



## WELCOME

### Season's Greetings to you all!

We go into the festive season with a world in turmoil, experiencing times never quite like it before, even compared to the Great Depression. As some say, "we are living history."

It is interesting to see how the commentators and journalists are handling the situation. There are definitely the doomsayers - and very few of them can see the pathway forward. And then there are the ones just 'getting on with it,' as evidenced by the success stories we illustrate in our newsletters.

Whilst we will all be affected to a greater or lesser extent from events outside our direct control, it is how we handle the things are in our control that will determine our relative results and positioning. Is your cup half empty or half full?

When I was National President for JAYCEES (Junior Chamber International) in 1989 my theme was that 'Our Attitude Determines Our Altitude.' I firmly believe that. I also believe that mixing with positive people will yield positive results - and that the converse is even more true!

I was at a seminar once where this theme was discussed. The presenter (a psychologist), suggested that when we get a case of 'stinking thinking', we might want to consider 'a check up from the neck up!'

Now at Leech and Partners we can't offer you that check up, in the clinical sense that is, but we certainly can, and are very willing to, be your sounding board; to test your ideas, to consider various options to see you through any of the adverse impacts of the things that you cannot control, and to work with you on the things that you can control. Do not hesitate to contact us.

I take this opportunity to wish you and your family a very positive and joyous Christmas season.

Gary Leech

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## CUSTOMERS & STAFF KEY STRENGTHS FOR IES



From left, IES directors Mark Gillam, Rex Gillam and Rob Hart.

It might be a small player compared to the big corporates, but Industrial Electrical Supplies (Canterbury) Ltd is an undisputed electrical force in Canterbury and intends to be sparking for years to come.

Electrical suppliers to the industry, supplying electricians and telecommunications people from its base at 446 St Asaph St in Christchurch, IES Canterbury makes no secret of recognising the value of its staff and customers. And because it regards both as crucial to its success, and is prepared to acknowledge as much, IES has engendered a strong sense of loyalty.

In fact, 60 top customers and their partners were rewarded in September with a trip to Vietnam to celebrate IES's 20th birthday.

"We recognise that without our customers, and without the knowledge and experience of our staff, our business would not be operating as well as it does. This was simply a way of saying 'thankyou', and it was a great success," says managing director Rob Hart, who joined IES as its manager in May, 2006.

Rex Gillam and Mark Brown, founded IES 20 years ago, after previously working for Electrico. When Mark departed six years later, Rex's brother, Mark Gillam became a director.

With careful planning, and attention to developing business plans, the company has flourished. "We've

also had some great advice from Leech and Partners on tax matters, and help from their experts has meant we've been able to effect smooth share transfers. Just having that professional advice has been invaluable and has helped put us in a sound position for the future.

"Our goals are be around in another 20 years and to make sure that locally-owned businesses such as ours, don't get bullied by the large corporate firms," says Rob.

Optimism is high at IES Canterbury and the firm hopes early next year to have a new bulk storage building constructed.

Given the world financial situation, IES accepts realistically that growth in its market may slow down, but it considers its diverse customer base to be a real strength.

"Because we cover all fields, we don't get hit too hard when a particular market slows.

"We're always upskilling and improving the way we do things, so we are sure we are a market leader and not a follower."

IES Canterbury is also very proud of being part of the New Zealand owned and operated Powerbase Group of more than 100 branches.

The Powerbase motto is one IES readily endorses - "service with knowledge."

## IRD investigating Loss Attributing Qualifying Companies (LAQC)

We have recently received notification from Inland Revenue that they intend looking into the situation where a LAQC owns a house and rents this to the shareholder, thereby gaining a deduction for interest and creating a loss to be attributed.

In their opinion this is tax avoidance and will not stand up to audit.

If you feel you may be exposed in respect of this matter, you should contact your manager immediately to discuss. Notifications of proposed audits are not far away.

## Success for Deane

Congratulations to Kingan's Holdings Ltd on winning the Orb "Dealer of the Year" award for the second time running, at this year's Orb annual general meeting in Queenstown.

Kingan's Holdings, a client of Leech and Partners Ltd, also won the Telecom "Sales Achievement" award and to complete the success story, Kingan's director Deane Kingan was voted onto the Orb Board of Directors.

## NATIONAL'S TAX POLICIES

The incoming National Government has the following stated tax policies which it intends to introduce in a December fiscal package:

### Redundancy Transitional Relief Package

It will provide a transitional relief package for people who are made redundant and have been in the same job for at least six months.

This includes a Working for Families top-up equivalent to the in-work tax credit and an increase of \$100 in the maximum weekly accommodation supplement.

This assistance will be available until they get another job and their circumstances improve, or for up to 16 weeks.

