



NEWS LETTER

December 2012



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Hello Everyone and Merry Christmas

With the festive season upon us, Wayne, Dianne and the team would like to extend Season's Greetings and wish you a New Year abounding with Health, Happiness and Prosperity.

We would also like to say a big "thank you" for your support in 2012. We look forward to working with you in 2013 and onwards.



Petrol Rebates - Refunds

All petrol sold in New Zealand has an excise duty tax applied to it. This tax is theoretically for the creation and maintenance of the country's roading infrastructure. It follows then that petrol not used in vehicles on the road should have the excise duty refunded.

Excise duty applies to the following fuels at the following current rates (as at April 2011)

- Petrol (\$0.56 per litre) - LPG (\$0.12 per litre)
- CNG (\$3.65 per gigajoule)

Excise duty does not apply to diesel. Instead of having the tax applied to the fuel, owners of diesel vehicles pay a road user charged based on mileage. Road user charges can also be refunded when vehicles are used off road (see www.nzta.govt.nz for details).

Farmers are entitled to claim a rebate on Petrol fuels used in the following in the operation of:

- Petrol tractors
- Farm bikes and Quads
- Chainsaws
- Brush cutters
- Stationary motors & generators
- Gas bottles for docking

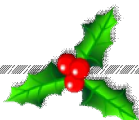
In certain circumstances, specially licensed vehicles or utes used on farm, but sometimes used for short distance travelling between farms.

December and January Are Short Working Months

As December is a short working month please ensure that all November GST papers have been brought in to us early December. We will also need December GST papers during the week beginning the 14th of January.

Payment Dates

20 Dec 2012 for November PAYE
15 Jan 2013 for November GST and Provisional Tax
20 Jan 2013 for December PAYE
28 Jan 2013 for December GST



Christmas Break

Our office will be closed for annual holidays from 12.00 Midday Friday 21 December 2012 and will re-open on Monday 14 January 2013. If you require assistance over this period please leave a message on the answerphone and one of us will get back to you.

Remember that you must have a valid GST Tax Invoice for everything in the name of the business — without it, you run the risk of IRD disallowing the spend, and hitting you with penalties. If you operate a company, that company name should be on all paid tax invoices.

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IRD Payments

When paying IRD (via internet banking), use the specific IRD payment path in your internet banking software. This forces you to enter the IRD number and the tax type/period, which then means that the payment should be processed correctly.

DO NOT memorise IRD as a payee, because each payment has a different reference.

IRD Matters — Wages deduction orders, refunds, IRD mail, Automatic Payments

IRD has been restructured, again. This is going to be good news for sorting out tax debt, because we will have a much better chance of getting a skilled person straightaway. But in the meantime IRD are not always checking the file before enforcing debt.

In particular, IRD are issuing wages deduction orders if you have debt. AND we are not getting told about it. If you get one of these letters, contact us straight away. It takes time to stop a deduction order, it can be up to two weeks.

IRD also have a new system for Refunds — and it looks like the "release speed" is now not really to do with the amount, but about other things. So, some are now coming out at warp speed, and others seem to be stuck. We are still trying to get a handle on the stuck ones, except we can't hassle IRD for 10 weeks.

The IRD printing beast moves slower than a glacier. If you get a statement from IRD, or a demand for unpaid amounts, that information can be a month out of date — three weeks to print, overlapped with a weeks delay on clearing the mail bags. If you think you have paid, please double check with us.

Motor Vehicles

If you claim the GST on the purchase, you will pay GST on the sale.

If you put a car or vehicle not classified as a 'Goods Vehicle' in a company, you will be required to do an FBT add back adjustment.

If you buy a new vehicle, you can only claim GST on it if it is bought in the name of the GST entity.

You must also explain the disposal of the old vehicle (who to, what for) and pay GST back. If you get an insurance payment, that is a deemed sale, and you pay GST on the amount. If the vehicle is in the name of a company then it will be subject to FBT UNLESS –

- a. it is a vehicle designed "principally for the carriage of goods" AND it is sign written; and/or

- b. there is a written agreement between the company and the director over the limits on the use of the vehicle.

"Goods Vehicles" are, well, goods vehicles. Utes, vans, trucks. They are not station wagons, SUV's, cars, motor bikes, or scooters. Only goods vehicles need to be sign written.

