

health adviser

Grant Thornton 

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Grant Thornton launches new website!

www.grantthornton.co.nz

Grant Thornton proudly announces the re-launch of their New Zealand website, www.grantthornton.co.nz.

You will see throughout the site that the images we use are either of Grant Thornton personnel or clients who have a story to tell about the relationship they have with us.

Our objective with the site is to create a medium that people can use to get to know us, not just as accountants but as real people.

New features and information will be regularly added to the site, so take a minute to find out more about your accountants.

Corporate Recovery and Reorganisation

Our recently introduced Corporate Recovery and Reorganisation Division is dedicated to preserving the value of a business in a way which recognises the interest of all stakeholders.

Increased competition, rapid changes in technology and shifting financial markets have created a climate where no business can take economic stability for granted. The recent demise of the Hartner Group and the flow-on effects to related businesses are a pertinent reminder of this.

Business owners who are heavily involved with day-to-day management issues often do not have the time to consider factors that may impact on their business in the future. To minimise the risk of business failure, directors and management must constantly review the environment in which their business operates, to ensure that they are able to retain their market position and continue to perform profitably. Similarly, investors and shareholders need to ensure that value of their investment is preserved.

For owner-managers, the consequences of business failure are often catastrophic. A large percentage of the owner-managers' wealth will typically be invested in the business and the failure of the business may lead to the financial ruin of the owners.

Grant Thornton's Corporate Recovery and Reorganisation team has much experience assisting businesses that are facing liquidity problems or uncertain futures. Working in conjunction with owners, managers and stakeholders we can:

- determine the crucial problems facing a business
- develop a short term survival plan
- prepare a strategic plan to achieve a return to profitability
- closely monitor performance and the implementation of any agreed changes.

A major benefit of our service is that the Corporate Recovery and Reorganisation team can provide a fresh and completely objective view. In our work, we often identify problems and create solutions that are not visible to directors and management as they are too close to the situation.

If you are worried about the survival of your business or the preservation of an investment, contact our Corporate Recovery and Reorganisation specialist, Rusty Donnell
Rdonnell@gtak.co.nz

Personal Property Securities Act 1999

The Personal Property Securities Act 1999 (PPSA) came into force on 1 May 2002. The Act introduces significant commercial law changes, which will affect anyone who is intending to lend, or has currently lent money on the security of personal property. It will also affect anyone who has personal property which is subject to a charge or who intends to offer such property as security in the future.

Personal property is virtually all property except ships over 24 metres in length, or land.

Register

The Ministry of Economic Development administers the Personal Property Securities Register (PPSR). From 1 May 2002 all **new** security interests in personal property need to be registered. All existing security interests in personal property will need to be re-registered if the secured party wishes to protect its priority. It will not be possible to register or maintain any security on the Motor Vehicle Securities Register, the Chattels Securities Register or the Companies Office Register. These registers will disappear after 31 October 2002. Transitional rules allow existing securities registered on the "old" registers to be re-registered for a period of six months from 1 May 2002. This will enable the security to retain its priority over subsequent securities. Failure to re-register may result in the loss of priority to a new charge holder who registers under the PPSA.

In order to register a security interest it is necessary to file a **financing statement**. The financing statement contains details

of the parties (the correct debtor name is very important, as this is the mechanism by which a search is performed) and the property which is charged.

Registration will last for a period of up to five years. If the security is a continuing one, it will be necessary to re-register the security before the expiry.

Priority Regime

Generally the first creditor to file a financing statement has priority (assuming it has been correctly perfected). **Perfection** occurs when the secured party has given value and either the secured party has taken possession or, the debtor has executed a security agreement and the financing statement has been registered. The exceptions to this rule are re-registration of interests during the transition period and purchase money security interests.

Purchase Money Security Interests (PMSI)

Special features apply to a PMSI including super priority status. This arises because the credit given is for the purchase of specific goods. The super priority allows the secured party providing the "purchase money finance" to take priority over all other security interests, provided that the secured party registers a financing statement within 10 working days after the debtor takes possession.

