

Newsletter

March 2016

DB CHARTERED
ACCOUNTANTS LTD

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In this newsletter we have information on the latest changes to the minimum wage, end of financial year reminders and a detailed explanation of Imputation Credits. Also included are changes to employment law and the next round of tax dates.

MINIMUM WAGE TO INCREASE 1 APRIL 2016

The adult minimum wage is increasing from \$14.75 an hour to \$15.25 an hour on 1 April 2016.

The starting-out/training minimum wage will also increase from \$11.80 an hour to \$12.20 an hour (80% of the adult minimum wage).

Now may be a good time to review your employees to check if any employee currently on the starting-out or training wage will need to be moved to the adult minimum wage.

The adult minimum wage applies to all workers aged 16 and over who are not starting-out workers or trainees, and all workers who are involved in supervising or training other employees.

The starting-out wage is for:

- 16 and 17 year olds starting out in the workforce (during the first six months of employment)
- 18 and 19 year olds who have been on a benefit for six months or more (employed less than six months)
- 16 to 19 year olds in training in a recognised industry-training course involving at least 40 credits a year.

The training minimum wage applies to employees aged 20 years or over who are doing recognised industry training involving at least 60 credits a year in order to become qualified.

YEAR END INFORMATION

For those of you with a March balance date, we would like to remind you of some of the things you need to attend to for the year end. These include:

1. **Reconcile Bank Account** – whether you use a computerised or manual cash book system, you will need to make sure it reconciles to the bank statement as at 31 March 2016.
2. **Accounts Receivable** – Is your accounts receivable list accurate as at 31 March 2016? 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 2016 income year, even though they are not paid until April.

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“Life is like riding a bicycle; to keep your balance you must KEEP MOVING” – Albert Einstein

YEAR END INFORMATION (Continued from page 1 ...)

4. **Stock on Hand & Work in Progress** - Complete a stock-take and record stock and/or WIP as at 31 March 2016. If your stock as at 31 March 2016 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 2016 – 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 other income received that has not been banked to your business account.
 - Income Protection Insurance details
 - Donation Receipts for your rebate claim
 - Provide any information relevant to child support and family assistance claims

A copy of our complete 2016 checklist is available on our website, www.dbchartered.co.nz/pdfs under Common Forms/Annual Checklists.

IMPUTATION CREDITS – AN EXPLANATION

Imputation Credits is a method where the tax paid by a Company is transferred to shareholders when a dividend is paid.

When a dividend is paid the Imputation Credit (being Company tax previously paid at 28%) is attached to the dividend. Resident Withholding Tax is then paid to bring the total dividend tax credits to 33%

An example could be:

Net Dividend	\$100,000	Amount reducing Retained Earnings
Imputation Credits (IC's)	<u>\$ 38,889</u>	(Calculated at 38.89%)
Gross Taxable Dividend	<u>\$138,889</u>	
Less Imputation Credit	(\$ 38,889)	(\$138,889 x 28%)
Resident Withholding Tax (RWT)	<u>(\$ 6,944)</u>	(Paid on Gross Dividend at 5%)
Net Cash Dividend	<u>\$ 93,056</u>	Amount paid /credited to shareholder

Resident Withholding Tax (RWT) is paid on the gross dividend at 5%. The dividend at that point is tax paid at 33% (currently the top personal tax rate and the Trust tax rate – so no further tax payable).

Companies need to be aware that when they eventually wind up, the balance of Retained Earnings needs to be distributed along with Imputation Credits and any RWT paid. There is a cash cost of the RWT which falls due for payment at the IRD on the 20th of the month following the dividend/distribution.

Declaring dividends during the life of the company will reduce a potentially large RWT cost further down the track.

OVERSEAS INCOME

A NZ tax resident is taxed on NZ earnings as well as any earnings on overseas investments. If you hold assets in a foreign country (including bank accounts, shares, bonds and property) remember to advise us of any income received when supplying your year end information so this can be included in your tax return. The IRD has wide access to information on overseas holdings and has good systems in place to track those not declaring their foreign earnings.

Additionally, if transferring foreign pensions into NZ there can be tax consequences. If you need to confirm any likely tax position, contact us.

