The Hub of It All

Business Partners for LIFE – We're On Your Team

Ogier chartered accountants

March 2017

End of Year - 31 March 2017

For most of you 31 March is your end of financial year. As usual we have enclosed the annual questionnaire (blue) for your completion. We had a great completion rate last year with this simplified form – so THANKS!! It makes a big difference to the efficiency in completing your annual accounts when these are fully completed. We also have the older, more detailed version available on our website under resources if you prefer. We will also be sending an online version in early April which will allow you to upload documents as part of the process as an alternative option.

Things to do on or before 31 March 2017:

- ☐ Stock take
- ☐ Write off any bad debts
- ☐ Calculate a list of all accounts receivable and accounts payable
- ☐ Count all cash on hand including unbanked sales, till floats and/or petty cash

Please contact us if you:

- **require our assistance in compiling your 2017 records**
- **would like us to send you a set of our Ogier indices that will assist in putting your records together**
- **would like a more detailed client questionnaire**

Top 10 Tips for making that year end stuff less painful

We understand that it can take time and be a daunting exercise to compile all of your relevant records but by following our list of top ten tips you will be able make this much less painful.

Our top ten tips are as follows:

1. Complete client questionnaires for every taxpayer as fully as possible. You can use either the basic or full client questionnaires.
2. Use our client folder indices and file your records in a consistent order in the correct sections.
3. Talk to us if you need or are expecting your accounts within a particular timeframe. We prioritise our work as best we can but if you need something extra we will do our best to accommodate you.
4. Ensure you provide us with all essential paperwork. E.g. Ensure bank and loan statements show the closing balance as at balance date.
5. If you borrowed money, purchased property or assets over $500, provide the invoices and any supporting documentation. E.g. Sale & purchase agreements, finance agreements, payment schedules and any legal statements.
6. If you use a computerised accounting package make sure your bank has been reconciled at balance date. If you have a balance in suspense, print it out & describe what the entries are.
7. Attach your workings to your GST returns.
8. Review your asset schedule as per your 2016 financial statements and tell us if you have sold or discarded any assets and if so, details of the disposal. E.g. date, who to and how much.
9. Respond promptly to our queries. A major cause of delays and time spent on a job are due to the pick up/put down syndrome where we have to reacquaint ourselves with the job.
10. Sign and return your financials and tax returns as soon as possible.

Tax Dates

- 2016 Terminal Tax due 7 April 2017
- March 2017 GST Returns due 7 May 2017

Quick Updates:

- **We are on the move!**
  We will be relocating to the Willis Legal building in Vautier Street from mid May 2017. There is plenty of parking around the area (our main criteria when looking for premises).
  We will be on the third floor with a lift for the less able/ energetic. Once we finalise the dates we will let you know.

- **We're so proud!**
  Jannaya is currently sitting her professional Chartered Accountant exams which involves five papers over the next two years. She has just passed her Tax New Zealand paper and was in the top 10% which resulted in a congratulations phone call from Chartered Accountants Australia & New Zealand (CAANZ).

Inside this issue:

GST: in the crystal ball

Shortlist Your Goals

You'll remember that from October last year, we now have to pay GST on 'remote services' supplies from overseas vendors that were previously not subject to New Zealand GST – the so-called Netflix tax. Businesses in the 28 member states of the European Union already have to charge VAT at the rate applying in the customer's country.

'If a small shop in Levin or Gore is expected to account for and pay GST, there's no good reason for the Government to give global mega-retail businesses an easy ride.'

Greg Harford,* General Manager *for Public Affairs, Retail NZ

The latest move in Australia to collect GST on low value goods bought from overseas suppliers is part of a global drift towards capturing tax cross border and ensuring the internet is no longer above tax.

However, in New Zealand, goods worth less than $400 purchased from overseas suppliers don't have GST imposed on them (though duty may apply). Retail NZ states that this exposes Kiwi businesses to unfair competition, as they are subject to GST while foreign businesses undercut them on low-value goods.

Some two-thirds of all goods sold to New Zealanders come from the 20 biggest global retailers. (Such as Amazon establishing a base in Sydney, potentially making shipping cheaper for Australian and New Zealand customers). Retail NZ estimates that the Government is missing out on at least $200 million in GST this way.

Retail NZ is calling for all overseas companies selling to Kiwis to be required to register for GST. It seems the next logical step. We're watching with interest and will keep you posted.

'After the Australians move in July, New Zealand will have the highest effective tax threshold for offshore purchases. While most jurisdictions require tax to be paid on imported goods worth more than between $20-30, New Zealand's threshold for most goods is a whopping $400.

This gives foreign retailers a distinct unfair advantage when selling to New Zealanders.'

Greg Harford, General Manager for Public Affairs, Retail NZ

Upcoming Changes

There has been a raft of legislative change recently introduced which will affect businesses when it becomes effective. At present we are just flagging the changes to you without going too deeply into detail.