### Personal Tax Rates

National's tax package sets out a three-year programme of personal tax cuts including the recent tax cuts applicable from 1 October 2008. The main changes are a reduction of the top rate of tax from 39% to 38% after 1 April 2009, to 37% from 1 April 2010 to 36% to 1 April 2011. The 21% rate of tax introduced by Labour from 1 October 2008 will be reduced to 20% from 1 April 2010.

### Independent Earner Rebate

National will introduce a tax rebate for people who earn \$24,000 a year or above, and who are not receiving a benefit, Working for Families payments, or New Zealand Superannuation. This rebate will be \$10 per week from 1 April 2009 and \$15 per week from 1 April 2010. The rebate abates over \$44,000 so that from 1 April 2009 a person that earns over \$48,000, and from 1 April 2010 a person that earns over \$50,000 will not receive anything.

### KiwiSaver

Under National, the bulk of the scheme will remain unchanged. People who join KiwiSaver in the future will continue to receive contributions from the government and matching contributions from their employers. However, National proposes to make three changes to KiwiSaver.

#### 1. Reducing minimum contributions

From 1 April 2009, the minimum contribution rate for employees in KiwiSaver will be 2% of gross salary. Employers will also be required to make minimum contributions of 2% of gross salary for each of their employees who are KiwiSaver members. Employees and employers will be free to contribute at a higher rate if they choose to, but will not be required to. National will keep the member tax credit, which will match members' contributions up to \$1,040 a year. Employers' minimum contributions will remain tax exempt.

#### 2. Removing the Employer Tax Credit

The tax credit that is currently paid to employers whose staff are enrolled in KiwiSaver will be discontinued from 1 April 2009.

#### 3. Removing discrimination against employees who can't afford to join

National will repeal recent legislation which potentially discriminates against employees who can't afford to join KiwiSaver, and amend the KiwiSaver Act to ensure that when an employee joins KiwiSaver, the compulsory contribution from their employer is a genuine addition to their normal pay.

*Chris Heffernan  
Director, Leech and Partners Ltd*

## LEECH TEAM COMPETES IN KAIAPOI CLASSIC TRIATHLON

What started as a bit of a joke became a serious intention when Robert Hessey, Louise Mitchell and Christine Reil signed up for the Kaiapoi Classic triathlon.

"The flyer came in the mail, and it all began with joking around, you know 'let's make up a team and take part'," says Christine, the kayaking component.

"Then it got more serious, and Robert, Louise and I decided to build a team, just for fun, with no real intentions to win."

Robert, already a keen runner, took on that role, and Louise volunteered for the cycling.

The event, on November 23, saw the trio in action in Canterbury in a star-studded field of candidates. They exceeded their expectations and are keen to improve next time!



*Christine, Robert and Louise - ready to compete.*

## NEW DIRECTORS FOR LEECH & PARTNERS



From left, Glen White, Chris Heffernan and Brett Dudley.

Three new directors have been appointed to Leech and Partners Ltd.

Brett Dudley, Chris Heffernan and Glen White, all formerly Associates, took up their new roles on 1 October 2008.

Brett Dudley joined Leech and Partners Ltd as its Christchurch manager in 2002. He has spent more than 20 years working with publicly listed companies, in advertising and printing, and within the timber products industry.

Chris Heffernan is the company's tax specialist. He has worked extensively in the United Kingdom and is an expert on New Zealand and the UK's changing tax structures. He offers a

full taxation service for New Zealanders living in the UK or can review their tax status upon their return home. Similarly, he can advise new and intending residents on their tax position and plan with them to optimise this, including UK pension transfers.

Glen White originally joined the Ashburton office as a graduate after completing a Bachelor of Commerce at Canterbury University, but moved north when the Christchurch branch opened in 2001. He specialises in business development and advisory services, taxation and has clients in a wide range of industries including retail, hospitality, property investment and financial services.

## PERSONAL PROPERTY SECURITIES REGISTER

The Personal Property Securities Act 1999 sets out standardised commercial practice and de-fragments complex and often unfair legislation with a comprehensive single piece of legislation that clarifies the priority between secured creditors and enforcement proceeds. The Personal Property Securities Register is the equivalent of a notice board that allows creditors to make known their interest in an asset.

The register deals with debts in respect of the supply of goods, including motor vehicles, chattels, equipment rental and leases over 12 months long, as well as Retention of Title issues, goods on consignment and security over property of individuals. It does not cover land or buildings.

Be aware of the following pitfalls:

- Retention of title agreements with debtors

that are not registered are ineffective and may mean that you are no more than an unsecured creditor;

- Rental or lease agreements that are for more than one year, that may potentially exceed more than one year or that are silent on the term, will be caught by the Act;
- Without protection of registration, assets legally owned by you may be forfeit to a liquidator if in the possession of a bankrupt person;

We live in uncertain times and protection against unpaid debts and unintended consequences of this Act is now essential. Contact us or your lawyer to discuss your position if you are in the business of leasing out assets (including leasing assets from your trust to your own company), selling goods or even if you have lent items to others.

