

Autumn 2016



Risk and Reward

Targeting the cash economy

Inland Revenue's crackdown on 'cashies' continues with their focus on undeclared cash in the construction and hospitality sectors. Last year, the Auckland region saw the most activity. Inland Revenue are now widening their reach. They've been trying to change attitudes among tradies and subcontracting businesses and their efforts seem to be getting results.

Inland Revenue acknowledge people trying to cheat on tax are in the minority but stress that they're a very expensive minority. The so-called 'hidden economy' is a cost to all New Zealand taxpayers, who carry more than their fair share because of it. There's another hidden cost too, as business owners who are meeting their tax obligations find it hard to compete with operators who can undercut on quotes because they don't pay tax.

What's this have to do with you, you may ask. Because we're sure you're up to date with your tax obligations. In which case: sweet.

However, if you are in the situation of having under-reported – or unreported – income, now is a great time to straighten it all out. We want to help you make sure your returns are accurate and timely and, as far as possible, help you avoid penalties and use of money interest on any tax owing.

If you think you might have got yourself into a mess with your tax, declaring it early and taking action to correct it goes a long way toward setting you apart from deliberate tax evaders. You may have made a mistake or filed an incorrect tax return, left out some income from your return or incorrectly claimed expenses. We can help you make a voluntary disclosure which may reduce shortfall penalties by up to 100% and protect you from prosecution.

Setting the record straight

Inland Revenue have signalled they will be looking at businesses' record keeping systems. Key targets will be that all jobs and all income are being recorded and that GST is being handled properly. Recent prosecutions indicate that PAYE records are another hot topic, along with the corresponding employment records. If sketchy records are a quick way to set off the IRD alarm bells, this could be a great time to do a sense check on your records and systems.

As a business owner you're required by law to keep certain records. Poor record keeping lets you down just in terms of the penalties that apply for record keeping failures (up to \$12,000). Inadequate systems also make it harder for you to keep track of what you owe, how much you have already paid, to whom and what for and who owes what to you. You lose track of things, miss key deadlines and your costs increase in proportion to how much of a nightmare it is to straighten it out.

With the advances in online systems of recent years, many businesses have overhauled their systems and are in good shape to pull out regular management reports that detail their position clearly. However, there may still be areas where things fall through the cracks.

This applies particularly in industries such as construction where large amounts stay on the table as retentions until the job is completed and it is difficult to keep track potentially across several tax years. At the other end of the scale, the high volume and high speed cash transactions of the hospitality sector can also punch holes in the records.

If you are still making do with the basic systems you started out with, it is possible that your business has outgrown them and they now constitute a business risk. We can help you to look at this and do something about it, if necessary.





Mileage rates

If you're self-employed you can use the Inland Revenue mileage rate to calculate the cost of using your motor vehicle for business purposes. Last year the commissioner reviewed the mileage rate for the 2015 tax year and decreased it from 77 to 74 cents per kilometre.

Timely Reminders

Note: these dates apply to those clients for whom we prepare tax returns. Different dates will apply for those clients for whom we don't prepare returns. Please ask us if you'd like more information.

| Tax Type | Who / What | When it's due |
|----------|---|--|
| PAYE | large employers return and payment | 7 March (due to 5th falling on a weekend) 5 April 5 May |
| | large and small employers return and payment | 21 March (due to 20th falling on a weekend) 20 April 20 May |
| GST | return and payment | 29 March (due to 28th falling on Easter Monday) 30 May (due to 28th falling on a weekend) |
| | quarterly return and payment (if you pay it quarterly) | 31 May |
| FBT | return and payment (if you pay it on an income year basis under the close company option) and you have a: | |
| | February balance date | 7 March |
| | balance date between 1 March and 30 September | 7 April |
| | annual return and payment (if you pay it annually) | 31 May |

Provisional and Terminal Tax

| I pay provisional tax... | And my balance date is... | So my provisional tax is due next... |
|-------------------------------|--|--|
| 2 monthly (6 times a year) | February, April, June, August, October or December | 29 March (due to 28th falling on Easter Monday) AND 30 May (due to 28th falling on a weekend) |
| | January, March, May, July, September or November | 9 May (due to 7th falling on a weekend) |
| 4 monthly (3 times a year) | February, June or October | 29 March (due to 28th falling on Easter Monday) |
| | March, July or November | 9 May (due to 7th falling on a weekend) |
| | April, August or December | 30 May (due to 28th falling on a weekend) |
| 6 monthly (twice a year) | February or August | 29 March (due to 28th falling on Easter Monday) |
| | March or September | 9 May (due to 7th falling on a weekend) |
| | April or October | 30 May (due to 28th falling on a weekend) |
| Terminal tax | between 1 March and 30 September | Terminal tax payment due 7 April |

Noticed anything?

