



AUGUST 2013

USEFUL SNIPPETS

THE NEW eGST SYSTEM

Having trouble accessing or filing your GST return online using the new eGST system? Inland Revenue has moved to a more user friendly 'eGST' online return filing system. If you have not already done so, you must first register for an Online Services account to access the online system. This requires obtaining a user name and password from Inland Revenue.

From previous experience, Inland Revenue insists on a director of a company being the authorised person able to be involved in this level of detail and we are hopeful that the Inland Revenue will relax this requirement and allow other company officers to set up the online access.

Provisional taxpayers may have also experienced difficulties in filing their GST return online. The GST return online form gives taxpayers the option to pay their provisional tax instalment together with their GST payment. The provisional tax estimate automatically calculated by Inland Revenue's system may not always correlate with the taxpayer's records. In some instances, taxpayers have been unable to change Inland Revenue's estimated figure to a lower amount. Inland Revenue has acknowledged that this is an issue with their online system and a "fix" is expected to be in place shortly.

In their latest tax newsletter, Inland Revenue advises taxpayers making internet payments for GST to use the 'GAP' payment code if paying provisional tax and GST together. If paying these taxes separately, use the GST or INC codes. Use of the wrong code will delay the credit to the taxpayer's correct tax type.

ENCOURAGING EMPLOYERS TO EMPLOY YOUTH

The Government has introduced a new initiative aimed at encouraging employers to recruit young New Zealanders, especially those who have been on a benefit. It allows the lower minimum wage rate – 80% of the adult minimum – to apply to a wider range of people.

The 'starting out' minimum wage can be paid to certain categories of youth aged 16 – 19 years. Currently, the categories are:

- 16 and 17 year olds in their first 6 months of paid employment with their current employer
- 18 and 19 year olds who have received a benefit for 6 months or more and have not completed 6 months' work with any employer since starting on that benefit
- 16 – 19 year olds involved in a recognized industry training course of at least 40 credits per year.

The starting-out wage replaces the new entrant minimum wage and the trainee minimum wage for under 20 year olds (there is still a trainee rate for those who are 20 years or older).

PARENTAL LEAVE PAYMENTS

Parental Leave payments have increased from 1 July 2013. The maximum payable for wage & salary earners has increased to \$488.17 gross per week while the minimum payable for the self-employed increases to \$137.50 gross per week.

EXCISE DUTY INCREASES

1 July 2013 also heralded new increased excise duty rates for alcohol and rises in gambling levy rates.

CONTENTS

The new eGST System	1
Encouraging Employers to Employ Youth	1
Parental Leave Payments / Excise Duty Rates	1
'Mondayisation' Ahead	2
Anti- Money Laundering	2
The End of Dial-Up Days	2
How Much Extra?	3
Significant Changes Proposed for Student Loans	3
Keeping the Wolf from the Door	3
Pro Bono Publico – 'For the Public Good'	3

'MONDAYISATION' AHEAD

Previously, when New Zealand celebrated Waitangi Day or ANZAC Day, and it fell on a Saturday or Sunday, it wasn't recognised with a day of paid leave unless the employee normally worked on that day. Consequently many employees are not enjoying the full entitlement of 11 public holidays each year. For some New Zealanders, this projected the idea that these dates, marking significant moments in our history, were not important.

We will now see the Mondayisation of these holidays. That means that if the date in question falls on a Saturday or Sunday, the public holiday will be treated as falling on the following Monday for those staff who do not normally work on the day upon which it actually falls - of course, the employee will only be paid for that Monday if it would otherwise be a working day. The public holiday will however continue to be treated as falling on the Saturday or Sunday for those staff who normally work on the day it actually falls.

Comment:

The cost to businesses following the law change is not enormous since these holidays fall on weekends in only two out of every seven years, and although the relevant amendments come into force on 1 January 2014, the first time one of these holidays falls on a weekend is not until 2015.

ANTI-MONEY LAUNDERING

The Anti-Money Laundering and Countering Financing of Terrorism ACT 2009 fully came into force on 30 June 2013.