Provisional Tax

The provisional tax changes mentioned last year will apply from 1 April 2018. These include the proposed accounting income method (AIM) of paying provisional tax.

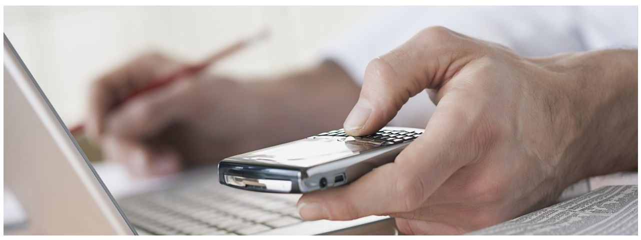
While current methods for calculating and paying provisional tax will still be available, AIM proposes that you pay provisional tax from your accounting software, where you are a business with less than $5m annual gross income. AIM capable software will calculate provisional tax owing throughout the year and enable you to pay provisional tax direct to Inland Revenue. So the year-end tax return becomes more about verifying payments made through the year and making any adjustments or corrections needed.

This could work well for new businesses in particular. Currently, a new business doesn't have to worry about tax in its first year. But when it enters its second year, it has to meet not only its tax obligations for that first year but also its provisional tax for the current year. This is something of a double whammy businesses struggle with. With AIM, new businesses would start paying tax when they start making a profit, paying instalments over the year timed to the business operating cycle.

With AIM capable software we could monitor tax paid direct from your business and contact you if we notice anomalies requiring further investigation or adjustment. If you are interested in exploring what this method can do for your business, we can discuss how we could help you best.

Use of Money Interest

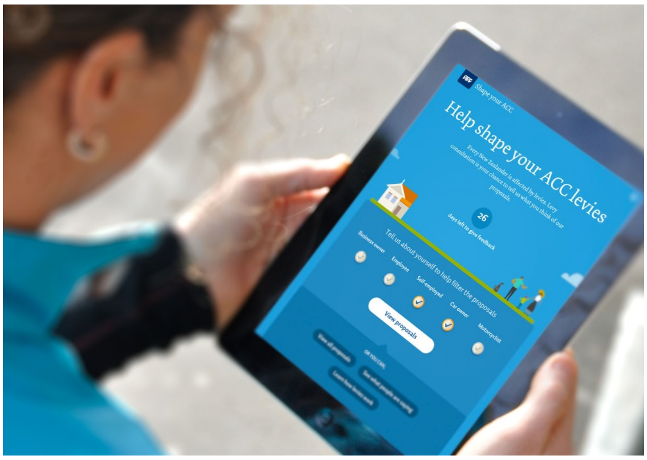
Another part of the package of changes applying from the 2018 income year (i.e. from 1 April 2017 for standard balance date taxpayers) is to remove use of money interest from the first two provisional tax instalments (for those who pay in three instalments) and who continue to use the standard method to calculate and pay provisional tax (commonly referred to as the 'uplift method').



Businesses (including companies) and individuals with residual income tax of less than $60,000 and paying provisional tax in three instalments using the standard method will not be subject to use of money interest.

ACC Work Levies Go Down

ACC are reducing the Work Levy rate from 1 April 2017. This will see the average rate paid by employers and self-employed go down by 10% for the 2017—2019 levy period. If you'd like more information on the new Work Levy rates, visit www.acc.co.nz.



ACC's New Approach to Workplace Incentives

ACC are also developing a new approach to how they help New Zealand businesses create healthy and safe workplaces and reward them through their levies.

ACC will be enhancing their existing Experience Rating (ER) programme as it has many of the right attributes to reward good performance by businesses. An enhanced version could play a more effective part in supporting the wider drive to improve workplace health and safety. For more information visit www.shapeyouracc.co.nz/saferworkplaces

MYIR - Your IRD Login

IRD have recently moved GST returns to a new platform and you will now be able to access this through MYIR. If you do not yet have access to MYIR you can register online at www.ird.govt.nz/online-services/ir-online-services-register.html

If you have any difficulties registering, you will need to contact IRD.

You are able to:

- file and pay your GST returns,
- apply for instalment arrangements,
- receive notifications regarding payments due.

IRD have also announced all GST refunds will be paid electronically therefore you should ensure they have your correct bank account details.

If we currently file your GST returns this will not change. However you may find it helpful to have access to MYIR to access the additional features.

Minimum Wage

The Government announced on 24 January 2017 that the minimum wage will increase by 50 cents to $15.75 on 1 April 2017. The starting-out and training minimum wage rates will increase from $12.20 to $12.60 per hour - remaining at 80 per cent of the adult minimum wage.

