

BIZTAX ALERT

Spring 2014



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Risk and Reward

Evaluating employment changes

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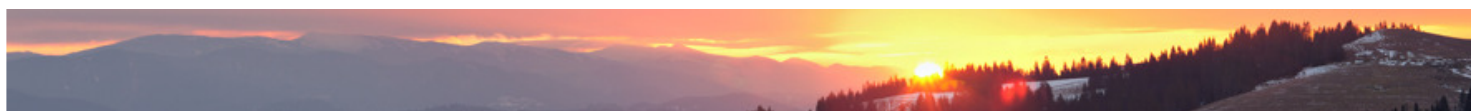
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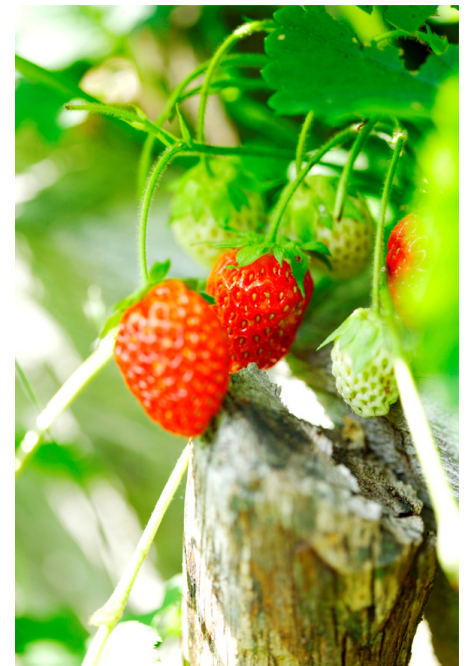
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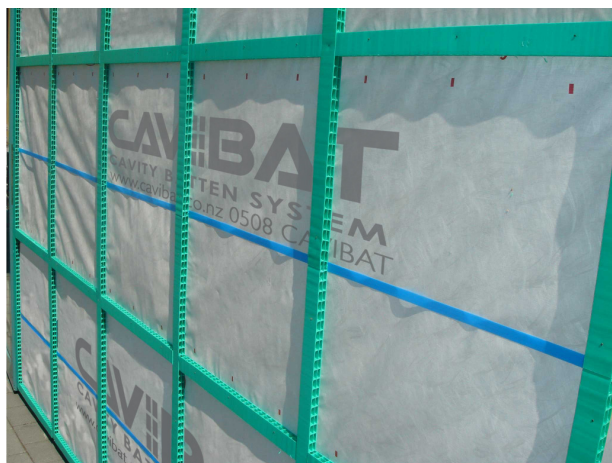
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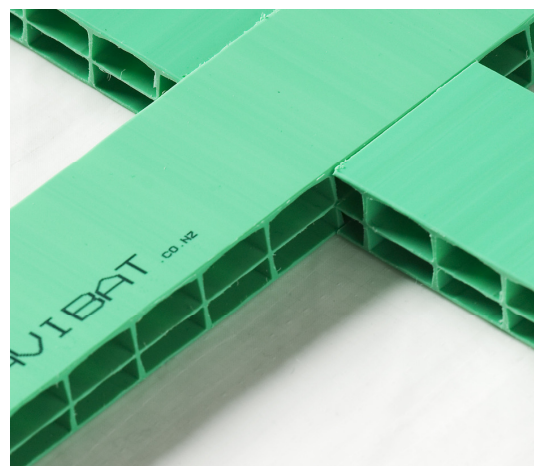
