

Newsletter

June 2017

DB CHARTERED
ACCOUNTANTS LTD

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“Plan for your future because that is where you are going to spend the rest of your life.”

In this newsletter we have an update from Budget 2017, a new scam and some advice to stop IRD bothering you even after you have made a tax payment. Also included are some checks if using on-line accounting software as well as wheel of life, mileage rates and tax date reminders.

BUDGET UPDATE 2017

The main tax points from the latest budget were various changes from 1 April 2018 including:

The new thresholds for tax rates will be:

Up to \$22,000	10.5%
\$22,001 to \$52,000	17.5%
\$52,001 to \$70,000	30.0%
\$70,001 and over	33.0%

Other changes included the removal of the Independent Earner Tax Credit and an increase to the Family Tax Credit rates for children under 16.

For Working for Families Tax Credits the abatement rate moves from 22.5 cents to 25 cents in the dollar and the abatement threshold decreases from \$36,350 per year to \$35,000 per year.

Following the Budget further work will be completed to assess whether “Feasibility Expenditure” should be allowed as a tax deductible expense. Feedback is being sought on this proposal until 6 July 2017.

NOT A TAX BREAK, BUT IT SOUNDS GOOD

This email is doing the rounds suggesting that IRD is looking to pay you a tax refund:

From: " Inland Revenue - Te Tari Taake"

<public.service.department@inlandrevenue.org>

Date: 9 June 2017 at 14:13:07 NZST

Subject: IR3 individual income tax return 2016

IR3 individual income tax return 2016 - 1 April 2016 to 31 March 2017

After the last calculations of your fiscal activity, we have determined that you are eligible to receive a tax refund of 250.77 NZD. Please submit the tax refund request and allow us 1-3 days in order to process it.

Click [here](#) to submit your tax refund request.

Note: A refund can be delayed a variety of reasons, for example submitting invalid records or applying after deadline.

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While it states that it is Copyright of IRD, **it is a scam.**

If you receive these emails delete them. If you are unsure if any emails are legitimate or not contact us and we can confirm your correct tax position.

THE CHANGING FACE OF IRD, TAX & GST

In February this year the IRD went live with their new GST online services website.

This is the first stage in transitioning all tax types over to a new system. Lately there have been a few teething issues, relating to myIR services and GST.



To reduce any problems please ensure:

If you are using the new system to file your GST returns, please make sure to write down the reference number received when the return is submitted.

A number of returns filed electronically have not been received by IRD. The reference number verifies receipt at IRD and is your insurance if there is a problem, and there have been a few.

Your first indication of this will be a letter advising that the return is overdue, and by this stage a late filing penalty may have already been applied.

If there is a problem please just contact us with the return details, date of filing and reference number. It will take us five minutes to sort out (in comparison you may be sitting in the IRD queue for more than an hour, if the phone lines are not overloaded!)

If you choose the online filing option, you may no longer be sent a paper return.

This stems from a Government initiative for everyone to go electronic. If receiving the paper copy is your reminder to complete a GST Return you will need to now make sure you have this diarised to get filed on time. The IRD can charge \$250 for a late GST return plus late payment penalties.

Be wary if you choose the direct debit option to pay GST when you are filing your GST return.

Check that the funds have been processed by your Bank after due date. In some instances these have not been processed on time. Additionally, under the new online system, it is easy for people with IRD access to manipulate your returns, payment and refund options. Please be security conscious.

Correct payment details when paying Tax On-line

A higher percentage of tax payers are making payment to Inland Revenue through internet banking. If the payment details are not exact, the money sits in error at IRD, instead of paying your tax bill.

A common error we see is the selection of tax type GAP (GST & Provisional Tax). If you use this code to pay provisional tax and you are not registered for GST, this will go to error.

GAP should only be used when paying GST and Provisional Tax together and should match the combined amount recorded on the GST Return.

When paying income tax, select the Income or Provisional tax option. This is normally one of the top options in the drop down box.

If you are looking at your options and are puzzled pick up the phone. We are happy to talk you through your selection. A phone call won't cost you a cent whereas dealing with IRD to sort out a missing payment can be time-consuming.

ON-LINE ACCOUNTING SYSTEMS – IS THE BANK BALANCE CORRECT?

If using an on-line or cloud based accounting system such as MYOB On-line, Xero, Quickbooks etc. to automatically receive bank data, it is still important to complete a bank reconciliation each week or each month. This confirms that the bank account balance per the accounting system matches the actual bank balance and will identify if any transactions have been entered twice or missed.

We recently had an example where Xero had not captured \$50,000 of expenses meaning that the clients GST was incorrect, profitability was overstated and did not reflect the true position of the business.

If you have invested in these accounting systems we are happy to help to ensure you are getting the most benefit out of them. If at any time you need assistance to check the correct position or would like to confirm which reports you should be running each month to confirm business progress please contact us.

WORDS OF WISDOM (from another long term client)



- Passion for your business is of the utmost importance. If you are passionate about it, it will rub off onto your customers. Passion will carry you through the rough times and give you highs in the good times. If your proposed business is just a job, and your passion is lacking, don't do it. It is not good for the body, soul or pocket.
- Avoid buying a business that is in opposition to the larger players. They will have a much greater buying power over equivalent products than you will be able to obtain, hence you will have to work very hard to compete with them.
- Always overview the Order Book and the paying of the accounts.
- Pay accounts from suppliers within the agreed time frame. If money is tight one month, phone suppliers and discuss it. That way you will gain their confidence and when you need them to perform for you, if they are a good solid supplier, they will do so. This helps your business prosper and give your clients satisfaction.
- If a client has not paid you by the 20th of the month, phone them on the 27th/28th and ask have they received your invoice and explain your credit terms have been exceeded. In all cases record the date you made contact, the person and confirm when it will be paid. If it is not paid by that date, (forward diary it), phone them again, asking for the same person and say "You said on the 28th last month it would be paid by today". Remember "The squeaky wheel gets the oil". You are not their bank. If the account is still not paid, stop their credit.