Medical and other Health Expenses

Medical and other Health Expenses are not tax deductible, even if the reason for the cost stems from your self-employment. IRD consider these to be personal, and therefore not related to your income. So physio, massage, non-acc reimbursed costs, in home gyms, counselling, doctors visits, will mostly be not claimable for income tax and GST. So the normal builder, shop owner, management consultant, etc has to treat these expenses as private.

Rental Properties

We're starting to see these being touted again as a tax saving, but the reality is different. There is now limited depreciation, so any loss incurred is going to be a cash loss — and you need to be sure that you can afford to continue this.

Tax losses often end up being much less than the proposal, so you should never apply for a special tax code to pay less tax during the year (the form is an IR23BSj) without careful consideration and a discussion with us.

Make sure you test any advice you get from "advisors" with an accountant who knows your specific financial situation.

Donations Rebates / Tax Credit Claims

We need to see and retain the original receipts here in order to claim for donation rebates. The refund is limited to the amount of tax you pay.

The donation must be to a registered donee organisation.

If you are filing a tax return, the refund will be held up until the return is filed (so it's just as easy to get us to do it at the time of filing the main return).

Livestock

If you have livestock, you need to keep track of the numbers—how many, what sort and which age you buy, sell, eat, or are born and die. It's easier to keep all your livestock transactions in one place, because we will be

asking for it at tax time. For GST clients, we are now also asking at GST time.

Doing your own books is a good idea — Yeah Right

Providers of "accounting" packages, MYOB and Xero especially, try to sell you on the idea that you must "mind your own business", and that it is drop dead easy.

It's just not that simple.

Financial records need to be kept, and collated into some form of annual summary. This doesn't need to be done by you, and sometimes it shouldn't be done by you. Our role as your accountant is to make sure the bases are covered — both the essential building blocks for tax, and the essential building blocks for managing the business.

For tax, and GST, some of the common errors we see are

- o Mistakes in the simple stuff, claiming GST on things that don't have GST, not collecting all the information or getting proper 'Tax Invoices', not getting dates right, not reconciling accounts correctly. Not keeping Tax Invoices and claiming GST on the statements only, Statements are not Tax Invoices. Mistakes in the harder stuff, claiming the right portion of shared use expenses, sorting out the GST on Hire Purchase, sorting out the GST on asset sales
- o Setting up the codes incorrectly so your collating totals are wrong
- o Changing things in a prior period after the GST has closed off
- o Getting the inventory wrong
- o Not clearing old debtors, or old creditors

Then for managing the business, not only will you have problems because of these mistakes, we also see

- o Classification of expenses, assets, liabilities and equity is often wrong
- o Clearing accounts are not cleared
- o Prior period corrections are made after the return has been completed
- o Not understanding the purpose, nor the result, on the reports.

Finally, an essential part of getting the right answer is asking the correct questions.

Are you trying to shoe-horn your core business needs into an accounting system that isn't designed to be a patient management system, stock control system, retail management system, or to keep track of construction progress, workshop scheduling or time keeping.

We prefer to do the collation for many of our clients or assist you to do it yourself because it is often quicker, and ultimately more cost efficient. BankLink is software which we recommend and can assist you with.

Just because it is called a lease doesn't mean it is

There are separate GST rules for equipment rental, and equipment hire purchase. And it's all about the fine print, not the label that is on the form, or that is told to you by the salesperson. We ask for the paperwork at end of year, or at GST time, to read the fine print and correctly record the arrangement.

If at the end of the repayment period (potentially including a balloon payment) you own the asset, then it is a hire purchase agreement. GST is claimed on the asset up front, and not the monthly payments. And we spread the interest cost across the life of the repayment. Except for loans of greater than 45 months, then it gets really messy, because there is split GST on the monthly payments, and no GST upfront.

If at the end of the repayments you still need to buy the gear, the agreement is a lease for the duration of the repayments with monthly GST and no GST upfront.

Flexirent is (almost) always a hire purchase.

Business loans and assets

Business loans and assets should only be recorded in the company if they are in the company name. The accounts are a formal record of what the company owes, and what it is owed. It is common for there to be a personal loan taken out for business use — this should show as a loan from you personally, or be included in your current account.

