

Around the Office

Commercial Newsletter

May 2010



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Minimum Wage Increase

The Government has moved to increase the minimum wage from \$12.50 to \$12.75 in line with the Consumer Price Index. The training and new entrants' minimum wage will increase from \$10.00 to \$10.20. The new minimum wage rates came into effect on 1 April 2010.

Motor Vehicle Expenses - Reimbursing Shareholder Employees



The options that an employer has to reimburse an employee, including a shareholder-employee, for the business use of their private vehicle are:

- The actual expenditure incurred by the employee for the distance travelled by the vehicle for work purposes
- An employer's own reasonable estimate of expenditure likely to be incurred by the employee (this estimate may be based on a rate published by a reputable independent New Zealand source such as the New Zealand Automobile Association), or
- Inland Revenue's mileage rate. This rate is based on average travel for a motor vehicle of 14,000 km a year and is primarily intended to be used by self-employed taxpayers whose business travel is 5,000 km or less each year. This is currently \$0.70 per kilometre.

It is up to the individual employer who chooses to use the Inland Revenue's mileage rate to ensure that the rate is suitable and that it represents a reasonable estimate of the employee's expenditure. If an employee's annual business travel exceeds 5,000 km per annum, the Inland Revenue's mileage rate may no longer represent a reasonable estimate of that employee's expenditure. In these circumstances, the employer may need to use an alternative method to reimburse the employee for the excess kilometres.

This would apply to clients who own a private car outside the trading entity (usually to avoid the imposition of Fringe Benefit Tax in a company) but use it for business purposes.

Client Questionnaires



Those of you with 31 March balance dates will shortly receive the annual client questionnaire and those with later balance dates will receive them in due course. This year we have made some substantial changes to the annual questionnaire and in line with the requirements of the New Zealand Institute of Chartered Accountants we are required to have all client questionnaires completed in full and signed by the client.

We will either go through the questionnaire with you if you come in for an annual interview, or if you send in your records to us we will require that you complete all of the questionnaire and sign it. **We will not be starting any Annual Accounts until the questionnaire is completed in full and signed by you.**

Paying PAYE Electronically



If you file your Employer Monthly Schedule (EMS) and pay your PAYE online you will stop receiving a paper employer deductions (IR345) form in the mail. Instead, you can complete your employer deduction form online. The due dates remain unchanged and you can remind yourself of the due dates for filing and paying by going to www.ird.govt.nz/calendars-dates. If you file your EMS online but pay your PAYE by cheque you will continue to receive a paper IR345. The IRD are also no longer sending out annual PAYE tax tables to employers. Instead you will need to use their online PAYE Calculator at www.ird.govt.nz.

Increase in ACC Earner Levy



The ACC Earner's Levy has increased from \$1.70 to \$2.00 including GST per \$100 of liable earnings effective 1st of April 2010. The new PAYE tables relating to periods from the 1st of April 2010 deal with this so please make sure that you are using the most up to date PAYE tables. These are available from Inland Revenue or can be accessed online at www.ird.govt.nz.

Redundancy Tax Credit



If you have been made redundant or have had to make employees redundant please read this article. The redundancy tax credit has been introduced to make it fairer for people who are pushed into a higher tax bracket when they receive a lump sum redundancy payment. This applies to redundancy payments paid on or after 1 December 2006.

The redundancy tax credit will be paid at a flat rate of six cents per dollar for the first \$60,000 of the redundancy payment received per redundancy. This is based on the redundancy payment **before** it has been taxed. The maximum amount claimable per redundancy is \$3,600 (\$60,000 @ 6%). Please contact us to discuss if you think you may qualify.

Sending Annual Accounts to your Bank



When we send out final Accounts to you we usually include a bank copy to be sent to the bank. More often than not, the banks contact us in the first instance and request copies of the Accounts from us. We can either send the Accounts by post or via e-mail. This year when we send out your final Tax Returns for signing, there will also be a separate sheet for you to sign authorising us to send a copy of the Accounts to your bank when they request them.

