



## WELCOME

That time of year is upon us again!

For some, it is exciting, especially if you are young.

Or you may be looking forward to the happy prospect of catching up on family and friends you have not seen since last Christmas.

Some will be celebrating the true meaning of Christmas - which is often forgotten.

For others it will be a sad time, with a family member missing.

Adding to the complexity of emotions we may feel, are the added raft of pressures which can appear at this time of the year.

It might be the expectation we all put on ourselves to finish a particular project by Christmas. Or the difficulty of ensuring someone else will complete a task for us "before Christmas."

If all the stress and strain were channelled into enjoying what we have now, it may just mean that everyone can relax and enjoy the Christmas break - if you are lucky enough to get one!

On behalf of everyone at Leech and Partners, I wish you a memorable Christmas, and along with all the team, look forward to assisting you again next year.

Philip McDonald



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## LASER ASHBURTON BASKS IN THE SPOTLIGHT

Laser Ashburton is sparking on six cylinders following its recent prestigious wins within the nationwide Laser Electrical franchise.

The local electrical company not only took out the Outstanding Growth award for the Laser Electrical New Zealand-wide franchise, but even better, scooped the premier award, being named the Member Company of the Year.

"This is based on the overall performance of the company," says Brent Christie, who with his brother, Shane, co-directs the Mid-Canterbury company founded in 1980 by their father, Les.

"Laser Electrical has 57 branches in New Zealand and to win the supreme award was a huge honour. Laser Electrical and Plumbing in New Zealand and Australia has a total of 129 branches."

The Christie brothers picked up two wall plaques and a glass trophy for their franchise, and have great delight in displaying them prominently in their showroom and offices at 726 East St, Ashburton.

"This achievement would not have been possible without a great team. They have all put in a huge effort and hours and have achieved some great results."

Brent says staff retention incentives and bonuses have been implemented to ensure Laser Electrical is an employer of choice.

Winning the awards caps a great run for Laser Electrical, which has achieved a 33% increase in turnover per annum for the last two financial years.

The brothers say Leech and Partners have been a real asset in their development of the business.

"They have quickly and professionally provided the essential information required for taxation decisions, company expansion and restructuring.

"Advice from Leech and Partners has enabled us to expand the company in the right direction. Philip McDonald and Julie Inwood are always available when needed and have also assisted with personal accounting."

Laser Ashburton is a far cry from its origins of 1980 when Les Christie established Christie Electrical Ltd. Older son



Brent (left) and Shane Christie celebrate Laser Ashburton's recent franchise successes.

Brent joined him in 1989, followed by younger son, Shane, in 1992.

Both widely experienced in commercial and domestic areas, Brent has now been in the electrical trade for 18 years, and Shane for 15.

"It was a well established family business, well supported by the local community. When the opportunity arose to become part of the Laser franchise in 2003, we felt the time was perfect," says Shane.

With a total staff of 20 consisting of 10 tradespeople, seven apprentices and three support staff, Laser Ashburton has never looked back.

"Managing workload to maintain the current growth, and customer satisfaction are the two biggest challenges for the future," says Brent.

"Due to the amazing growth in the Ashburton district, we have struggled to manage the workload at times. We're very fortunate to have a very loyal and patient client base, many of whom have become good friends."

Not surprisingly, Laser Ashburton's directors say their top goal for the future is to win for the second time in a row, the outstanding growth award for Laser Electrical franchises.

"Now that would really be something."

## **Borrowing money for your business**

If you borrow money to buy shares in any business, the interest is tax deductible, provided the shares are to have some revenue stream in the future, in most cases in the form of a future dividend. Were there to be no potential revenue stream from dividends declared and interest had been deducted, one could say that the gain made on sale is the revenue stream. That is, the shares would be held on revenue account and therefore any capital gain would be tax deductible.

Sometimes banks loan money to the shareholders instead of the company. Interest paid on loans in this situation is not tax deductible to the company. Because the loan is to the shareholders, to be tax deductible a direct link to income to the shareholders must be shown. Company profit is not a revenue stream to shareholders; it belongs to the company until otherwise resolved.