You might have noticed we've changed the logo relating to our professional membership. Some time ago, the New Zealand and Australian institutes of Chartered Accountants amalgamated to become Chartered Accountants Australia and New Zealand. There's a new logo to go with it which you may see on our website and in future communications from us. While our professional ethics and high standards remain the same, we feel the combining of the Institutes creates a stronger organisation with greater resources and more opportunities. We're committed to maintaining (and where possible, improving) the high quality of our service to you.



No more residual levies

From April, employers, earners, and motor vehicle owners no longer have to pay residual ACC levies. However it won't mean reductions across the board.

The residual levy rate calculation was based on old injury rates which have become out-dated, going back 10 years or more. The residual levies themselves were a kind of catch up to make sure there were enough funds set aside to pay for ongoing claims predating 1999.

Now, all businesses will have their levies calculated on the most recent data around injuries and the likelihood of injury in their particular industries. Hence, while most will pay less, some will pay more. The removal of residual levies alone would have seen decreases in their ACC contributions for around 53 per cent of Kiwi businesses, while 47 per cent would be paying more.

However, with other levy reductions (see above), the number of businesses paying more may come down to around 21 per cent. We'll keep you updated.

News from WorkSafe

Courtesy of Ben Walters, a health and safety practitioner with Business Risk Enterprises, we have outlined on the back page a summary of your responsibilities under the new legislation in force from the 4th of April 2016.

If you need assistance contact us and we can put you in touch with Ben who services both the Taupo and Taihape areas.



Requesting ACC Adjustments

Do you receive PAYE or Shareholder Remuneration that exceeds the maximum earnings liable for ACC; or are your earnings sourced from one or more companies? If so, we can request that ACC reassess your liability and make a Multiple Employer Adjustment. This may affect how much you pay in ACC levies.

ACC cannot identify eligible customers from the information Inland Revenue provides, so levies are charged on all income. ACC rely on customers and tax agents advising that they need to reassess your liability so that you do not overpay. They then complete a Multiple Employer Adjustment.

Let us know if you think this applies to you and we can contact ACC on your behalf.

Paid parental leave

From 1 April 2016, there are further changes to paid parental leave.

The amount of paid parental leave that eligible people can take will be extended from 16 weeks to 18 weeks.

Parental leave payments will also apply to more workers. Eligibility will be extended to people in less-regular jobs, in particular to people who have recently changed jobs, seasonal and casual workers, and workers with more than one employer. 'Home for Life' caregivers and people with similar permanent care arrangements will also be eligible.



YOUR RESPONSIBILITIES UNDER THE NEW HSW ACT

The following responsibilities have been adapted from WorkSafe's Quick Reference Guide to Health and Safety at Work Act which can be accessed from www.business.govt.nz/worksafe.

| ROLE | RESPONSIBILITIES | DUTY |
|---|--|-----------------------------|
| PCBU (e.g. business entity) | <ul style="list-style-type: none"> The PCBU has the 'primary duty of care' to ensure the safety of workers and anyone affected by its work. <p>The PCBU must (as far as reasonably practicable):</p> <ul style="list-style-type: none"> Provide and maintain a workplace that is without risks to health and safety. Provide and maintain safe plant and structures and safe systems of work. Ensure the safe use, handling and storage of plant, structures and substances. Provide adequate facilities for the welfare of workers. Provide information, training, instruction, or supervision that is necessary to protect all persons from risks to their health and safety arising from work. Monitor the health of workers and the conditions at the workplace for the purpose of preventing injury or illness. | Primary Duty of Care |
| Officer (e.g. chief executive, board member or director) | <p>An officer must exercise due diligence by taking reasonable steps to:</p> <ul style="list-style-type: none"> Keep up to date about work health and safety matters. Understand the nature of the hazards and risks associated with the organisations operations. Ensure the organisation has resources and processes to eliminate or minimise risks. Ensure appropriate and timely processes for receiving and responding to incidents, hazards and risks. Ensure there are processes for complying with any duty. Verify that health and safety processes are in place and being used. | Due Diligence |
| Worker (e.g. employees, contractors) | <ul style="list-style-type: none"> Take reasonable care to ensure the health and safety of themselves and others in the workplace. Follow instructions from the PCBU. Cooperate with health and safety policies and procedures of the PCBU. Workers also have the right to refuse to undertake unsafe or dangerous work. | Reasonable Care |
| Other Person (e.g. visitors or customers) | <ul style="list-style-type: none"> Take reasonable care for their own health and safety. Ensure that their acts or omissions do not adversely affect the health and safety of others persons. Follow instructions given by the PCBU. | Reasonable Care |

Disclaimer

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.



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