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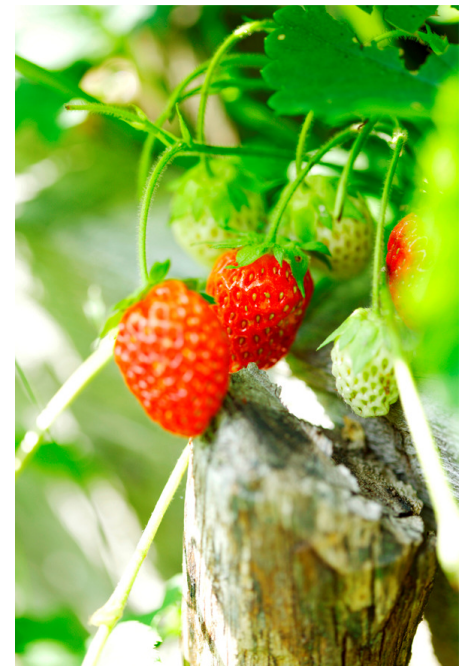
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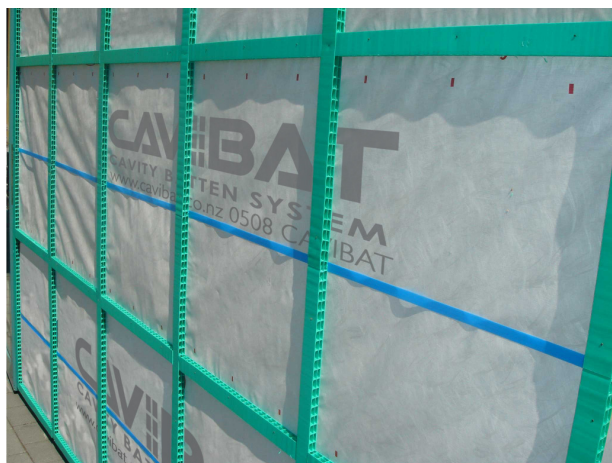
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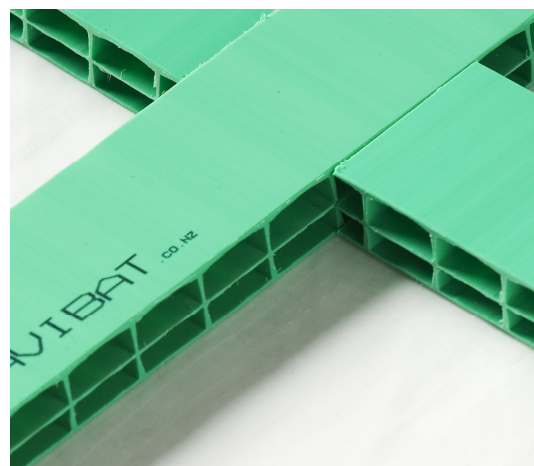
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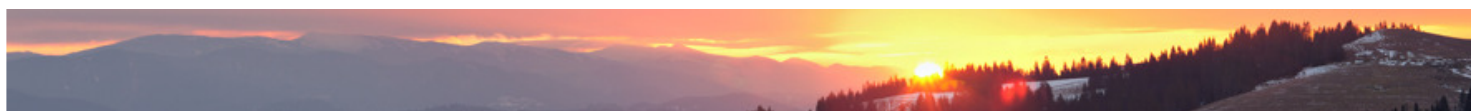
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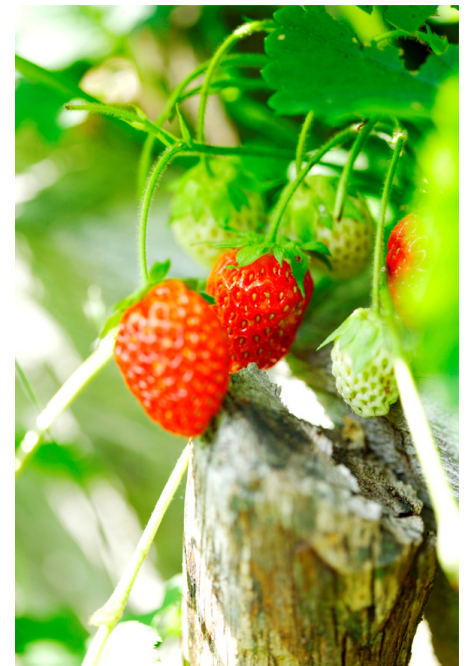
'Success one day does not give you a free lunch every day thereafter.' **Richard Branson, Business Stripped Bare**