## UK and New Zealand taxation

International taxation is complex. If you know of anyone going to the UK, coming to New Zealand from the UK, already here from the UK, or with substantial UK assets, then let them have this checklist setting out opportunities and pitfalls. We have considerable expertise in UK/New Zealand taxation in order to deal with all of the issues outlined.

### Those bound for New Zealand from the UK

- Gifting substantial amounts of capital into trust within UK Inheritance Tax and NZ Gift Duty limits.
- Using the Transitional Resident status of new immigrants or Kiwis returning after 10 years abroad to exempt certain foreign income for up to 49 months after arrival.
- Avoiding the creation of Non-Complying Trusts whilst Transitional Resident with penal rates of tax.
- For those who are not Transitional Residents, understanding and dealing with the taxation of offshore investments and foreign currency.
- Reducing or eliminating UK Inheritance Tax exposure that may otherwise continue indefinitely after leaving the UK.

### Those bound for the UK from New Zealand

- Understanding and using the UK remittance basis of taxation to your advantage.
- Using New Zealand superannuation schemes to exempt all UK earned income.
- Avoiding New Zealand trusts becoming UK resident, avoiding complexity and potential double taxation.
- Ensuring that existing NZ trusts remain Complying Trusts, avoiding 63% effective rates of tax.

### Those in New Zealand

- Dealing with the 'new' Foreign Investment Fund rules for continuing UK investments.
- Reducing or eliminating UK Inheritance Tax exposure for those who have substantial assets situated in the UK (irrespective of their domicile or whether they have ever been to the UK).

The tax cost of missed opportunities or of "getting it wrong" is potentially huge.

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## SARAH JOINS THE CHRISTCHURCH STAFF

First there was history, art history, and teaching English. And then there was accountancy.

Sarah Peterson, newly appointed client manager in Leech and Partners' Christchurch office, made the switch happily enough when her then partner, now husband, pointed out that there were lots of jobs for accountants.

"I was working in a power company's call centre at the time, and not finding it very fulfilling."

In early 2005 Sarah began studies for the NZ Diploma of Business at CPIT, completing her final paper in the evenings in August 2006.

She spent two years at Goldsmith Fox PKF before joining Leech and Partners.

A North Islander who majored in art history and ancient history at Auckland University, Sarah continues to love both and especially combining them with travel. She's also a fan of Trivial Pursuit and likes nothing better than watching television shows like 'Who wants to be a millionaire?'



## NIGHTSIDE MAKES IT THREE IN A ROW

Nightside Test Design Limited has been winning awards on both sides of the Tasman recently.

A client of Leech and Partners, Nightside's first success came in July when it was a finalist in the "Service to Exporters" category at the Canterbury Export Awards.

It followed that by beating three Australian companies to win the best application of test or data acquisition equipment category at the Australasian EDN Innovation Awards. Nightside designed a test laboratory equipped

with a high-speed video camera and sensor equipment to test protective hockey apparel.

Peter Brown, Nightside's managing director, says that award will help build the company's credibility in Australia.

And to crown a stellar few months, the Christchurch-based company has just been placed 47th nationally in the Deloitte Fast50 2008, recording 153.89% growth over three years.

## Lighter moments

Dan was a single guy living at home with his father and working in the family business.

When he found out that he was going to inherit a fortune when his sickly father died, he decided he needed a wife with whom to share his fortune. One evening, at an investment meeting, he spotted the most beautiful woman he had ever seen. Her natural beauty took his breath away.

"I may look like just an ordinary man," he said to her, "but in just a few years my father will die and I'll inherit \$20m."

Impressed, the woman obtained his business card and three days later she became his stepmother.

Women are so much better at financial planning than men.

## Office hours at Christmas

Our offices in Christchurch and Ashburton will close for Christmas this year at 5pm on Tuesday, 23 December and re-open for business on Monday, 5 January.

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



## A dominant force

Ashburton's Dominator Garage Door Centre picked up a pile of awards at this year's Dominator Garage Door conference.

Brian Downes' mid-Canterbury business is setting records for growth among the 68 stores around the country.

For the second time in four years he achieved New Zealand number one status - based on increasing sales from one year to the next - plus two additional awards for sectional doors and automatic door openers.

He refuses to take notice of the doom and gloom merchants among his peers.

"So many at the conference were saying business was tight and they were putting off staff, but I told them I'd take their staff-we need more in Ashburton."

With plenty of orders, helped by the dairying industry and the growth in domestic dwellings, his centre is booming.