

# Newsletter

March 2017

DB CHARTERED  
ACCOUNTANTS LTD

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## OFFICE CLOSURE

**Our offices will be closed for Easter 14-18 April (This includes the Tuesday of Easter weekend.)**

**We will also be closed Monday & Tuesday, 24<sup>th</sup> & 25<sup>th</sup> of April for ANZAC.**

*“Any fool can know; the point is to understand.”*

This is our 41<sup>st</sup> edition, having been provided for our clients every quarter for the past 10 years. This time we cover off the latest tax changes, tax dates and another reminder about ACC as well as minimum wage changes.

## TAX CHANGES

April 2017 is the start of a new financial year and with it are a number of changes to the tax legislation. This includes:

### Changes to Use of Money Interest (UOMI) rules

UOMI will only be imposed on tax payers when their “Residual Income Tax” (RIT) exceeds \$60,000. This includes individuals, Companies and Trusts (currently Trusts and Companies incur UOMI irrespective of level of income).

This will mean taxpayers with RIT of less than \$60,000 will no longer incur UOMI charges on provisional tax provided tax is paid using the standard uplift method and the tax is paid on time. They will also not receive credit UOMI for overpaid tax.

Where RIT is greater than \$60,000, UOMI will apply from the last provisional tax instalment date (currently charged from the 1<sup>st</sup> instalment date), provided tax is paid on time and using the standard uplift method.

Where a tax payer “Estimates” provisional tax, regardless of the amount of tax payable, UOMI will be incurred from the 1<sup>st</sup> instalment date on any difference between provisional tax paid and the final tax due. Where the taxpayer is an “initial provisional taxpayer” and the RIT is higher than \$60,000 UOMI will also calculate from the 1<sup>st</sup> provisional tax date (presumably brought in to stop high earning entities setting up to avoid UOMI).

### Late Payment Penalties

Currently if tax is paid late, a 1% penalty is imposed after day 1 and a further 4% after day 7 (total 5%). A further incremental late payment penalty of 1% per month is added to the outstanding tax payable thereafter.

For tax relating to the 2018 income year and later the additional 1% per month will no longer be charged. This will apply to GST, provisional tax, income tax and working for families tax credit overpayments.

### Information Sharing

The Commissioner will be able to disclose tax debt information for the most serious cases of non-compliance to credit reporting agencies, and provide information to the Registrar of Companies in certain circumstances. This could mean that when a credit check is completed on a tax payer with outstanding tax debt this will be disclosed and could impact on their ability to obtain finance.



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**TAX CHANGES** (Continued from page 1 ...)Schedular Payment Rates (formally with-holding tax payments)

Contractors subject to the schedular payment rules will be able to elect their own withholding tax rate. The schedular payment rules will be extended to contractors that work for labour-hire firms. Contractors not covered by the schedular payment rules will be able to opt in to the rules with the consent of their payer.

Correction of Errors

When a tax payer has made an error in their income tax, FBT or GST Return they are able to correct the error in the next return due if the error is \$1,000 or less.

Other Matters – also in the pipeline are changes to:

- Allow close Companies to claim motor vehicle expenditure based on business usage as an alternative to having to account for FBT.
- Move the threshold for annual FBT returns - increased from \$500,000 to \$1,000,000 of PAYE/ESCT.
- Amend the rules so that RWT exemption certificates do not need to be renewed annually.

**10 YEARS OF INFORMATION:**

Our newsletter, in its current form, has been sent out to our clients every quarter since March 2007. During this time we have covered:

Profit Analysis  
Managing Cashflow and the Cashflow Cycle

Calculating Business Costs  
Foreign Investments and Tax  
Managing Accounts Receivable and Stock  
Time Management  
Organisation Chart for a Business  
Various Budget Updates  
ACC – Explanations and reminders  
Business Growth and the impact on Cashflow  
Managing Business Risk  
Trustee Responsibilities  
Director Responsibilities  
Fair Trading Act  
How provisional tax is calculated  
Several Book Reviews  
Impact of Changing Shareholders

Changes in tax rates, tax law, KiwiSaver, Mileage Rates, GST (from 12.5% to 15%), Use Of Money Interest, Financial Reporting, Allowances

Explaining motor vehicle deductions, depreciation, imputation credits, how to calculate gross profit and mark-up, PIE Investments, Working For Families, ACC, Inventory Turnover and number of days of Stock on Hand, depreciation recovered, Working Capital, various tax deductions, interest times cover, Fringe Benefit Tax (FBT) and FBT reimbursements for vehicles to name a few.