Equally, GST can only be claimed on assets that are purchased in the company name. So when buying a vehicle, if it is owned by the company you can claim the GST, but you could also be levied a fringe benefit charge if the vehicle does not qualify for exemption.

More IRD stuff

Penalties and Interest - All overdue IRD balances owing over \$100 incur daily interest. So when we are trying to clear an overdue amount, we will round the number up so that the payment will hopefully put the account in credit for us to then move it to a more relevant tax time.

Payments — Make sure that you use the correct tax type and period when making payments to IRD. Payroll is especially a problem, because the banking software is defaulting to the following year (ie 2013 not 2012).

GST Refunds — IRD have a new improved checking process for GST refunds. Some now come out faster, and some now come out slower. We do go looking for the money if we are aware that a GST refund is due.

Payroll Processing for Employers — this just goes weird and the more you try to fix it, the worse it gets. So if you have a problem, ring us, and we will try to help you

unravel the problem, and work out what not to do in the future.

Cashies Detection — IRD are picking up the pace, and are picking more and more people to check out why their income is too low, or why their profit is not what it ought to be. It now seems clear that if you do cashies, it is only a matter of time before IRD catch up with you.

GST on property

If you own a property on which you have claimed GST, you need to be very careful when selling it what your expectations are over the sale price. Normally, you would sell "plus GST if any" so that you are not out of pocket if the purchaser is not GST registered. There is now also a form that needs to be filled out at the time of sale, so the GST status clear.

Employing School Students

As part of the Government's Budget this year, the tax credit for children has been repealed, which may change how you tax students. The new legislation affects the current tax year (1 April 2012 to 31 March 2013) so some transitional rules apply.

Children who earn less than \$2,340 for a tax year and have no tax deducted from their wages can continue to have no tax deducted until 31 March 2013. From 1 April 2013 they'll need to complete a *Tax code declaration (IR*

330) and give it to their employer so tax can be deducted from their wages.

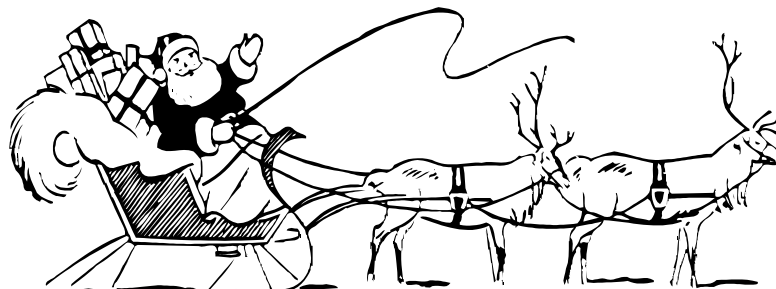
If your employees file a return or request a personal tax summary they may be assessed as having tax to pay, as the tax credit already received will no longer be taken into account. If they think they need to file a tax return they can complete an IR 330 now to change their tax code, so their employer can start deducting tax at the correct rate. This will help avoid or reduce any tax bill at the end of the year.

Tertiary students and other staff

All other staff, including any university, polytechnic or other tertiary students, must complete an IR 330 and give it to you so you can deduct the correct PAYE or tax on schedular payments from their pay.

KiwiSaver for Temporary Staff

If you employ anyone on a temporary contract for less than 28 days you don't have to enrol them for KiwiSaver. If they're already KiwiSaver members and they want you to make KiwiSaver deductions they must give you a *KiwiSaver deduction notice (KS 2)*.



Wayne, Dianne and the team wish you a
Safe and Merry Christmas
and a Happy and Prosperous New Year.

Thank you for your support in 2012.
We look forward to assisting you in 2013 and onwards.

Christmas Thoughts

Oh, for the good old days when people would stop Christmas shopping when they ran out of money. - Author Unknown

Oh look, yet another Christmas TV special! How touching to have the meaning of Christmas brought to us by cola, fast food, and beer.... Who'd have ever guessed that product consumption, popular entertainment, and spirituality would mix so harmoniously?
- Bill Watterson, Calvin & Hobbes

Christmas now seems to be the season when you buy this year's gifts with next year's money.

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