

# Newsletter

March 2015

DB CHARTERED  
ACCOUNTANTS LTD

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**“If opportunity doesn’t knock, build a door.”**

In this newsletter we have a reminder about year end information, cover off the legal requirements for employment agreements and some more words of wisdom. We also have an explanation on depreciation, the tax implication on providing accommodation to employees, along with stocktake and minimum wage information.

## **END OF FINANCIAL YEAR**



If you have a March balance date, we would like to remind you of some of the things to attend to for year end. These include:

1. **Reconcile Bank Account** – whether you use accounting software or a manual cash book system, you will need to ensure it reconciles to the bank statement as at 31 March 2015.
2. **Accounts Receivable** – Is your accounts receivable list accurate as at 31 March 2015? If you have any bad debts, ensure these are written off prior to 31 March (This is an IRD requirement).
3. **Accounts Payable** – All unpaid invoices dated 31 March and prior. We are able to claim these as expenses for you in the 2015 income year, even though they are not paid until April.
4. **Stock on Hand & Work in Progress** - Complete a stock-take and record stock and/or WIP as at 31 March 2015. If your stock as at 31 March 2015 is \$10,000 or less you do not need to calculate a stock value – we can use the previous years figure (if your total turnover is less than \$1.3 million).
5. **Computer Reports** - If you are using an accounting package, print out (or save to PDF) copies of the general ledger transaction report, trial balance, accounts receivable & accounts payable and bank reconciliation as at 31 March 2015 – and don’t forget to do a backup, especially before rolling into a new year.
6. **Other Information to Compile**
  - Bank interest “RWT” certificates
  - Dividend statements
  - Details of any income received that has not been banked to your business account
  - Details of any Cash on Hand as at 31 March 2015
  - Income Protection Insurance invoice
  - Donation Receipts for your rebate claim
  - Provide any information relevant to child support and WFFTC

A copy of our complete 2015 checklist is available on our website, [www.dbchartered.co.nz/forms.php](http://www.dbchartered.co.nz/forms.php) under **Annual Checklists**.

## **EMPLOYMENT AGREEMENTS – Do You Meet the Legal Requirements?**



It is a legal requirement that employers have a signed employment agreement for all employees. To meet the minimum requirements by law, it must contain at least the clauses listed below, or a derivation thereof and be signed by each party.

- **Employer & Employee** – The parties names – Employer and Employee
- **Position** – What the Employee is being employed as.
- **Duties** – List of duties as set out in a job description which should be attached to the agreement.
- **Place of Work** – Where the parties agree that the Employee shall perform their duties at.
- **Working Hours** – If the Employee is Full or Part Time and what the Employee's hours of work shall be.
- **Types of Pay** – For example: “The Employee's salary shall be \$xx per annum, which shall be paid weekly on Thursday by direct credit into a bank account nominated by the Employee.”
- **Public Holidays** – If an employee works on a public holiday they must be paid at least time-and-a-half for the time worked. If the public holiday falls on a day they would normally work, the employee is also entitled to an alternative paid holiday.

There are also mandatory clauses to ensure you specifically cover:

- **Rights in contracting out situations**
- **Restructuring due to transfer of business**
- **Negotiations with new employer if business is sold (and options if no transfer or employment is offered)**
- **Resolving Employment Relationship Problems**

The Dept. of Labour is currently actively chasing non-compliant employers. If you do not have compliant employment agreements we recommend that you deal with this as soon as possible. A good place for information and to create an employment agreement if you do not already have one in place is:

<http://dol.govt.nz/tools/employmentagreementbuilder>

Remember that if you want to have a trial period of up to 90 days, it **MUST** be agreed in writing PRIOR to commencement of any work. A trial period cannot be offered to an employee who has previously been employed by that employer.

*Please feel free to give us a call if you need to discuss employment issues.*

## **DEPRECIATION – How much can I claim?**

When a business purchases an asset for more than \$500 the IRD requires that the asset is depreciated over a period of years. This means that if a new vehicle or plant is purchased (say for \$40,000), the \$40,000 is not considered as a tax deductible expense in that year. A depreciation calculation is completed so that the asset is written off over a number of years based on the economic life of the asset.



In the case of a motor vehicle, depreciation is calculated at 30% Diminishing Value (i.e. the calculation is based on the opening book value each year) or 21% Straight-line (calculation is based on original cost). Depreciation is calculated on a monthly basis. For example if the new asset is purchased in February 2015 you are entitled to claim 2 months depreciation for the financial year. This could mean that while from a cash-flow point of view the business has paid out \$40,000 it will only receive an expense claim for 2 months depreciation.

**WORDS OF WISDOM**

An older client who remembers the sayings or proverbs that were in common use as part of that generation’s upbringing provided us with these selected proverbs about your own life and for living happily with a positive attitude.