*If you ever need a reminder of any of the above, just ask and we can send you a copy of the relevant newsletter or check our website [www.dbchartered.co.nz/news](http://www.dbchartered.co.nz/news)*



Fraud

Monitoring and the difference between sales, profit, cashflow and drawings  
Gross Profit Margins  
The Real Cost of Finance  
Business Planning  
Investment Property Matters and Expenses to Claim  
Employment Agreements and Legal Requirements  
Health and Safety Reforms  
Having A Money Plan – for Business and Personal  
Employers Record Keeping Requirements  
Monitoring Inventory Turnover (Stock Turn)  
The Impact of Discounting  
Calculating Movement in Net Worth  
IRD Updates  
Several Good Jokes  
Common GST Errors

**JOKE #1**

A little girl and a little boy were at daycare.  
 The girl approached the boy and said, "Hey, Stevie, wanna play house?"  
 He said, "Sure! What do you want me to do?"  
 The girl replied, "I want you to communicate."  
 He said to her, "That word is too big. I have no idea what it means."  
 The little girl smirked and said, "Perfect. You can be the husband."

**ACC – SOME REMINDERS**

ACC is one area where we receive a number of queries.

- If you are lodging a personal claim, give us a call. If you are a business owner taking a PAYE salary, you should pay the first week of pay after the accident and then cease wage payments if you are going to be incapacitated for an extended period.
- We recommend that you carefully check your ACC invoices before paying. While you want to make sure you have adequate income cover in case of an accident you do not need to pay more ACC than required.  
 Two things to check:
  1. Is the classification code for your industry or business correct?
  2. If you are self employed does the invoice correctly state if you are involved in the business full-time or part-time? (Part-time being where you work on average less than 30 hours per week).

**BENEFITS OF COVER PLUS EXTRA**

This ACC option is available to individuals (and shareholder employees who do not receive a PAYE salary). It is a way of having a **guaranteed level of income** in case of an accident and **avoids the need to prove loss of earnings** before being entitled to ACC compensation. While this type of ACC cover does cost more it provides a good protection of guaranteed income until you are able to return to full-time work. This is particularly important if income levels fluctuate year on year.

Additionally if you operate as a partnership where one partner is doing a labour intensive job and the other partner attends mainly to administration work (for example a wife and husband team) each partner can have a separate ACC category based on the work they do (with a Business Administration category being at a lower rate). The same scenario can apply to shareholder employees.

With ACC Cover Plus Extra, you are required to notify ACC immediately if you:

- Stop being self-employed
- Start receiving NZ Superannuation (or an equivalent)
- Stop being a non-PAYE shareholder-employee
- Change your business classification
- Have any other material change in your circumstances

**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 2018 Provisional Tax applications
7 April	Final payment date for 2016 Terminal Tax due
7 May	Third Instalment 2017 Provisional Tax due (March Balance Date) GST payment due (2 and 6 monthly for March 2017)
28 June	Third Instalment 2017 Provisional Tax due (May Balance Date)



## **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 2017.
2. **Accounts Receivable** – Is your accounts receivable list accurate as at 31 March 2017? 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 2017 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 2017. If your stock as at 31 March 2017 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 2017 – 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 2017 checklist is available on our website, [www.dbchartered.co.nz/pdfs](http://www.dbchartered.co.nz/pdfs) under Common Forms/Annual Checklists.***

## **CHANGE TO MINIMUM WAGE 1 APRIL 2017**

The adult minimum wage is increasing from \$15.25 an hour to \$15.75 an hour on 1 April 2017.

The starting-out/training minimum wage will also increase from \$12.20 an hour to \$12.60 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.

### **JOKE #2**

A tramp knocks on the door of an inn known as St. George and the Dragon. The landlady answers. "Could you give a poor man something to eat?" asks the tramp. "No!" yells the woman, slamming the door in his face. A few minutes later, he knocks again. "Now what do you want?" the woman asks. "Could I have a few words with George?"

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