

# Around the Office – Commercial Newsletter



BROWN GLASSFORD AND CO LTD

Your Focus : Your Business...

Our Focus : Your Business...

JULY 2015

P 03 365 0881



F 03 377 2991



E [admin@brownglass.co.nz](mailto:admin@brownglass.co.nz)



[www.brownglass.co.nz](http://www.brownglass.co.nz)

If you have questions or comments about anything in this newsletter, please don't hesitate to get in touch with us.

## ACC SERVICE

We are now offering an ACC Administration service to our clients. Currently ACC send their levy invoices to you directly, but unfortunately they are not always correct. The types of errors we find include:

- Incorrect industry classification descriptions
- Incorrect liable earnings calculations
- Incorrect levies where changes have been made to the business structure
- No splitting of income to allow for different types of work carried out

Our ACC Administration service will involve the following:

- We become your ACC agent and receive the ACC invoices
- We will review the invoices to check they are correct
- We will advise you immediately of payments due
- We will keep you up to date with any changes in ACC legislation that may affect you

Please contact us if you would like to know more about this service, including what it will cost and how to get it started.

## STAIR ACCESS TO OUR OFFICE NOW AVAILABLE

The stairwell is now available between 8.30am – 5pm for those clients who would prefer to use the stairs instead of the lift to access our office at Level 2, 504 Wairakei Road.

## CLIENT FOLDER AND INDEX

A reminder that we have a supply of folders and indices which can be used to help collate your accounting information to bring in to us. Please get in touch if you would like us to send you a folder and/or index - [admin@brownglass.co.nz](mailto:admin@brownglass.co.nz) or 365 0881.

## IRD – FREE TAX INFORMATION FOR BUSINESSES

If you are looking for a “refresher” on some basic tax topics or have an family member or employee looking to get into business for themselves, we have found these online videos to be a good place to start – topics include business structures, income & provisional tax, expenses, GST, and record keeping. [See here.](#) If you have any questions about the topics covered then please contact us.

## IRD ONLINE PAYMENTS

We recommend clients not to use the GAP tax type when making GST and Provisional Tax payments at the same time. We are often finding that these payments are taking longer for Inland Revenue to process and that the combined payments are not being split correctly between GST and Provisional Tax.

In some cases the Provisional Tax portion has ended up going to the GST and eventually being refunded as an overpayment. This in turn causes the Provisional Tax payment to be late which incurs late payment penalties. We recommend clients pay GST separately using the GST tax type, and then pay Provisional Tax using the INC tax type. Always keep an eye on the year you are paying the amounts to.

## IRD – PAYMENTS BY POST

A reminder that as from 1 October 2014 taxpayers who post payments to IRD need to have those payments arrive at the IRD on or before the due date to avoid late payment penalties and interest. New Zealand Post recommends you allow 3–4 working days for delivery from cities and towns and 5–10 working days from rural areas. Also, only cash or eftpos payments will be received by Westpac bank branches for tax payments. Where possible, IRD are encouraging taxpayers to make payments online.

## IRD AUDIT ACTIVITY

After many years where IRD audit activity was generally minimal, they have now altered their process to issue Risk Review – Requests for information. A risk review is a preliminary review of selected information to determine whether or not a formal audit is warranted. This process can be compared to a “fishing trip” to see if there is anything which will interest the IRD. Once this process is complete the department will, if required, formally commence an audit. Prior to the audit commencing, you may voluntary disclose any errors or omissions reduce the taxation penalties by up to as much as 100%.

Ordinarily, these initial requests for information will be sent to us as your agent. However, in some cases they are sent directly to our clients. If you receive one of these, we request that you contact us.

**IRD – MILEAGE RATES**

The mileage rate for both petrol and diesel fuelled vehicles remains at \$0.77/km for the 2015 income year. The rate is for individuals who travel 5,000km or less pa. It can be used by businesses using private vehicles for business purposes to calculate expenses for business use of a vehicle. It can also be used by employers as a reasonable estimate of vehicle expenses incurred by employees for the use of their vehicles for business travel.

