

Welcome to the Spring edition of our client newsletter. Like many of you, we are wondering what happened to the first three quarters of the year. Daylight saving is here, the blossom is well and truly out and there's talk of Christmas so there's no getting away from it! This last quarter will no doubt disappear just as quickly as the rest!

There's been a lot happening around the country with the rugby world cup now counting down to the finals and it's great to see the AB's still in it. The action is now centred in Auckland but the provinces that hosted the pool matches need to take a bow for their part in showcasing New Zealand! Our own McLean Park looked fantastic and even some rain didn't dampen the spirits. Well done to our local organising team.

Unfortunately not all of the news is good as we watch the stricken vessel Rena threaten some of New Zealand's prime coastline and wildlife. With all the technology available today it's certainly difficult to fathom how this can happen. We just have to hope the authorities are successful in their attempts to manage the disaster.

There's a lot happening here at PKF Carr & Stanton also, with our move to upfront pricing and several other key projects underway. The focus is all about "positive client relationships" so we're pretty excited about it and looking forward to increased opportunities to work with you and your business.

At this stage of the year it's often a good time to review progress towards your business and personal objectives. How are you going against your budget? In fact do you have a business budget or plan? There is a lot of truth in the saying "if you don't know where you are going you'll probably end up somewhere else".

If you require the assistance of any of our team, on this or any other matter, please don't hesitate to contact us.

Kind regards

Brendan Jackson

Introducing Upfront Pricing

At PKF Carr & Stanton it's our job to provide excellent accountancy and business advisory services to all of our clients. We value positive client relationships, along with good communication and believe these values to be a necessity in achieving this excellent service.

In today's ever changing environment there are already enough surprises, and to ensure we do not create any more for your business we are moving to an upfront pricing policy on as much of our work as possible. We believe this will be a fairer approach to pricing, encouraging process efficiency and a faster turnaround on your job – all without the fee surprise! The upfront price on work will reflect the value of our intellectual expertise, knowledge base and technology.

This means that there will be changes to how we do things but we see this as a positive and exciting change, providing our clients with greater certainty. We are looking forward to this new chapter and working alongside you to add further value to your business.

More information about this exciting change will be sent to all our clients shortly.

Backing Black!!

If you've been into our office recently you may have seen several of our All Black's lurking around.

We've had Sonny Bill changing his ripped shirt, Dan's made an

appearance and currently it's Richie McCaw in the office, celebrating his 100th Test.

It's the business end of the tournament!

Come on All Blacks – let's bring home that trophy!



Team News

Jone Puamau is the latest member to join our team. He is a recent graduate of Otago University and keen rugby man, representing Otago in 7's and also in the 15 aside game. Jone is Fiji born and with Fiji now out of the RWC is supporting the AB's quest for the silverware! Welcome to HB Jone and to the PKF Carr & Stanton team.

Jordan Rush started with us earlier this year but after an indoor netball injury she spent more time on the couch than at her desk. It's great to have Jordan back full time as she brings a lot of energy and enthusiasm to the team. It's safe to say that Jordan is no longer allowed to play indoor netball! Welcome to the PKF Carr & Stanton team Jordan.

Michael Jackson has been appointed as CFO of **Hawkes Bay Helicopter Rescue Trust**. Congratulations Michael. PKF Carr & Stanton are proud to be associated with this fantastic service.

Penny and Hooper – Supreme Court Ruling

The long awaited Supreme Court decision in the Penny and Hooper case was released in August.

The case involved two Christchurch orthopaedic surgeons, Penny and Hooper, who transferred their medical practices to a company owned by their family trusts. As employees of the company, Penny and Hooper paid themselves salaries that were only a fraction of the profits generated by their practices. The Supreme Court ruled in favour of the IRD agreeing that Penny and Hooper were paid artificially low salaries, enabling the company's earnings to be made available through the family trusts. In the Court's view, the taxpayers suffered no actual loss of income but obtained a reduction of income tax as if they had.

There are legitimate reasons for using entities such as trusts or companies in many business situations and the use of such structures will not, on its own, amount to tax avoidance. However the use of these structures can provide the controllers of the business with an opportunity to divert income away from themselves. IRD's view is that "the individual's contribution to the business should be properly reflected in the income returned by that individual". The IRD have issued a Revenue Alert (RA 11/02) updating their view of when taxpayers who divert personal services income through associated entities could be avoiding tax. The alert details factors that the IRD will take into account when considering whether tax avoidance is a feature of such an arrangement.

The Penny and Hooper decision coupled with the IRD's alert means that we are likely to see an increase in the number of IRD reviews looking at artificial salaries paid to individuals.

The next PKF Carr & Stanton client seminar's coming up: Immediate Impact for Your Business!

People and Culture

Your business success is linked to your business culture! If people are our greatest asset why is it that so few of us know how to create and grow the "right" business culture?

PKF Carr & Stanton is proud to present popular international keynote speaker Wayne Norrie. Wayne is currently Wellington based but was raised in Hawkes Bay and is one of our success stories.

He has a diverse business background and large amounts of "coal face" experience from his own IT business – Revera and through the many board and advisory positions he currently holds. Don't take our word for it though – ask Google!

PKF Carr & Stanton are pleased to be able to provide you with an opportunity to share some of Wayne's experiences, lessons and tips for business success. **DO NOT MISS THIS!** We guarantee you will take away simple practical ideas that can be implemented immediately in your business!

For further details visit our website: www.pkfcs.co.nz

No charge and no obligation!

When: **Tuesday 8 November 2011, 7.00 – 9.00 am (breakfast session)**

Where: **HB Opera House – Shakespeare Room**

RSVP to: **Annette Willetts – (06) 876 8124 or annette.willetts@pkfcs.co.nz by 3 November.**

The PKF Carr & Stanton Team look forward to seeing you there!

Strategy and Governance

A challenge for many small and medium businesses, but it's easier than you think and there are enormous benefits with the right approach!

GPG FIF Exemption comes to an end!

When the new Foreign Investment Fund (FIF) rules were introduced for income years starting on or after 1 April 2007, a five year exemption from the FIF rules applied for taxpayers owning shares in Guinness Peat Group plc ("GPG"). As a result of the exemption coming to an end a number of taxpayers may find themselves suddenly subject to the FIF regime from the 1 April 2012. This will most certainly give rise to further compliance costs for those taxpayers, and may result in greater income tax liabilities.

The very nature of a GPG investment would make determining cost difficult, in that, each year the bonus issues undertaken by GPG increase a taxpayer's cost and determining this value for someone who has held an investment in GPG for some time would be particularly difficult. A legislative amendment is required to determine what the cost will be for GPG to allow taxpayers to determine whether the \$50,000 de minimis exemption will apply when a FIF calculation is required in the 2013 income tax year. The de minimis exemption only applies to individuals and as such companies and trusts holding shares in GPG will be subject to the FIF rules in relation to that shareholding regardless of the cost.

Special rules already exist in the Income Tax Act 2007 and at present, a taxpayer can use half of an investment's 1 April 2007 value in place of its cost if it was purchased before 1 January 2000. It is proposed that taxpayers will be able to take the market value of their interest in GPG at the start of the 2013 income tax year as the cost of the investment for the purposes of determining whether the de minimis threshold has been met. This will also be important for taxpayers who currently own shares in GPG and have other FIFs with a cost of \$50,000 or less.

Owners of shares in GPG should be aware that the tax rules associated with that investment will be changing for the 2012 income year and may want to discuss the consequences of this with their financial adviser.



Accountants and
business advisers