

AutumnWilco 2011

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, Auckland region saw the most activity. 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 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 another hidden cost, as business owners who are meeting their tax obligations to compete with operators who 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 have your tax obligations which case: sweet.

However, if you are in the position of having underreported 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 money interest on any owing.

If you think you might have got yourself into a mess with your tax, declaring it early and taking action now is the correct way toward setting you apart from deliberate tax evaders. You may have made a mistake or filed a return that doesn't reflect some income from your return or incorrectly claimed expenses. We can help you make a voluntary disclosure which may reduce penalties by up to 100% and protect you from prosecution.

Setting the record straight

Inland Revenue have said they will be looking at businesses' record keeping systems. Key targets will be that all job income are being recorded and that GST is being handled properly. Recent prosecutions indicate that PAYE records are a topic, along with the corresponding employment records. If sketchy records are a quick way to set off the IRD alarm, it may 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. 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 know what you owe, how much you have already paid, to whom and what you owe and 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 site 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 puncture 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 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)
FBT	quarterly return and payment (if you pay quarterly)	31 May
	return and payment if you pay in an income year basis under the close company option (if 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 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

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 casual 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.

No more residual levies

From April, employers, earners, and motor vehicle owners no longer pay residual ACC levies. However, it means reductions across the board.

The residual levy rate calculation was based on old injury rates which became outdated, going back 10 years or more. The residual levies themselves were a kind of catch up to make sure there were enough funds 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 industry. Hence, while most will pay less, some will pay more. The removal of residual levies alone would have seen decreases in their ACC contributions of 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 ACC

Levy reductions

The Government has agreed to the following changes to levies from 1/4/17:

- \$ 11% reduction to the average work levy taking it to 80 cents per \$100 of liable earnings
- \$ 4% reduction to earners' levy, taking it to \$1.21 per \$100 of liable earnings
- \$ 33% reduction to combined average motor vehicle levies (the petrol levy and annual licence levy), from an average of \$194.25 currently, to \$130.26 per vehicle

Requesting ACC Adjustments

Do you receive PAYE or Shareholder Remuneration that exceeds the maximum earnings for ACC; or are your earnings sourced from one or more companies? You 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 you are charged on all income. ACC rely on customers and tax agents advising that they need to reassess your liability so 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.

Noticed anything?

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

Shaye Woolford comes from a family of entrepreneurs. She always knew she'd start her own business. It was just a matter of what it might be. Wandering around her grandmother's flourishing garden as a young girl, she never imagined it would lead to a lifelong love affair with botanicals, let alone her chosen career path.

Fast forward a few years to her time in the hospitality industry. She quickly identified a lack of unique styling at the events she was catering for, so decided to start her own floral design and prop hire business. On My Hand was born in 2011, styling private and corporate events. On My Hand has opened up opportunities to diversify and collaborate on projects such as workshops and styled magazine shoots.

Over time, Shaye has seen the need to grow her team as the demand for her business increases, especially during busier times of the year when things can get a little hectic.

'Over the course of the year, I can be liaising with as many as 40 girls at any one time for weddings, while also working on a number of corporate events, so I often need a little extra help. Because I'm a freelance stylist as well as a business owner, the balance between a self-employment role to a managerial director role depending on the time of year. With that comes a slight change when introducing new staff members and getting them up to speed and how they work. It can be a little less relaxed and make sure that everything I do is a positive example.'

Much of On My Hand's business has previously been generated through word of mouth. Shaye also turns to social media, using this extensively to promote and develop brand awareness.

'This industry bodes very well with social media because it's so visual and it has become an incredibly useful tool for the business. A range of mediums which are beneficial in different ways and each has its own community that I've cultivated.'

'I analyse my Facebook data now and then to make sure I'm on target. It's crucial to spend a little time with Facebook so that you can broadcast your message effectively.'

Shaye has run On My Hand successfully and steadily for over four years, but recently sought advice from a secondary business mentor. 'I've always had a mentor but recently took on another one to cope with my increased workload and the simple fact that this is my first business and I don't know everything!'

'There is always something to learn about business and I love to talk about it, not just mine but anyone's. As the business grows from strength to strength, with that comes a new way of managing and because I'm learning as I go, it's great to have a seasoned business owner to bounce ideas off and steer me in the right direction.'

If you've ever been to an On My Hand event, it's likely you won't see the staff. You'll know they've been there. Their silent presence is evident, accentuating and highlighting the moment to take it from ordinary to extraordinary.

Behind the scenes, Shaye is taking steps to grow her business and manage that growth.

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.