**EMPLOYEE DEBT DEDUCTIONS**

Sometimes IRD may request employers to deduct monies owing to IRD by employees directly from their wages. If you are an employer in this circumstance the IRD will request this action by notice including payment instructions and will also notify you when to stop making those payments. These deductions are in addition to and must be kept separate from the usual PAYE and other deductions made from an employee's wages, and are not to be included on the IR348 employer monthly schedule or IR345 employer deductions form.

**FILING AND PAYMENT DATES**

We remind clients that IRD are now strictly enforcing the due dates for payment of various taxes, essentially in an effort to encourage taxpayers to make these payments electronically. You can still choose to make these payments by cheque, however, the payment must be received to IRD by the due date otherwise late payment penalties and interest may apply. Lately we have found the IRD less willing to remit these penalties and interest so we suggest that you allow sufficient time if these payments are being sent by surface mail or that you change to paying electronically.

Similarly, the IRD is also encouraging taxpayers to have any refunds owing paid by direct credit to the taxpayers bank account. This is a secure and quick way to get refunds back to you. We wrote to all clients last year to recommend adopting this payment method and to get the relevant bank account details to enable IRD to do this. If you have not yet supplied that information and would still like to receive refunds by direct credit please contact our office so that we can assist you with this.

**STUDYLINK**

Eligibility for student allowances have always been subject to a Parental Income test, and in the last 2 years the definition of Parental Income has been broadened considerably to include things such as income in closely held companies in which the parents have an interest, income in trusts that have been settled by the parents, and adjustments for when parents have used the Income Equalisation Scheme or Deferred Fertiliser provisions.

The Studylink Student Allowance application form now requires a Parental Income Worksheet to be completed which can be viewed [here](#). i.e. it is no longer acceptable to simply send a certified copy of each parent's income tax return with the application. If you are completing this worksheet and are unsure of what details to include or exclude then please contact us.

**KIWISAVER AND EMPLOYER SUPERANNUATION CONTRIBUTION TAX (ESCT)**

If you have employees who belong to a superannuation scheme (e.g. Kiwisaver) you will normally pay contributions to that scheme. ESCT is a tax deducted from your employer contribution to the employee scheme and paid onto IRD. The IRD have a good online video to help you understand what your obligations are and how to calculate them. Check it out at [www.ird.govt.nz/esct](http://www.ird.govt.nz/esct)

**PAID PARENTAL LEAVE**

This is a government funded entitlement to eligible parents who are self employed or in paid employment. The period this entitlement will be paid has increased from a maximum of 14 weeks to a maximum of 16 weeks, and that change takes effect 1 April 2015. If you are an employer you will be asked to complete part of the paid parental leave (PPL) form on behalf of your employee, in particular to confirm their current earnings, their expected return to work date (if it is within the 16 week period), and their length of service and hours of work. It is important that you get this right for your employee so that they get their correct entitlement.

**GST ON SECONDHAND GOODS USED IN YOUR BUSINESS**

In some circumstances you may have purchased second hand goods to use in your business but did not claim GST on them because the seller was not registered for GST. The good news is that you can claim a GST credit on those goods. Secondhand goods are commonly defined as goods previously used and paid for by somebody else, in relation to GST they do not include:

- New goods
- Primary produce unless previously used
- Goods supplied under lease or rental arrangements
- Livestock

Also, special rules apply when those goods are purchased from an "associated person" (which has a pretty wide definition). Where a supply of secondhand goods is made by a non-registered person (or the supply is otherwise not taxable) to a registered associated person, the input tax credit available to the recipient is restricted to the lesser of:

- The GST paid on the original cost of the goods to the supplier
- GST content of the purchase price, or
- GST content of the open market value of the supply