The solution to this problem is to have a further formal agreement between the shareholder (lender) and the company (borrower). The company will pay the shareholder a slightly higher interest rate to maintain some sort of commercial reality for the setup. This creates a tax deduction for the company and a tax deduction and taxable income for the shareholder. The income in the shareholders name from the company, will be largely offset by the interest paid in order to receive the interest.

One should be vigilant about resident withholding tax implications in this scenario. This will in the main depend on the amount of interest being paid.

It would seem that if you want the company to have the deduction, it makes sense to structure your borrowing in the most simple and effective way, perhaps avoiding additional formal agreements where possible.

To discuss the implications of the above matters, please contact us.



## **GST & PROVISIONAL TAX ALIGNMENT**

From the beginning of the 2008 financial year, business entities paying GST and provisional income tax can elect to pay Provisional Tax based on sales, including asset sales. The sales amount can be adjusted if asset sales are unusually large for one period.

If you do not elect to change to the ratio option you will continue to pay Provisional Tax in three instalments as at present.

The IRD calculate the ratio of residual income tax payable to sales for the last year. You then apply this ratio to sales declared in your GST Return in order to ascertain the amount of provisional tax to pay for the period. This option is only available to those on monthly or two monthly filing. Payment of your Provisional Tax is then made with your GST payment.

### **Advantages of the Ratio Option:**

If you elect before the start of the year to use the Ratio Option, you are no longer liable to pay use of money interest (UOMI) if your provisional tax paid turns out to be insufficient, UOMI is currently charged at 14.24%. An individual is liable for UOMI if their Residual Income Tax is over \$35,000, a Company or Trust \$2,500.

Other advantages are that it may help with cash flow management given provisional tax is more spread out and aligned with sales, if income is seasonal.

### **Downsides of the Ratio Option:**

The option is only available to those entities who pay GST & Provisional Tax. This rules out:

- Partnerships, as it is the partners who pay the tax, not the partnership.
- Companies who distribute all income to shareholders, because it is the Company which pays the GST and the shareholders the income tax.
- If residual income tax is more than \$150,000 you are not allowed to use the ratio option.

As mentioned above you must elect into the ratio option prior to the start of the year, IRD will then advise you of the ratio to be applied to sales for each GST return.

The Terminal Tax date remains the same.

Should you require any further information on these changes to income tax compliance, please do not hesitate to contact us.

# STOCKER DAIRY SERVICES EXPAND TO MEET DAIRYING BOOM

When Shane and Cheryl Stocker established their milking machine installation business in Ashburton 13 years ago, they never dreamt of the dramatic transformation the Canterbury plains would undergo in the following decade.

The sustained dairying boom, which has seen the scaling down of sheep farming and cropping, has not surprisingly contributed in a major way to the ongoing success of their business.

The couple originally set up Stocker Dairy Services to service the dairy farmers needs in the Mid-Canterbury region, and while their aim hasn't changed, they find these days that with the increasing number and scale of dairy conversions, their services are in great demand.

"The dairy industry is thriving in mid-Canterbury and we are very happy to have been in a position to be able to help," says Shane Stocker.

"We would never have envisaged that so many farmers would have been keen on converting to dairying. Happily for us, we've been well-placed to continue working with existing clients, and it has been great to experience a whole range of new ones as well," he says.

Shane, who originally trained as an electrician, has spent his whole working background in dairy installation, while Cheryl came to the field from her role as a supermarket supervisor.

Their business ranges from the Rangitata River in the south, to Kaikoura in the north, with a big demand being met in Culverden.

In order to cope with the expansion of dairying in mid-Canterbury, Stocker Dairy Services have had to expand. Not only have they had to increase staff, but they also have had to expand their show room at 30 Leeston Street, Ashburton, in order to provide room for the stock required.



"With a young family, we have found it easiest to run our business from home, so we live on site, with a huge workshop and a shop on the premises," says Cheryl, who also does the books.

"Most of the milking machine repairs are done on site on farms, but some are brought into the workshop. We service all types of milking equipment," says Shane.