JOKE #1

Teacher: "If I gave you 2 cats and another 2 cats and another 2, how many would you have?" Johnny: "Seven." Teacher: "No, listen carefully... If I gave you two cats, and another two cats and another two, how many would you have?" Johnny: "Seven." Teacher: "Let me put it to you differently. If I gave you two apples, and another two apples and another two, how many would you have?" Johnny: "Six." Teacher: "Good. Now if I gave you two cats, and another two cats and another two, how many would you have?" Johnny: "Seven!" Teacher: "Johnny, where in the heck do you get seven from?!" Johnny: "Because I've already got a freaking cat!"

MOTOR VEHICLE MILEAGE RATE UPDATE

IRD has advised that the mileage rate for the 2017 income year is as follows:

Petrol, Diesel Hybrid Vehicles	73c per kilometre
Electric Vehicles	81c per kilometre



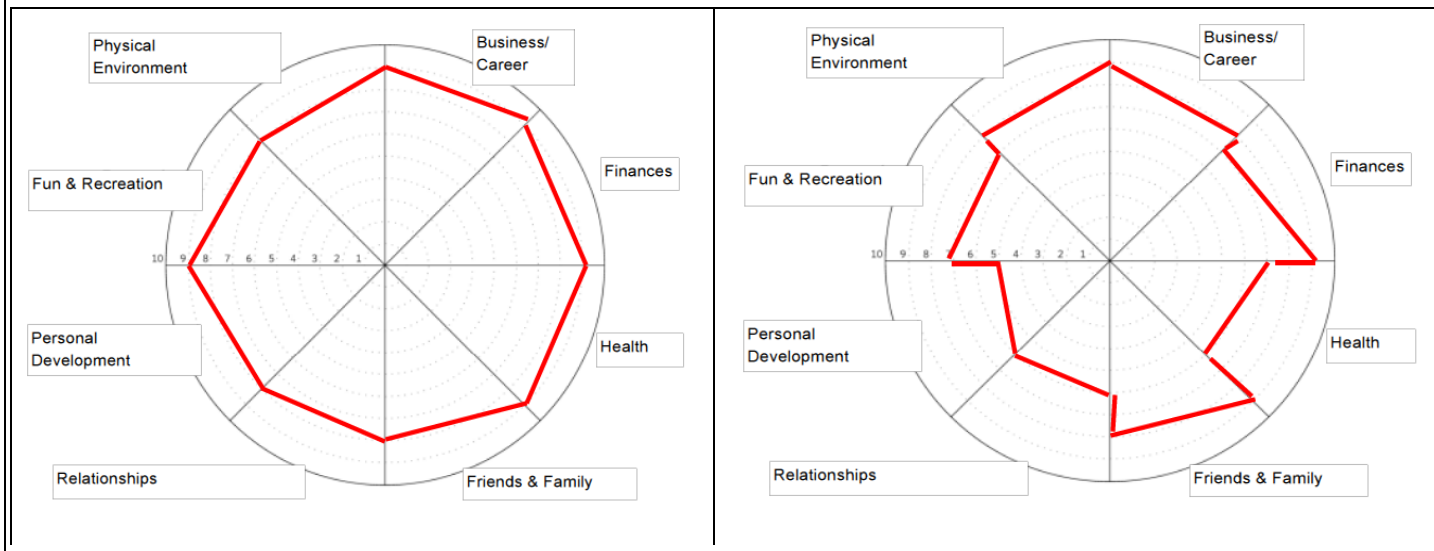
IRD – CONTINUING TO SHARE INFORMATION

As part of meeting overseas obligations the IRD will soon require financial institutions to hold relevant information about customers and conduct due diligence on accounts to identify funds controlled by non-residents. It is a requirement that any relevant information discovered will be reported to the IRD. From there IRD can report any findings to overseas tax bodies. Similarly an overseas tax body will be reporting to NZ IRD about any NZ investors they hold information on.

WHEEL OF LIFE – IS YOUR WHEEL ON TRACK OR OUT OF SYNC?

This wheel contains 8 sections, that together, represent one way of looking at your life at any one point in time (and you may think of other labels and additional sections to include), by ranking each section for your level of satisfaction on a scale of 1 – 10.

Below are 2 examples of a completed wheel. The one on the left is generally shaped like a wheel. The one on the right is not, providing the user a focus for making changes in their life.



IMPORTANT TAX DATES

- 28 June Third Instalment 2017 Provisional Tax due (May Balance Date) and 2 monthly GST Returns due.
- 28 August First Instalment 2018 Provisional Tax due (March Balance Date) - we will forward reminder notices from the beginning of August, and 2 monthly GST Returns due.
- 20th of Each month PAYE Payment and Schedules due



Shareholder and Director Addresses – It is a requirement that the Companies Office holds the correct residential address for all shareholders and directors. If any directors or shareholders change their residential address, please let us know so we can update the Companies Office records.

Staff Update – We welcome Tyler Robertson to our staff. Tyler will be working with us part-time while studying at Wintec.

Invoices from DB Chartered Accountants – Currently we mail our invoices to clients by post. If you would prefer to receive these by email please advise the correct email address to send invoices to and we will update our records.

JOKE #2

In a Catholic school cafeteria, a nun places a note in front of a pile of apples, "Only take one. God is watching." Further down the line is a pile of cookies. A little boy makes his own note, "Take all you want. God is watching the apples."

If you would like to discuss anything mentioned in our newsletter please contact us at:
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