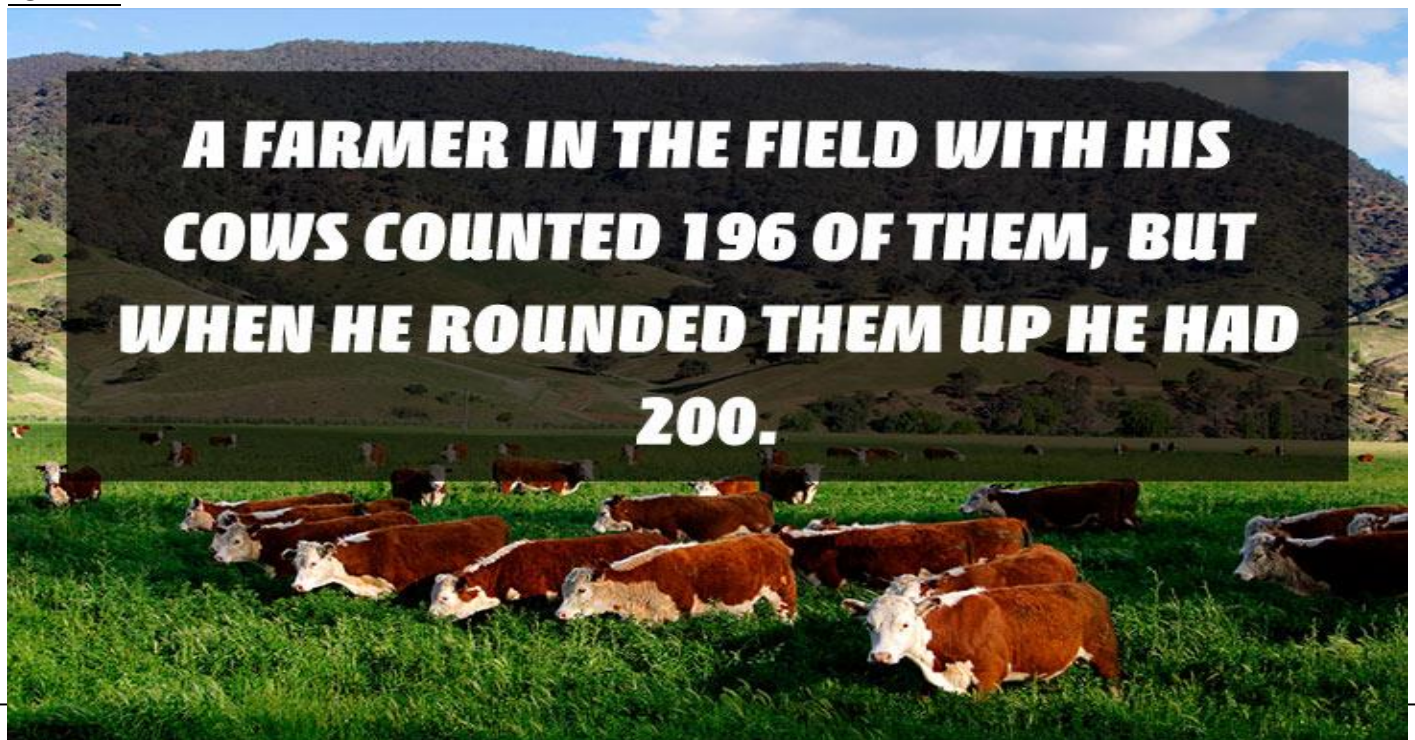
EMPLOYMENT LAW

The Employment Standards Legislation Bill is expected to come into effect on 1 April 2016. All new employment agreements will have to comply with the standard and existing agreements will have a transition period of 12 months.

The Key Changes are:

- Agreed hours of work are to be recorded in the employment agreement or there must be an arrangement related to when the employee is to work
- Cancellation of shifts – agreements must now specify a reasonable notice period that an employer is required to give a shift worker before cancelling a shift. It must also include the amount of reasonable compensation payable if that notice period is not given. If these requirements are not met the employee is entitled to be paid as if they had worked the shift.
- Availability provisions make work conditional on the employer having the work available and require that where the work is available that the employee is able to undertake that work. This is sometimes referred to as a 'zero hours contract'. Employers are no longer able to have this availability provision in an employment agreement unless there is a genuine reason, and the employee is compensated for making him or herself available to do the work.
- The Wages Protection Act 1983 requires an employer to get written consent from the employee before making deductions from wages. The Bill clarifies that a general deduction clause in an employment agreement counts as written consent to make deductions directly from wages. However, the Bill also puts responsibility on employers to consult with the employee before making the deduction. Note the employer is barred from making unreasonable deductions from an employee's wages.
- Secondary employment – Agreements cannot restrict secondary employment without genuine reasons which must be stated in the employment agreement e.g. intellectual property, commercially sensitive information, reputation, conflicts of interest.

JOKE #1



IMPORTANT TAX DATES

31 March	Final date to file tax returns for taxpayers (if you have a tax agent and permitted extension of time)
31 March	Final date for ratio option 2017 Provisional Tax applications
7 April	Final payment date for 2015 Terminal Tax due
7 May	Third Instalment 2016 Provisional Tax due (March Balance Date)
28 June	Third Instalment 2016 Provisional Tax due (May Balance Date)



PLAN THE YEAR AHEAD

With the new financial year about to start it is a good opportunity to complete a financial forecast for the upcoming year.

A forecast will let you:

- Assess the likely expenses for the year
- Confirm the likely gross profit required or achievable (both dollars and %)
- Assess the required income for the year to **a.** breakeven and **b.** meet the desired profit/net income result.
- Provide a picture of income and expenses to compare against actual results during the year. This allows you to monitor progress and regularly address any areas of concern throughout the year.

The internet has various forecast templates, or we can assist you to complete a forecast and will include cashflow analysis allowing for timing of loan repayments, GST, tax, drawings and asset purchases. If you would like assistance with this contact us on 847-8154 (or email office@dbchartered.co.nz).

JOKE #2

A woman has twins, and gives them up for adoption. One of them goes to a family in Egypt and is named 'Amal.' The other goes to a family in Spain, they name him Juan'. Years later; Juan sends a picture of himself to his mum. Upon receiving the picture, she tells her husband that she wished she also had a picture of Amal. Her husband responds, "But they are twins. If you've seen Juan, you've seen Amal."

VISIT OUR FRESHLY UPDATED WEBSITE

to find:

- Our end of year checklists
- Common IRD and other forms for GST, PAYE, Planning and more
- News and information

www.dbchartered.co.nz

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