



SADLER OAKLY NEWMAN  
CHARTERED ACCOUNTANTS

# Calculating Thoughts



(the newsletter service of Sadler Oakly Newman, Chartered Accountants, Masterton)

October 2012

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Be sure to read each article with the mindset "How this could apply to our business".

Thinking of it that way will guarantee that you get the best value. Share the newsletter with staff and colleagues.

To really make sure something positive happens talk to us for that special piece of advice that will manage and grow your business ideas.

## Looking for Software?

*Confused about which one to choose?*

Talk to us **FIRST** and make sure you get the Software that is **right** for you!



**We have three MYOB Approved Partners:-**  
Becks Sayer, David Castles and Fiona Cameron were recently awarded service awards by MYOB as they have been Approved Partners for over 10 years.



**We have two Xero Certified Consultants:-**  
Kirsty Tunnicliffe and Charlotte Moodie have been certified to help you with your Xero Software.



**We also have Staff experienced**  
with all other types of Software's including:-  
Banklink, CRS, Infusion ....

## GET ONLINE AND GET FOUND!

MYOB in conjunction with Westpac are offering **Free Websites!** to everyone.

*Recent statistics show:-*  
- 80% of New Zealanders shop online.  
- 20% of businesses have a website.



*If you need help getting set up phone the office and talk to one of our MYOB Approved Partners.*

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CHARTERED  
ACCOUNTANTS

## Never Assume your ACC Bills are Correct

**ERRORS in ACC bills are not uncommon.**

**Always check the invoices you receive.**



### Typical examples include:

1. Your ACC category can be changed. For example, accounting practice might suddenly appear as administration.
2. If your personal wages plus your company salary come to more than about \$110,000 a year, you could break through the maximum levy threshold. Inland Revenue supplies ACC with your company salary figure. There appears to be no system for matching this with any other wages you have received. The sum of the two incomes could exceed the maximum ACC income threshold. For example, you might have earned consulting fees of \$70,000 and have shareholder remuneration from your company of \$80,000. Both amounts are likely to be levied by ACC, even though the total is well over \$110,000.
3. If you are ceasing business you are likely to get a provisional assessment for the next year. You need to get this cancelled.

You can split your ACC bill into different classifications only if you are actually running two or more distinct businesses through the one entity. You should check the rules on the ACC website if you think you qualify.

*For example:-*

If you employ office staff and you are a builder, ACC levies on office staff wages have to be levied at the rate for builders.

Strangely, if you are in partnership and one partner does the office work while the other is working in a higher risk occupation, the office worker is allowed to use the office worker classification. **Note**, we have said partnership. This dispensation does not apply to companies.

### *The Tip for the Month*

#### **Avoid Making Loans Between Companies**

If you are operating two or more companies, try to avoid making inter-company loans. Unless the shareholdings in both are identical, you will usually need to charge interest to the borrowing company. If you don't, the value of the interest can be a deemed dividend, which leads to tax complications. The best thing to do, if you want to move money between companies, is to take money out of the lending company, as your drawings (assuming you have a sufficiently big current account). Lodge it into the borrowing company as an advance from you, the shareholder. One thing you should **never do** is to pay one company's bills from the other company's bank account. It usually creates a lot of accounting work and can be avoided by a transfer of funds, as described above.

## TAX TALK

### *New, Secure, Online Filing for GST Returns*

IRD have just introduced a secure, online, return-filing service for GST registered customers. Now there is a better way to file your GST returns.

From now on when you file your GST returns using the new service you will get an immediate confirmation giving you certainty that the IRD has received them. You will need to have a secure online services account and then you are ready to go.

#### **What's New:-**

- The new, secure, online return will be prepopulated with your personal details and tailored to your circumstances. For example, if you are filing GST and provisional tax together, you will receive a combined form, and you will only be asked to complete the sections relevant to your situation.
- The system will do all the calculations for you.
- You can save what you have done at any time and go back to it later.
- You can save an electronic copy of the completed form and keep all your GST returns in one place.
- The IRD will send you instant confirmation, including a receipt number, with the date and time the IRD received your return, which you can keep for your records.
- You can also track the status of your returns. Are they due, saved, being processed or completed?
- You won't need a document lodgement number (DLN) anymore.

#### **Smarter Service**

After you have filed your first GST return the new way, the IRD will send you a letter each time your GST return is due for filing and when it is in your online services account. If you have filed online you won't need to send any paper returns, or any confirmation receipts you have received after filing these returns.

## ARE YOU EMPLOYING A SUBCONTRACTOR?

As a refresher on our article in the August 2010 Newsletter

From time to time you may hire subcontractors to do some work for you. If you hire a subcontractor you must deduct tax on these schedular payments.

The amount of tax to deduct is shown on the back of the Tax code declaration (IR 330). The only time you **don't** need to deduct withholding tax is if the payment is made to a company, or to an individual who has a **certificate of exemption**.