The retention of title (Romalpa) clause will be included in the category of the PMSI. However in order for the Romalpa clause to be relied upon it is necessary to ensure the "Terms and Conditions of Trade" are up-to-date. It

will no longer be sufficient to rely on a pre-printed invoice containing such a clause. To take advantage of the PMSI super priority under the Act, suppliers will need a signed security agreement (eg. signed terms of trade containing a retention of title clause) and must register a financing statement. These only need to be prepared once for each customer and the financing statement should contain a clause that refers to "all present and after acquired property".

However, a supplier who relies on unique serial numbers to identify goods supplied by them will need to register a separate financing statement each time goods are supplied.

Where to from here?

- If you have a registered interest in any of the former registers you should re-register these onto the PPSR before 31 October 2002.
- Ensure your systems have the detail required to comply with the PPSR.
- Check the accuracy of documentation supplied to you and by you.
- During the transition period check all registers.
- The onus is on the secured party to record accurate information and keep the information up to date.

Contact your lawyer for independent advice.

Written by **Alec Flood**, Associate
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ACC update

ACC Residual Claims Levy Collection

Employers are no longer required to complete an IR68A Wage Reconciliation. This means that the IRD no longer collects Residual Levies on behalf of the ACC. This also applies to the self-employed and shareholder-employees who pay their Residual Levies through their taxation returns.

ACC will now be collecting the Residual Levies along with the premiums (now also called levies) they collect throughout the year.

ACC are currently sending out "illustrations" to assist with cashflow. Invoices will be sent out later in the year.

These changes are effective for the year ended 31st March 2002. All prior years will continue to be collected by the IRD.

ACC Coverplus Extra for shareholder employees

This product is now available to non-PAYE shareholder employees from 1 April 2002. This product allows you more flexibility in deciding what weekly compensation (subject to approval) you will receive.

It is most suited to those with a fluctuating income or a business that continues to generate income after the shareholder-employee has been injured.

Proof of loss of income is not required at time of injury, and you will receive 100% of the weekly compensation purchased until you are fit to return to work full-time. The levy is adjusted to reflect the level of nominated cover.

Lower levels of weekly compensation option for self-employed

This option reduces weekly compensation payments in return for a lower levy. Weekly compensation will be lowered if you return to work. When you are able to work 30 hours a week, the weekly compensation will stop.

You will need to consider whether the benefit of the reduced levy outweighs the reduced weekly compensation.

Both these products have a minimum cover of \$12,812.

If you would like any more details about these changes or would like us to investigate if you are suitable for one of the products mentioned, please contact the team at Grant Thornton.

Written by **Pam Lucich**
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Reduced late payment penalties

The late payment penalty rules have been changed in order to ease the impact on taxpayers who pay their tax only a few days late. From 1 April 2002, an initial late payment penalty of 1% will be imposed on the day following the due date of payment (reduced from 5%). A further 4% penalty will be imposed on any amount still unpaid by the end of the 7th day after the due date.

Positive changes have also been made to debt instalment arrangements entered into with the IRD on or after 1 April 2002. Previously, monthly incremental late payment penalties continued to accrue during an instalment arrangement and were only cancelled if the arrangement was successfully completed. Under the new rules, if an instalment arrangement is entered into before the due date of the debt and its terms are met, then only the initial 1% penalty will be imposed. For arrangements entered into after the due date, any penalties already charged will stand but no further penalties will accrue provided the terms of the arrangement are met. Use of money interest will still apply in the normal manner.

Written by **Neil Tier**
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Recent Appointment

Rusty Donnell

It is with pleasure we introduce Rusty Donnell, who joined the firm in March 2002 as Director of our Corporate Recovery and Reorganisation division.

Rusty comes to us from working in Fiji with Brierley Investments (NZ) Limited. Prior to that he was with PricewaterhouseCoopers in Papua New Guinea, Australia and NZ.

Rusty specialises in corporate recovery which encompasses a range of services from assisting clients with strategic turnarounds, looking at funding solutions, debt recovery, through to formal insolvency appointments such as in liquidations, investigations and receiverships.

He is a keen rugby player and enjoys hunting, fishing and most other outdoor activities.

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www.granthornton.co.nz

Health Adviser - Electronically

If you would like to receive a copy of our Health Adviser electronically, please email: ldackers@gtak.co.nz

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