

NEWSLETTER

March 2023

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Easter Break

Our office will be closed
Friday 7th April
and re-open
Wednesday
12th April

*“Hard work
spotlights the
character of
people: Some
turn up their
sleeves, some
turn up their
nose and some
don’t turn up at
all”*

DB CHARTERED ACCOUNTANTS LTD

In this newsletter we cover the change to minimum wage, Short-term accommodation GST & Interest, breakeven analysis, IRD scams and cold calling, director obligations, changes to the fringe benefit tax and use of money interest rates and a list of information required for year end.

CHANGES TO MINIMUM WAGE 1 APRIL 2023

The new adult minimum wage will increase to \$22.70 on 1 April 2023 (up from \$21.20).

The training/starting out wage increases to \$18.16 per hour (being 80% of the adult minimum wage).



SHORT-TERM ACCOMMODATION - GST & INTEREST

Income that is received for renting out a property or a room through Airbnb, Bookabach or similar sites is generally subject to income tax.

GST - If the turnover from short-term accommodation activity is over \$60,000 in a 12 month period the property owner will be required to register for GST and return GST on the income.

If the property owner is GST registered in regards to another (unrelated) commercial activity, that person’s income from short-term accommodation becomes part of the taxpayers GST activity. This can result in the property itself coming within the GST net, even if the property income is less than \$60,000.

Potential hosts should therefore consider the GST implications when contemplating providing short-term residential or holiday accommodation.

In the event that IRD will have required a property owner to register for GST, when the property is sold (or when ending the activity e.g. moving into the property or changing to a long-term rental), GST will be payable on the sale price or property value (with a deduction for GST on the original purchase price).

Interest - Interest deductions on residential rental property (including short-term accommodation) is reducing each year until it becomes 0% in 2026:

For property purchased prior to 27 March 2021:

- 2023 Income Year – 75% Deductible
- 2024 Income Year – 50% Deductible
- 2025 Income Year – 25% Deductible
- 2026 Income Year – 0% Deductible

For property purchased after 27 March 2021 – 0% Deductible

For new builds (Code of Compliance after 27 March 2021) – 100% Deductible for 20 Years.

BREAKEVEN ANALYSIS – HOW MUCH DOES IT COST TO RUN MY BUSINESS?

Assessing and understanding how much it costs per day/week/month to keep the “doors open” can be a useful tool for business owners to determine what the “Break-even” point is, i.e. how much in sales and profit is required per day/week/month in order to “breakeven”. Business owners can then use this information to establish how their current business is going or, if they are thinking of introducing a new service or product, what is required in sales or profit per week to cover costs.

Some businesses may use this information to establish at what point in the month they have covered costs and know that the remaining trading days are contributing to profit.

To establish monthly costs include wages and PAYE, rent, occupancy and other overheads, vehicle expenses, finance, loan and HP repayments and immediate drawings. This can be divided by four to get a weekly cost or say 22 (number of trading days in the month) to get a daily figure.

As an example:

Monthly Expenses

Rent	5,000
Wages	20,000
Other Overheads	10,000
Loans & HP	5,000
	<hr/>
Monthly Costs	\$40,000

How do I calculate a Gross Sales figure from a required Gross Profit?

$$\text{Gross Profit divided Gross Profit \%} = \text{Gross Sales}$$

e.g.

$$\frac{\text{Gross Profit } (\$10,000)}{40\%} = \text{Sales } (\$25,000)$$

This equates to \$10,000 per week or \$1,820 per day (for a month with 22 working days)

If the business achieves a gross profit of 40% it would need to be making sales of \$25,000 per week to breakeven (or \$4,550 per day), provided it maintained the 40% gross profit margin.

There are other matters to consider when using this calculation, including the fact that often December and January have fewer working days, however the above provides a useful guide. If you would like to understand this calculation in more detail, get in touch.

IRD SCAM EMAILS & COLD CALLING

Scam emails from IRD are circulating again.

Ways to identify scam emails that appear to be from IRD:

- It is not sent from the IRD email address
- There is a link that does not go to the IRD website (do NOT click the link)
- It does not have the IRD logo
- IRD do not put refund amounts in emails or use ‘NZD’ in emails
- Contact details are wrong, there are grammar, spacing and punctuation mistakes
- IRD will not supply links in emails. They will ask you to log into your myIR to access your information.



Inland Revenue have had an increase in scammers cold-calling businesses. They pretend to be from a real business and offer savings of up to 50% on tax bills including small business loans. The scammers are using several names including Discount Club/Wel Network/Wel Network Marketing.

The scammer pays the tax bill to IRD in full and the victim pays the discounted amount to the scammer. Meanwhile the scammer cancels the payment to IRD leaving the victim out of pocket for funds paid to the scammer and the tax bill unpaid.

