

Around the Office – Commercial Newsletter



BROWN GLASSFORD AND CO LTD

Your Focus : Your Business...

Our Focus : Your Business...

MAY 2014

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

KEY TAX DATES COMING UP

28 June 2014

3rd instalment of 2014 provisional tax due for May balance date taxpayers

28 July 2014

3rd instalment of 2014 provisional tax due for June balance date taxpayers

Annual RWT Reconciliations

These should be filed by 31 May 2014, and note that any RWT owing should have been paid by 20 April 2014.

If any clients think that their 2014 year taxable income may be considerably higher than 2013, and have not already discussed that with us, we recommend you talk to us so we can consider whether or not you should pay some voluntary 2014 provisional tax so any IRD use of money interest may be minimised.

28 August 2014

1st instalment of **2015 provisional tax due** for March Balance Dates. When making these payments, please ensure you pay to the correct year.

INSTALMENT PAYMENT ARRANGEMENTS

Any tax that is not paid after the legal due date is usually subject to late payment and interest charges by IRD.

Whilst we don't often have clients in these circumstances, if you think you may not be able to make a payment for a particular reason then we recommend contacting IRD before the due date to see if IRD will accept an alternative payment arrangement. If accepted, these arrangements normally mean that IRD will limit any penalties and interest to an amount less than what it would be if you do not contact them.

DEPRECIATION RECOVERED-EARTHQUAKES

IRD has introduced some provisions to provide relief from income tax where insurance proceeds received as a result of damage to buildings results in depreciation recovered. These provisions have recently been amended to both increase the period for which relief is available, and make that relief available to other parties who invest with the asset owner to rebuild those assets.

ONLINE PAYMENTS TO IRD

We often need to follow up with clients regarding late or non payment of various taxes. Often these relate to client errors made in online payments to IRD. We have found that the two most common errors made when making online payments are:

Using the incorrect tax type code eg: INC for income tax, GST for goods and services tax, PAYE for tax deducted from wages. Follow [this link](#) for a guide as to which tax code to use.

Assigning the payment to the incorrect tax period – this is especially the case for provisional and terminal tax payments since the payment date may relate an earlier or later income tax year.

E.g the above provisional tax payment dates are after balance date but actually relate the the 2014 year and should be allocated to the tax year ended 31 March 2014 (the tax year will always have a 31 March date irrespective of your balance date)

IRD PAYMENT METHOD CHANGES

IRD have recently announced the following changes which will take effect on 1 October 2014;

- IRD will no longer accept cheque payments via Westpac Bank branches.
- When making payments by post, IRD will now record the date of payment as the date that they receive payment, not the date that is postmarked on the envelope.

IRD are clearly encouraging taxpayers to file and pay all tax return types online. We recommend that you do this where practicable. However, if you continue to make payment by surface mail, and given the increase in delays that users of postal mail are experiencing we recommend that you send these payments sooner than you usually would in order to avoid any IRD late payment penalties and interest.

MILEAGE RATES

The current mileage rate of 77c/km, for both petrol and diesel fuel vehicles, is to continue for the 2014 year.

Clients who meet certain criteria have a choice of using the IRD's mileage rate or actual costs if they consider the IRD's mileage rate doesn't reflect their true costs. If you use actual costs you need to keep records to support any expenses claimed.

Employers who reimburse employees for the use of their private vehicle for business-related travel may use the 2013 vehicle mileage rate or an alternative estimate such as the rate set by the New Zealand Automobile Association Incorporated.

IRD NUMBERS FOR BABIES

You can now apply for your baby's IRD number when you register the birth with the Department of Internal Affairs. You will need IRD numbers for your children to be able to receive Working for Families Tax Credits. It's now as simple as ticking a box on the birth registration form. If the baby's birth has already been registered, you'll need to apply for an IRD number in the usual way by completing an IR595 from the IRD website.

EMAIL AND PHONE SCAMS

We continue to see scams where clients are contacted either by phone or email and told that they have IRD refunds due that require the taxpayer to provide internet banking login details before the "refund" will be paid. Ignore them – neither we nor IRD will ever ask you for internet banking login details.

ACC SERVICE

After conducting a pilot over the 2013 year 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 error 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

MIXED USE ASSETS

The calculation of allowable deductible expenses has changed for certain mixed-use assets, such as holiday homes, boats and aircraft. Previously, expenses could be claimed for the period of time the asset was available for business use. The rules are now based on the amount of time an asset is used in business or private.

A mixed-use asset is defined as follows:

- One that is used for both business and private use, and is unused for at least 62 days during the income year.
- Includes land and buildings irrespective of cost
- Includes boats and aircraft that cost \$50,000 or more (applies from 1/4/2015)

Expenses relating to a mixed-use asset will fall within one of three categories:

- Solely related to business use, the expenses are 100% deductible
- Solely related to private use, the expenses are not deductible
- Related to both earning income and private use, the expenses are apportioned.

INTEREST RATES

The Reserve Bank have finally started their much anticipated tightening of monetary policy by lifting the OCR 0.25% on 13 March 2014. Also, over the past 12 months or so there has also been a significant lift in the longer term fixed rates.

Since interest often makes up a significant part of the cash expenses of a business, we think it is important that clients understand how their particular interest rate is determined and are actively encouraging they ask their bank the following questions:

1. What is my margin?"
2. "What is the range of margins the bank charges its clients in similar circumstances to mine?"
3. "Given where I sit in this range, what can I or my business do to reduce that margin?" (ie: in terms of cashflow and/or security offered).

A greater understanding of these will help determine what influence you can have over your cost of funding.

NZ POST & IRD DIRECT CREDITS

We find that mail delivery is becoming slower and slower. This has meant delays in both receiving correspondence from IRD and delays in you receiving correspondence from us (including your refunds and tax payment reminders).

We have written to all clients enclosing an [IR587](#) form to complete so you can receive your refunds via direct credit. Many clients have sent these back, if you have not yet sent your forms back you please do so in the next couple of weeks or get in touch with us to discuss.