Buying Your First Home with KiwiSaver



KiwiSaver has two features to help you buy your first home or land to build on:

1. The KiwiSaver First Home Deposit Subsidy
2. KiwiSaver First Home Withdrawal

Both of these features can also be used to help buy land to then build a house on, or buy an apartment that is being built. These will be available after 1 July 2010. Housing New Zealand administers the deposit subsidy and your scheme provider administers the savings withdrawal.

KiwiSaver First Home Withdrawal

After three years membership of a KiwiSaver scheme, or complying scheme you may be able to withdraw all, or part, of your savings (but not the government contributions) to put towards buying your first home. As a first home buyer, please contact your KiwiSaver or qualifying scheme provider to apply.

KiwiSaver First Home Deposit Subsidy

You can apply for the first home deposit subsidy if you have belonged and contributed to a KiwiSaver scheme, complying scheme or exempt employer scheme for at least three years. The subsidy is \$1,000 for each year of contribution to the scheme, up to a maximum of \$5,000, after you have contributed for five years. You can buy a property with other people in which case you may all qualify for a deposit subsidy. You may only receive the deposit subsidy once.

Eligibility Criteria

To be eligible for the deposit subsidy, you must:

- be 18 years or over
- have not received a deposit subsidy before
- be a member of a KiwiSaver scheme
- have contributed at least the minimum percentage of your income to a KiwiSaver scheme, complying scheme or exempt employer scheme for at least three years (does not need to be consecutive). From 1 July 2007 to 31 March 2009 the minimum contribution was 4 percent of income. From 1 April 2009, the minimum contribution was reduced to 2 percent
- have a combined yearly income of \$100,000 or less (before tax) for one or two buyers
- have a combined yearly income of \$140,000 or less (before tax) for three or more buyers
- be buying one of the following types of property and land arrangements:
 - Fee Simple
 - Stratum estate freehold and leasehold
 - Cross-lease (freehold and leasehold)
 - Leasehold

If you are buying a house, you also need to meet the following criteria:

- be buying your first home. You must not currently own any other property
- be buying a house within the maximum house price caps. The house price cap is \$300,000 for Canterbury
- be planning to live in the house.

If you are buying land and planning to build a house on it, or buying an apartment that is being built, you also need to meet the following criteria:

- be planning to live in the house or apartment
- have a house built within 12 months of purchase of the land. You will need to supply a Code Compliance Certificate to show that this has been done
- be able to show, if you are building on land or buying an apartment that is being built that:
 - you will have funding for the construction of the building
 - the total cost of both the land and the house or apartment is within the house price caps
 - the land or site is ready to build on

Previous Home Owners

If you have previously owned a home or land, but no longer have a share in a property, you may still be eligible for the first home deposit subsidy and savings withdrawal.

Pre-approval

Apply for pre-approval if you are considering using the first home deposit subsidy to buy a house or land to build on and want to confirm your eligibility before you start house hunting. Housing New Zealand will confirm whether your application is successful.

How to Apply

There are two ways to apply, depending on your circumstances. Apply for a pre-approval if you have not found a house or land or build on, but want to find out if you are eligible before you start house/land hunting. Skip that process and apply for the first home deposit subsidy directly if you already have found a house/land, and have a sale and purchase agreement. Note, you cannot apply for a pre-approval or approval until 1 July 2010. To apply for the first home withdrawal, contact your KiwiSaver scheme provider, or complying fund provider.

Other Home Ownership Assistance

You may be able to use the Welcome Home Loan product for a home loan with the KiwiSaver home ownership products. This is for anyone that has little or no deposit. Welcome Home Loan criteria applies in addition to KiwiSaver product criteria.

Staff News



Our latest graduate, Danie Henderson, has recently started with us – here's a little bit about him:

Danie Henderson

Danie was brought up on a sheep and beef farm east of Dannevirke south of Hawkes Bay. He attended Lincoln University for four years where he studied Accounting and Supply Chain Management. Even though he is still a Hurricanes supporter, he enjoys living down in the mainland and thinks he knows his way around Canterbury pretty well. Danie joined Brown Glassford because of his special interest in farming. In his spare time he enjoys playing rugby, league and working on his family farm.