Payroll Systems

With the start of a new financial upon us, now is a good time to review your payroll system. Modern cloud based payrolls pay your staff, collect and hold PAYE and Kiwisaver in their trust account, then file and pay the monthly Employer Schedules with IRD. Once set up you need only process the regular pays, the payroll system does the rest.

For smaller payroll's we recommend Thank You Payroll which is **FREE** for two day processing. There is a small charge for one day and overnight processing. How can they do it for free? They are taking advantage of the IRD subsidy to payroll intermediaries which is aimed at making it easier for small businesses to manage and pay their payroll. No setup fees, no updates or upgrades required, and manages employee leave and good support available. For more details go to www.thankyoupayroll.co.nz.

For larger payroll's try SmartPayroll. We have used SmartPayroll for over seven years and because it's cloud based we can do our payroll from anywhere. They have a free helpdesk and the staff are very knowledgeable about employment issues, not just payroll. There are a number of plans available and a fee calculator. To find out more go to www.smartpayroll.co.nz/pricing.

For those using Xero, Xero Payroll is an add-on to the Standard or Premium Plans for $10 per month for the first employee and $1 per employee thereafter (amounts plus GST). You still need to pay the wages and file Employer Schedules, so does not have the same features as the first two.

All three plans integrate with Xero. If you would like help assessing whether you need a new payroll system please give us a call.

Xero & Banklink

If you have Xero or Banklink we will need copies of your bank statement(s) showing the balance(s) as at 31 March 2017. We are often asked why we need them, when we already receive them electronically. We are required to verify balances in the preparation of financial statements. Additionally it's not always obvious the balances in Xero or Banklink are incorrect especially if some historical data is missing. Which is why we ask you to regularly check your Xero balances against an actual bank statement or internet banking. Feel free to send these in over the next couple of weeks, even if you aren't ready to send your records in and we can make sure you are in balance.

Schedular Payments

What you need to know to pay Schedular (previously known as withholding tax)

From 1 April 2017 if you're receiving Schedular payments and you want to change your tax rate or if you start working for someone new, you'll have to complete a *Tax rate notification for contractors (IR330C)* form instead of the *Tax code declaration (IR330)* form.

If you're receiving Schedular payments and the standard rate for your activity doesn't best fit your circumstances you'll be able to choose your own rate, subject to minimums, by completing an IR330C and giving it to the person paying you (payer).

IRD Information Sharing from 1 April 2017

IRD will be entering into information sharing agreements with approved credit reporting agencies that will allow them to share information relating to a company's reportable unpaid tax as per section 85N of the Tax Administration Act 1994. Companies will be notified prior to their information being shared.

IRD is also entering into an information sharing arrangement that allows them to share information with the Companies Office for the purpose of preventing, detecting, investigating or providing evidence of certain offences under the Companies Act 1993 as per section 85M of the Tax Administration Act 1994.

Miles to go – changes proposed for motor vehicles

Currently close companies providing a motor vehicle for the private use of shareholder-employees must pay FBT on the value of the benefit provided. This value is based on the availability of the vehicle rather than its actual private use and this means higher FBT compliance costs for close companies.

New option for close companies

The recently introduced legislation changes this for the 2018 tax year (i.e. from 1 April 2017 for standard balance date taxpayers). Under the new rules close companies which provide one or two vehicles to shareholder-employees may elect to use the motor vehicle expenditure rules instead of paying FBT. This would mean that, like sole traders and partnerships, close companies may measure the business use of a motor vehicle and calculate the tax deductions allowable for motor vehicle expenditure based on business use.

New method for calculating business use to claim deductions

Also introduced is a new simplified method of calculating business use for vehicles. The new option would allow you to choose to calculate your business usage and resulting deductible expense differently. The new method does not have a ceiling (currently the ceiling in place is 5,000 kilometres of business use).

What you need to know

If you are self-employed or if you operate through a close company and this applies to you, you would need to know the total mileage travelled each year and be able to work out what proportion of that is business use.

The actual requirement would be for you to keep a vehicle logbook for three months every three years.

When it comes to calculating the tax deductible amount, the calculation is 'two tier':

for the first 10,000 kilometres, the rate is calculated on the proportion of business use for the vehicle (say 60%) multiplied by Inland Revenue's first tier rate (for example 75 cents/km but the IRD will advise the rates each year) for every kilometre after that, the rate is calculated on proportion of business use for the vehicle (e.g. 60%) multiplied by Inland Revenue's second tier rate (for example 25 cents/km but again subject to change)

What you need to do

To gear up for the change, at close of business on 31 March, record your odometer reading. Diarise to do the same thing next year. You want to be able to tell us the total number of kilometres travelled in the tax year when you bring in your records. And, sometime during the year starting 1 April 2017, keep a logbook for each vehicle for a three-month period to record mileage, costs and when the vehicle is being used for business or private purposes.

If you're in any doubt as to whether this affects you, please contact us.