Latest changes to GST

A raft of amendments to GST came through in June, clarifying grey areas and closing loopholes from some of the major changes of the last few years. In broad brush, these include:

- a new wash-up rule in the GST apportionment rules applies when use of an asset changes to 100% taxable or 100% non-taxable use when usage has previously been split between private and commercial use. Depending on the change, there may be output tax to pay back
- residential units in retirement villages or rest homes where occupants live independently now come under GST-exempt supplies
- the backdating effect of the tax residency rules has been removed for GST purposes
- the definition of 'hire purchase agreement' now includes any contract with an option to purchase
- where an employee is engaged by a third party to be a director or board member, and required to remit fees from the third party to their employer, there is a new flow-through rule which means the employer will be treated as supplying services to the third party
- non-profit bodies can claim all GST input deductions other than those relating to the making of exempt supplies

Please contact us if you'd like to run through whether the changes affect you.



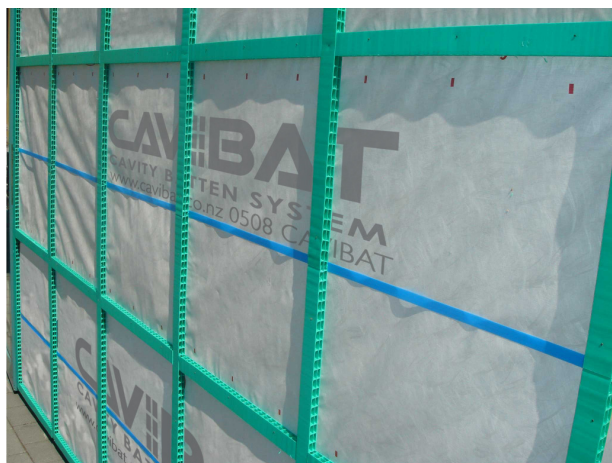
Timely Reminder

29 September: Provisional tax due (as the 28th is a Sunday) for December, April and August balance date taxpayers.

Cavibat

It's been a road littered with hurdles for Graeme Webster of Cavity Batten Systems, but one that has been worth it. Over an informal chat with a buddy who works in the building and development industry as a developer, Graeme's attention was drawn to the fact that leaky buildings were cropping up everywhere. But at that time neither the building code, nor anyone else for that matter, had a solution. With a knack for listening to and fixing problems, the cogs in Graeme's brain began turning and he set out to tackle what appeared to be a growing problem.

Because of his engineering background, Graeme didn't see the solution as rocket science, but rather a logical one. There needed to be a way to allow the two walls of a building to breathe. Welcome to the world, Cavibat – a plastic cavity batten system.



The idea however wasn't the tricky part. The next step was to sell it to the market and navigate through all the obstacles along the way. Graeme arranged a meeting to sit down with the big players in the industry and prove how Cavibat could work for them. The importance of the product was quickly made apparent but red tape ensued. In order to use Cavibat, the industry needed a box ticked: the product needed to be appraised.

As luck would have it, the government responded to the leaky home situation and announced that all cladding now had to be on a cavity system. Although this announcement was timely for Graeme, the appraisal time was not. After the promised three-month timeframe came and went, it was almost two years before his product was approved.

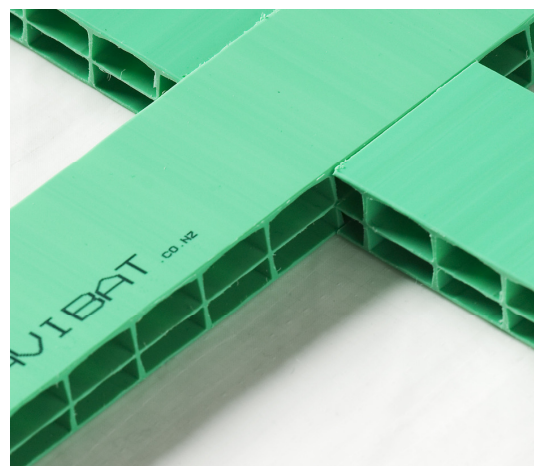
It was now time for supply to meet demand. Graeme visited trade shows in

Asia, with the aim of sourcing the best materials for the job and it took ten months to find the right producer. Samples were sent to be tested and appraised and were accepted as being suitable for the job. This was enough for Graeme and he set about ordering stock and establishing a factory and warehouse in Mount Maunganui.

The challenges didn't end there though. Bigger companies soon infiltrated the market. Ensuring the product was recognised for industry specifications proved arduous and Graeme felt as if much of his time was taken treading water waiting for building specifications to be updated.

A positive attitude helped Graeme to overcome each hurdle as it arose. 'You just have to pick your way through these sorts of things and take them on as they occur. Some are foreseen and some are unforeseen.'

Protecting the product has been the best management decision for Cavibat. The first and most important step was to put a patent on his product, but he also sought the best advice. 'Paying for good advice from professionals to protect your assets and intellectual property is key. My accountant has been instrumental in advising the setup of the legal identity of the business. He attended meetings with my lawyer to ensure the legal setup works well with the accounting. This has guaranteed that intellectual property is protected from creditors in future relationships as well as maintaining previous tax losses within the business structure.'



Although the company is currently experiencing great success and now ventilating roof cavities as well as walls, and exporting into Australia, Graeme is always looking to the next venture. Plans are in motion for developing new product that will cater to the same clients within the same industry - complementing the Cavibat design and brand, maximising it to full potential.

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.