### Certificate of exemption (COE) from tax on schedular payments, formerly withholding payments (IR331)

Individuals, trusts, partnerships and companies are eligible to apply for a certificate of exemption (COE) if they:

- are in business
- receive schedular payments that are subject to a prescribed rate of tax under Schedule 4 of the Income Tax Act 2007
- have a good tax compliance history with IRD. This means returns are filed and payments are made on time. As an employer, this also means that the correct tax codes are used for employees ie, if an employee doesn't provide a tax code declaration, then tax is deducted at the no-notification rate of 30 cents in the dollar.



If a contractor has this exemption, you can make payments without deducting tax. It cannot be used to exempt an employee's salary or wages from PAYE deductions.

## In Brief

### ● **Gifts of Wine and Food**

IRD has recently announced that you can generally claim 100% of the costs of gifts such as food, wine or event tickets as an expense. When these items are given as gifts they are not covered by the entertainment rules. IRD qualifies this – if gifts are to employees fringe benefit tax considerations arise.

### ● **KiwiSaver Account**

A recent letter from a client says: "I have just reviewed my KiwiSaver account at [XYZ] and note that I have not been given credit for Employer Contributions made in November 2011. I know they were paid as my company is the employer. I could have easily missed this if I had not quickly reviewed their statement." Do you check your KiwiSaver account? You should. Mistakes do occur and could be big. Don't forget to check the closing balance on your last statement matches the opening balance on the new one.

### ● **Tax Refunds**

The IRD has issued a reminder that any tax refunds paid in error must be sent back to them. The Department expects the money back within 15 days (that does not mean working days, it means two weeks) and threaten penalties and interest charges if you hang on to the money for any longer. IRD often sends out refunds and we have asked the IRD to apply the refund to some other tax. Pause before you bank that IRD cheque. If you allow IRD to credit refunds to your bank account, be extra vigilant.

## **A REMINDER:-**

### Tax Invoices

For a tax invoice to be valid, it must have:

- the words "tax invoice" in a prominent place
- the name and registration number of the supplier
- the name and address of the recipient
- the date the tax invoice is being issued
- a description of the goods and services supplied
- the quantity or volume of the goods and services supplied and either:
  - the total amount of tax charged, the consideration excluding tax and the consideration inclusive of tax, or
  - the consideration for the supply and a statement that includes the tax charge.

### Record of Expenses

The record of your expenses should include:

- invoices for purchases of more than \$50, which you must receive when you buy goods or services on credit for the business
- evidence of payment (eg, invoice, cash sale docket, till receipt) for purchases of \$50 or less, if you wish to claim the expense for tax purposes
- evidence of credit card purchases, including credit card vouchers, payment receipts and monthly statements. Also keep the invoice issued at the time of purchase.

**You need to keep these records for seven years from the year that they were created.**

## Boost Sales and Create New Client Relationships



Running a special product offer or discounted service pack through an online deals website is becoming an increasingly popular marketing strategy to drum up business and establish new client relationships.

Time-poor consumers, or in fact anyone who loves a bargain can register to be alerted to online deals via email and secure them without setting foot near a shop. This potentially addictive experience ensures big savings and a fast transaction - with all types of products, service offerings and even accommodation on offer. This growing trend has boosted online shopping enormously.

Businesses are recognising this as a smart way to market themselves, using popular sites such as: Grab One, 1-day, daily do, and treat me.

### Reasons an online deal might work for you include:

- If your business is in start-up mode it's a great way to secure work and guarantee customers for the future
- If you have an online business it could really boost your website traffic to encourage future online sales
- What better way to launch a product and get fresh clients? Perhaps from a different target demographic...
- If you have excess stock and need to shift it then offering a great deal could march it out the door
- Need a cash-injection? You're usually paid in full, within days (minus commission) - just make sure you have the time, energy and resources to fulfil your obligations.

Include a 'gift certificate' for use on a second visit - customers are likely to return, spend more and a relationship can develop. Once you've listed the deal and made some sales the work is done, right? NO. You need to make sure your business is dressed for success, ready to wow your new clients. First impressions last - be positive, attentive, and take on feedback so they'll return.

### Why does it work?

These companies have far reaching databases capable of boosting your exposure exponentially! Offering an online deal requires minimal effort from you and you get paid regardless, whether a client redeems their deal or not.

Once the customer is through the door there is potential for upselling or securing ongoing work. If clients are satisfied, they'll spread the word and return for full price purchasing.

Be sensible about the deals you offer, get advice and help to project estimated profit and loss, taking into account your time and existing clients. Impose limits where necessary - a cup cake shop in the UK ended up having to make 102,000 cupcakes. They were so heavily discounted, the owner made an enormous loss, had to employ emergency staff and suffered serious burnout.



## TAX CALENDAR

### October 29

1st instalment of  
2013 Provisional tax for those  
who pay GST twice a year.  
(All March balance dates)

### November 28

1st instalment of  
2013 Provisional tax  
(June balance dates)

## OFFICE NEWS

### Newman Team

Abigail and Manie Bruwer were married in Carterton on the 30th June 2012 and spent their honeymoon in Australia.



### **An Important Message**

*While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.*