	NOW	Monday 4 April
2 week extension	2 weeks to April 18	Phone the Earthquake Government Helpline on 0800 779 997	9am Wed 30 March	
Second Round	2 to 6 weeks from April 19	Online at Work & Income or the Earthquake Government Helpline on 0800 779 997	9am Thur 7 April	

Apply online for the ESS at: www.workandincome.govt.nz or phone: 0800 779 997

The second round round from April 19 will be available to employers who:

- can't operate because of physical barriers caused by the earthquake
- can demonstrate ongoing viability to a Business Recovery Co-ordinator
- have already been receiving ESS round one

Government Extends Support Package *continued...*

The second round from April 19 will not be available to:

- employers experiencing a loss of trade, or sole traders

The rate for full-time employees is \$500 gross per week for the first fortnight and will then reduce to \$375 gross per week for the second fortnight and \$250 gross per week for the third fortnight.

Businesses that do not meet the new criteria, but which have exceptional circumstances may be considered on a case-by-case basis by an extensions panel, made up of Canterbury employer representatives.

Employers who wish to access ESS for the two week extension, and the second phase, will need to re-apply for both. Employers must apply for the original ESS package by 4 April 2011.

2010 Tax Returns

The IRD have arranged a special status for clients linked to us that are yet to file their 2010 income tax returns. IRD will then defer policing action for the time being, but ask that all returns are filed as soon as practicable. IRD will charge penalties and interest but they will look to remit these when the returns are filed.

Company Annual Returns

The Companies Office has waived the annual return filing obligations for the 2011 year for all companies. If you still wish to file your 2011 annual return please let us know.

GST Changes

The Taxation (GST & Remedial Matters) Act 2010 enacted some significant changes to the way the GST rules apply to various transactions. This will have an impact on your GST obligations in the future.

The changes detailed below generally apply to goods or services supplied on or after 1 April 2011.

Zero-Rating of Transactions Involving Land:

For transactions where the supply for GST purposes wholly or partly consists of an "interest in land", a GST registered supplier may be required to "zero-rate" the supply if it is made to another registered person, and that registered person has acquired the supply for the purpose of using it as part of their taxable activity (unless the land acquired is intended for use as a place of residence for the purchaser).

The term "interest in land" is widely defined for the above purpose, but the definition does not extend to cover leases, and these will continue to be subject to GST.

Before a supplier can zero-rate a transaction however, they need to obtain a written statement from the purchaser detailing that the purchaser is a registered person, that they are acquiring the goods for the purposes of making taxable supplies and that they do not intend to use the land as a principal place of residence. For most transactions involving land, we would expect that such written statement would be included in the sale and purchase agreement.

For a zero-rated transaction, the supplier must retain a record of the purchaser's name, address and GST number, along with a description of the supply involving the land and the amount received.

There may also be a number of situations where the GST treatment of a supply could change between the date of the "time of supply" and the date of settlement. Where a transaction was originally subject to GST with a corresponding tax invoice issued, and then prior to settlement the purchaser changes their intention with regards to the use of the land, the vendor issues a credit note to the purchaser and will receive a refund of any GST already paid to the IRD in relation to the supply. Conversely, where a transaction was originally intended to be zero-rated, but the purchaser no longer satisfies the requirements, the obligation to account for the GST in relation to the supply will pass to the purchaser as a deemed supply.

Mixed Use Supplies

Another change introduced relates to the way in which a registered person accounts for GST in relation to a supply that was acquired for the purpose of that person's taxable activity, but was then subsequently applied for another purpose.

Currently, under the existing rules, where you acquire goods and services for the "principle" purpose of making taxable supplies, a full GST input claim is allowed on the purchase of the goods and services. Where those goods and services are subsequently used for another purpose, period-by-period, annual or one-off adjustments are required.

Under the new rules, you now make a GST claim for goods and services based on the intended percentage use between taxable and non-taxable activities, with the GST input credit being limited to the percentage used in the taxable activity.

If, after your initial claim for GST input credits, the actual percentage use for the taxable activity differs from the intended percentage use, further adjustments may be required depending on the value of the goods and services.

Where you are currently making "change of use" adjustments in relation to existing goods and services, in some circumstances you may no longer be required to continue to make adjustments after 1 April 2011, or in other circumstances further adjustments may be required for a maximum period of 5 years. However, in relation to land, change of use adjustments will continue to need to be made indefinitely.

Transactions Involving Nominations:

In the past, where a person (Person A) entered into a contract to supply goods or services to another person (Person B), and Person B subsequently directed Person A to provide the goods and services to a third Person C (the nominee) who was not a party of the original contract, a lack of clarity existed in relation to which Person, B or C was able to claim a GST input credit.

The lack of clarity existed because of the uncertainty around whether the transaction was a single supply for GST purposes, or whether two supplies existed. This distinction was important in situations where Person C was registered for GST but Person B was not.

Changes to the GST rules now provide legislative clarity for a number of situations:

- if Person B (who originally signed the contract) pays the full consideration for the supply, then the supply is treated as a supply from Person A to Person B;
- if Person C pays the full consideration (even though the contract was originally signed by Person B) the supply is treated as being between person A and Person C;
- where both Person B and Person C have each paid part of the consideration, the supply is treated as being between Person A and Person B, unless it is agreed in writing that the supply is to be made to Person C (this agreement can only be made where Person B has not already made a claim for GST input tax in relation to the supply);
- where the registration status of Person B and Person C differ, the supply is treated as being between Person A and Person C.

For the above scenarios, it is not necessary for the nominee (Person C) to hold a tax invoice in their name if the tax invoice is in the name of the original contracting party (Person B). However, they are required to retain records establishing the date of payment, details of the goods and services, the consideration paid and the details of the supplier / vendor.

Further Information

If there is anything we can do to support you, or if you have any questions or would like more information on any of the topics in our newsletter, don't hesitate to contact us.