The shop, which is staffed by Cheryl and a part timer, carries consumables and rubberwear for every dairy farmers needs.

Stocker Dairy Services are the authorised dealers and suppliers for Milfos equipment, a dedicated and high quality New Zealand supplier of milking machinery and equipment.

In order to keep up with client demand, the

Stocker now employ five full-time fitters and two part-timers.

"Our children who are now six and nine, were both born at the busiest times of the year. Like us, they've grown up into the business - we all live and breathe it," says Cheryl.

Shane and Cheryl admit they are prime examples of how the trickle down effect of the booming industry affects a large number of people in the area.

They say they are grateful to Leech and Partners who have provided accounting support, tax advice and worked with them on planning.

"We're at the stage once again where we may have to start looking for more staff - things are growing that quickly."

## IN BRIEF

### Claiming vehicle expenses

Here's a reminder to those of you claiming motor vehicle expenses.

If the vehicle is not used wholly for business purposes throughout the year, the proportion of deductible motor vehicle expenses (including depreciation) is based on the ratio of business use, to total use. This is established by keeping a log book over a representative 90-day period, and applies for a maximum of three years.

If business use changes by 20% or more, a

new ratio must be established.

Where insufficient records are kept, the maximum deduction allowable is limited to 25% of total motor vehicle expenses.

### New Editor for The Press

Congratulations to Leech and Partners' client, Andrew Holden on his recent appointment as editor of The Press.

Andrew previously held the position of deputy editor, and the new appointment reflects his excellent track record in the newspaper industry.

We wish Andrew all the best in his new position.

### Alpaca success

Congratulations to Kit and Sheryl Johnson of Silverstream Alpaca Stud, Clarkville who won the RAS Gold Medal at the recent Royal New Zealand Show for their male alpaca, Silverstream Czar.

The medal is awarded to the best animal in show across all breeds of livestock.

Also, congratulations to Mary Hood whose female alpaca won first in class for the mid-to-dark fawn 6-9 month section at the Alpaca Nationals held recently at Mystery Creek.

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## WELCOME ABOARD

Three new staff have joined Leech and Partners over the last couple of months, two of them bringing an international flavour to the workplace.

Christine Reil and Parmeel Ram are new to the Christchurch office and Javanna Harris in Ashburton.

German-born **Christine Reil** came to New Zealand with her family in April 2004, seeking a change of lifestyle.

"We just love it here," she says.

After 20 years overseas experience in administration and personnel assistance, Christine has been engaged with accounting firms since her arrival in New Zealand.

She is currently working in tax administration for Leech and Partners.

An outdoors enthusiast, weekends and holidays see her sea kayaking, swimming, sailing and listening to New Zealand music.

She and husband Thomas have three adult children-their eldest daughter lives in Germany, their second daughter is at university in Wellington, and their son is finishing high school.



**Parmeel Ram**, originally from Fiji, has been living in Christchurch for the last three years.

She took up her position as a Client Manager in October, bringing to Leech and Partners more than 10 years experience working in accounting firms in both Fiji and New Zealand.

"I'm settling in and enjoying my work preparing accounts, tax returns and GST for a variety of clients," she says.

Parmeel is married with two children, a 19-year-old daughter studying for a B.Com and a son who is at intermediate school.

In her spare time she loves exploring the South Island with her family, listening to music and watching movies.

**Javanna Harris** is originally from Christchurch and is no stranger to Leech and Partners having first joined the firm in Ashburton in February 1997, as a receptionist.

After four years she left to start her family but has recently returned in a tax management and administrative role.

Javanna is married to Richard and has two young sons, Ben who will soon be six, and Riley, three.

They have just moved into a new home at Lake Hood, the perfect setting for boating, fishing and outdoor living.

Outside work, Javanna enjoys netball, and spending time with her family.



## OFFICE HOURS AT CHRISTMAS

Both the Christchurch and Ashburton offices will close for Christmas this year at 5pm on Friday, 21 December, and re-open for business on Monday, 7 January 2008.

If you believe you will require assistance during this annual holiday period, please contact your Leech and Partners manager to ascertain their movements over the Christmas break.