- Hope springs eternal
- Get up and get on with your day
- Don’t cry over spilt milk
- Where there’s a will there’s a way
- Life is what you make it
- Enjoy your own life without comparing it with others
- Look at the bright side
- Make the most of every day
- Don’t cross bridges until you get to them
- Satisfaction is in a job well done!
- Do unto others as you would have them do to you

And a quote from another author:

“Happiness is a by-product of how we look at life.”

**FARM ACCOMMODATION ALLOWANCE**

The provision of farm accommodation provided by an employer is a taxable benefit to the employee. The taxable amount is the difference between the market value of the accommodation provided and any amount that the employee pays to the employer. In a rural area the “market rent” may be discounted due to lack of availability of tenants.

The taxable value of the market rent must be added to the employee’s salary/wages each pay period to establish the gross pay. PAYE deductions are calculated on the gross pay.

**Example**

Sam is on an annual salary of \$60,000.

The rental market value for the accommodation supplied to Sam is \$500 per month. Sam does not make any contribution for his accommodation to Jim, his employer.

Sam is paid monthly by his employer. The calculation of Sam’s monthly salary is as follows:

Gross salary (60,000/12)	5,000
Add accommodation allowance	<u>500</u>
<b>Gross salary</b>	<b>5,500</b>
Less PAYE (on M tax code)	<u>1,148</u>
Net Salary	4,352
Less accommodation allowance	<u>500</u>
<u>Net amount payable to Sam</u>	<u>\$3,852</u>



Without the accommodation allowance Sam’s PAYE deduction would have been \$990. The taxable allowance must be included in the employee’s gross wages on the *Employer Monthly Schedule (IR 348)*.

If the accommodation allowance is not included in the PAYE calculation, then the employer could be liable for the additional PAYE that should have been deducted, as well as any penalties incurred.

**JOKE #1**

Paddy & Murphy are working on a building site.

Paddy says to Murphy “I’m gonna have the day off, I’m gonna pretend I’m mad!”

He climbs up the rafters, hangs upside down & shouts “I’M A LIGHTBULB! I’M A LIGHTBULB!”

Murphy watches in amazement!

The Foreman shouts “Paddy you’re mad, go home.” So he leaves the site.

Murphy starts packing his kit up to leave as well .”Where the hell are you going?” asks the Foreman.

“I can’t work in the friggin dark!” says Murphy.



## **STOCKTAKES AT 31 MARCH 2015**

If you have stock (worth over \$10,000 at 31 March 2015) please remember that you will need to do a stocktake of all product on hand at 31 March 2015 (a Tuesday this year).

You should have a list of all the stock items and the cost of each item (GST excl).

If you have a computerised stock recording system, the annual stocktake is a good time to bring the computerised system into line with the physical stock on hand at that date.

The stocktake is important for performance monitoring and income tax purposes.

Ensuring you have an accurate closing stock figure means we can calculate annual cost of goods sold correctly. For further information on how stock can be valued, please refer to the March 2014 Newsletter on our website <http://www.dbchartered.co.nz/newsletters.php>



## **HOW IS BUSINESS TRACKING?**

The new financial year is upon us. Have you taken the time to think about your expected income and expenses for the coming year? If you need assistance with planning ahead we are here to help. Some of the ways we can assist you include:

- Helping you make a plan of your annual income and expenses to assess expected annual profit and see if this fits with your expectations.
- Provide regular financial reports for your business so you can see how things are tracking during the year (put some actual figures to your “gut feel”)
- If you have made an annual plan we can provide reports showing actual to budget so you can assess progress towards targets set.

**No matter how big or small your business, planning now will give you a target to aim for and help you keep your finger on the pulse.**

*Contact us to discuss how we can assist.*

## **JOKE #2**

Old farm owner John had a small farm in the Waikato. The Department of Labour claimed he was not paying proper wages to his workers and sent someone out to interview him.

“I need a list of your employees and how much you pay them,” demanded the inspector.

“Well,” replied old John, “There's my farm hand who's been with me for 3 years. I pay him \$600 a week plus free room and board. The cook has been here for 18 months, and I pay her \$500 a week plus free room and board. Then there's the half-wit who works about 18 hours every day and does about 90% of all the work around here. He makes about \$10 per week, pays his own room and board and I buy him a bottle of bourbon every Saturday night.”

“That's the guy I want to talk to, the half-wit,” replies the inspector.

“That would be me,” replied old farmer John.



## **MINIMUM WAGE TO INCREASE 1 APRIL**

The adult minimum wage is increasing from \$14.25 an hour to \$14.75 an hour on 1 April 2015.

The starting-out/training minimum wage will also increase from \$11.40 an hour to \$11.80 an hour (80% of the adult minimum wage).

Thanks for reading.

You can read earlier copies of our newsletter at <http://www.dbchartered.co.nz/newsletters.php>

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

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