DIRECTOR OBLIGATIONS

Directors of Companies have certain legal obligations which are detailed in the Companies Act 1993.

These duties include:

Act in good faith and in the best interests of company (s131)

Exercise powers for proper purpose (s133)

Comply with the Companies Act and the company constitution - if it has one (s134). If you are not sure your company has a constitution this is noted on the Companies Office website for any company (and can be downloaded from that site)

Must not - agree to, cause or allow the business of the company being carried on in a manner likely to create a substantial risk of serious loss to the company's creditors.

(s 135 – Reckless Trading)

Duty in relation to obligations (s136). This means that a director of a company must not agree to the company incurring an obligation unless the director believes at that time, on reasonable grounds, that the company will be able to perform the obligation when it is required to do so. This will include taking on contracts, incurring debt or obligations with suppliers.

Duty of care (s137) - a director must exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances taking into account, the nature of the company, the decision the position of the director and the nature of the responsibilities undertaken by him or her.

Whether you are a director of Spark or the director of a family business the above obligations apply. If at any time you are unsure if you can meet your obligations and duties feel free to get in touch to discuss your situation.

JOKE

I gave up my seat to an elderly person on the bus. And that's how I lost my job as a bus driver.



CHANGES TO FRINGE BENEFIT TAX & USE OF MONEY INTEREST RATES

Use of Money Interest

From 17 January 2023 IRD has increased the Use of Money Interest (UOMI) Rate on underpaid tax to 9.21%.

UOMI is charged to all tax payers who have not paid provisional or terminal tax on time, until the required tax amount is paid.


Additionally, taxpayers with annual tax payable over \$60,000 will be charged UOMI from the 3rd provisional tax date (7 May for March balance dates & 28 June for May balance dates) until they have paid the annual tax due in full.

For provisional tax payers, when tax is overpaid, the IRD now applies a credit interest rate of 2.31%.

FBT (Fringe Benefit Tax) Interest Rate

This rate applies to loans provided to employees, and where a company has advanced funds to shareholders or associated parties. As from 1 January 2023 the interest rate increases to 6.71%.

YEAR END INFORMATION



Important
Information

What should be attended to and collated at the end of the financial year?

1. **Bank Account** – When using online or other accounting software (and/or spreadsheets), ensure it reconciles to the bank statement for each bank account as at 31 March 2023.
2. **Accounts Receivable** – Is your accounts receivable list accurate as at 31 March 2023? 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 in the 2023 income year, even though they are not paid until April or later.
4. **Stock on Hand & Work in Progress** – Complete a stock-take and record stock and/or WIP as at 31 March 2023. If your stock as at 31 March 2023 is \$10,000 or less you do not need to calculate a stock value – we can use the prior year figure (if your total turnover is less than \$1.3 million).
5. **Computer Reports** – If you are using an accounting package, save to PDF (or print out) copies of the general ledger transaction report, trial balance, accounts receivable & accounts payable and bank reconciliation as at 31 March 2023 (and complete any required backups - especially if rolling into a new year).
6. **Asset List** – This is the time to go through your asset list from the previous year and advise us of any assets that have been sold, stolen, scrapped, destroyed or traded.
7. **Checklist** – Complete and sign the checklist. This is available on our website and should be included with your records www.dbchartered.co.nz/pdfs
8. **Other Information to Compile**
 - Bank interest/RWT certificates
 - Dividend statements
 - Income Protection Insurance details
 - Donation Receipts for your rebate claim
 - Details of any other income received that has not been banked to your business account

SCHEDULING 2023 FINANCIAL STATEMENTS

In the new Financial Year, we will contact you to arrange the scheduling of your 2023 Financial Statements & Tax Return preparation. This will allow us to confirm with you when your financial statements and/or tax returns will be completed and when we will require your records by. Scheduling this work helps us to ensure that we will meet your expected timeframes.

IMPORTANT TAX DATES

- | | |
|----------------------|--|
| 31 March 2023 | -Final day for Ratio option Provisional Tax applications. |
| 11 April 2023 | -Final date for 2022 Terminal Tax due. |
| 7 May 2023 | -Third installment 2023 Provisional Tax due (March Balance Date)
-GST Payment due (2 and 6 Monthly for March 2023). |
| 28 June 2023 | -Third installment 2023 Provisional Tax due (May balance date). |



Are you an accounts receivable?
Because you are outstanding to me!



Thanks from the team at DB Chartered Accountants Ltd: David, Elaine, Gaylene, Karen, Kathryn, Katie, & Pam. Later this month we will also be welcoming Emma to the team.

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

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