

# Around the Office – Commercial Newsletter



BROWN GLASSFORD AND CO LTD

Your Focus : Your Business...

Our Focus : Your Business...

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## FASTER GST REFUNDS

It is now compulsory for Inland Revenue to provide GST refunds by direct credit to a taxpayer's identified account, resulting in faster GST refunds. Obviously, it's important that Inland Revenue has your correct banking details.

From here on, Inland Revenue will only make GST refunds by cheque if they do not have a customer's bank details or if there are extenuating circumstances such as hardship.

## AUDIT INSURANCE UPDATE

We wish to advise our clients that we are no longer using Audit Shield for IRD/Audit Insurance cover. As part of our membership with NZCA, we are eligible to join their insurance scheme. This scheme provides cover for additional reasonable and necessary accounting costs incurred as a result of any audit, official inquiry, official investigation, official review or official examination undertaken in relation to a lodged New Zealand tax return, by or on behalf of the government of New Zealand and any division or department thereof. There is no separate charge to any client and all clients are automatically covered under this new insurance scheme, which Brown Glassford carry the cost for. If you have any questions regarding this, please don't hesitate to contact us.

## TEAM VIEWER

Brown Glassford has purchased a subscription for Team Viewer. This is a programme that allows us remote access to your computer. We can use this to talk you through how to fix a problem or show you how to do something.

## DIRECT DEBIT FOR GST

You are now able to set up a direct debit for your GST through your MY IR account. If we complete your GST for you, and you would like the amount automatically direct debited, please let us know and we can arrange for this to be setup.

## USE OF MONEY INTEREST

Inland Revenue have recently decreased their Use of Money Interest Rates for underpaid tax to 8.22% (was 8.27%) and overpaid tax to 1.02% (was 1.62%).



## XERO UPDATE

Brown Glassford are now fully accredited for preparing Xero Accounts and can offer commercial clients a comprehensive service and regular reporting to assist in budgeting and cashflow. We encourage our commercial clients to consider using Xero and are happy to answer any queries clients may have concerning this. We are also able to offer full implementation of this programme and ongoing support and training for clients who would like to know more about using this system.

## CONTACT FROM INLAND REVENUE

If you receive a text or email from Inland Revenue regarding a late payment of taxes we urge you to contact our office in the first instance as we will be able to assist, given we have all your information to hand. Inland Revenue's systems can be delayed meaning you may receive a message even if you have paid your tax on time. Receiving this contact from Inland Revenue can be alarming, but often there is a simple explanation, so do not worry - just contact us and we will be happy to help.

## INCOME PROTECTION INSURANCE

Many of you may have Income Protection Insurance policies to provide for your income in the event of accident or illness in addition to any cover you may receive under ACC.

We remind you that premiums for these policies may be deductible against taxable income provided that the benefit from the insurance policy is taxable. Please let us know if you have an Income Protection policy so that we can ensure it is treated appropriately when completing your income tax return.



## PROVISIONAL TAX CHANGES

Legislation has recently been passed that simplifies the obligations under the provisional tax regime. The changes will take effect from the 2017/2018 year. Most tax payers pay provisional tax three times a year based on the uplift basis - this will not change.

The standard uplift method determines an entity's tax liability based on either 105% of the past year's tax liability or, if the past years' return has not been filed, 110% of the previous years' tax paid. For example for the 2017/18 tax year this would be either 105% of the 2016/17 tax bill or 110% of the 2015/16 tax bill if your 2017 return had not yet been filed.

The Inland Revenue has amended the rules to say that for taxpayers who meet the requirements of the uplift basis, use of money interest (UOMI) will no longer be charged until the third instalment date (for those with residual income tax of greater than \$60,000) or from terminal tax due date (for all other taxpayers). This will apply for all taxpayers.

The rationale behind this is that by the time a business arrives at the due date of the third and final instalment of provisional tax (the month after balance date), the business will have a reasonable idea of how the year has gone, and should be able to make a reasonable assessment of how much tax they will have payable for the year. Inland Revenue have estimated that these changes will eliminate UOMI for approximately 67,000 taxpayers.

Finally, the late payment penalty regime is also changing. Currently a 1% late payment penalty is charged the day after tax is due, a further 4% penalty is charged at the end of the first week and a 1% incremental late payment penalty is charged each month thereafter.. For most taxpayers the incremental 1% monthly penalty will no longer be charged on GST periods from 01 April 2017 or income tax and working for families debts relating to the 2017/2018 or later years.

What this means is that we will be doing fewer estimates for the first two instalments of provisional tax, and a lot more for the third instalment. It will also mean that clients' may need to be more aware around managing their cashflow to allow for the possibility of a third larger lump sum payment at the end of year, rather than paying equal instalments throughout the year.

## IRD – MILEAGE RATES

The mileage rate for petrol, diesel and hybrid fuelled vehicles has increased to \$0.73/km from the 1<sup>st</sup> of April 2017 (previously \$0.72). Inland Revenue have also set a mileage rate for electric vehicles of \$0.81/km. This rate is for individuals who travel 5,000km or less p.a.. It can be used by a business using private vehicles for business purposes to calculate expenses for business use. 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.

## MANAGING EMPLOYEES

To effectively manage employees, a manager should give regular feedback as well as facilitate an annual performance review.

An annual performance review should:

- Clarify the tasks involved in an employee's role
- Define the basis for wage increases
- Define the basis for disciplinary action
- Measure staff performance consistently
- Document employee improvements.
- Identify training and development needs
- Provide motivation to improve skills and performance
- Help to align company goals with those of the employee

An effective performance review process will benefit employees, management and the way the entire business operates. Creating a culture that encourages personal growth and accountability ensures overall business success.

An effective performance review process should:

- Be clearly documented and accessible to staff
- Be fair and consistent across all employees
- Includes a review form for the employee to complete that engages discussion of the highs and lows in their role as well as their aims for professional development and their perceived achievement of predefined goals.

A performance review should clarify what you expect from your employee and what your employee expects from you. It should define an employee's specific objectives and the necessary timeframes to manage the delivery of these.

Your team is an investment requiring time and energy. Annual reviews will help you to ensure the professional development of your staff and your business. Having regular discussions about goals will help to keep staff engaged and achieve high performance in a high accountability culture.

## NZCA

Brown Glassford have recently become a member of **NZCA – New Zealand Chartered Accountants**.

NZCA is a network of 30 independent Chartered Accounting firms throughout New Zealand established to enable firms to enhance services provided to their clients by sharing resources. They have a number of corporate partners including Aon, ANZ, MYOB, OfficeMax, TMNZ, Wolters Kluwer and Xero. Membership is limited to enable members to have some exclusivity in their particular region. Please feel free to have a look at their website: [www.nzca.com](http://www.nzca.com).