Although the regulations provide exemptions for a range of entities and services including executors and administrators of deceased estates and trustees of family trusts providing services to beneficiaries, they also extend coverage of the ACT to certain types of financial advisers, and trust and company service providers.

Trusts that engage in activities that come under the definition of a financial institution, which includes a trust in the business of borrowing or lending money, will have compliance and reporting obligations which will be binding upon the trustee(s) and on any person(s) with a role in managing the activities of the trust.



The IRD has welcomed the new anti-money laundering regulations which will assist the IRD's current compliance programmes addressing the hidden economy abusive offshore arrangements.

and John Nash, the Manager of IRD's International Revenue Strategy, has reportedly said that there are a number of activities that may indicate that an individual or business entity is laundering money.

This may involve placing funds into children's bank accounts, personal accounts being used for obvious business transactions, multiple transactions through bank accounts without reasonable explanations and transactions both inwards and outwards with known offshore tax havens.

OECD countries have introduced similar regulations and as a result of tax investigations arising from suspicious transaction reports, it is believed Ireland has raised additional tax of over 70 million Euros, well in excess of NZ\$100 million.

Comment:

For most, the new rules will have only a minor impact. However, given the comments from the IRD, further investigations into the hidden economy can be expected.

THE END OF DIAL-UP DAYS!



Dial-up internet services and many devices that rely on them such as older burglar and medical alarms and fax machines are a step closer to the junk heap after a review of the Telecommunications Service Obligation, which guarantees minimum phone and internet services.

Copies of White Pages directories will probably no longer be automatically delivered to homes, but phone users should continue to get the option of 'free', unmetered local calls, according to a discussion paper on the future of telecommunications made public recently. The Obligation, which is an agreement between Telecom and the Crown, was last updated in 2001.

Changes are needed because the Public Switched Telephone Network and eventually most copper-based communications services are expected to be superseded by internet telephone and the ultrafast broadband network. The UFB cannot support low-speed data devices, including dial-up internet modems and other household devices that Telecom and copper network owner Chorus are duty-bound to support at present.

It was reported last year that 114,000 homes were still reliant on dial-up internet for web and email access, though it is forecast that this number will drop to 41,000 homes by 2015. Withdrawing the requirement to offer customers the capability to access dial-up services would mean some customers would no longer have guaranteed services from their interactive digital TV decoders, medical and burglar alarms. A spokesman for the Government's Communications Minister, Amy Adams, has indicated that a transition period should be considered to give end users time to move to alternative technology. However, it is too early to speculate on the length of the transition period. The obligation on Telecom to provide near universal dial-up internet access would be replaced by an obligation on the firm, or perhaps rival bidders, to provide another kind of broadband service to customers.

HOW MUCH EXTRA?

Customs Minister Maurice Williamson has revealed IRD and Customs are working on how the 15 per cent GST tax could be collected on more online transactions, especially those costing less than \$400. Other countries including Australia and the United Kingdom are also grappling with how to introduce such a system.

Mr Williamson has concerns about the technical ability to track credit card purchases with the likes of PayPal, whether any system would work with non-tangible items such as movies and music which are not physically brought into the country and the time taken up by Customs Officers diverting their interception of drugs, pornography and contraband to collect \$4.31 in GST on a \$50 purchase. Mr Williamson pointed out that even the USA had not worked out a system that could be used and if such a system was implemented people would find a way around it.

The Retailers' Association has been pushing for the move to level the playing field for Kiwi businesses, and their chief executive John Albertson disagrees and believes there are ways it could work. He is quoted as saying that as the whole payment system moves into the electronic world where virtually every offshore purchase that is made is done on either a credit card or PayPal, there must be a way to clip the ticket for the Government and add on GST. Moreover he thinks that, as offshore retailers are being 'subsidised' to the tune of in excess of \$200 million, the GST revenue would be worth collecting.

Comment:

The price of some online items now and what they would cost if GST were charged (prices include shipping with GST charged on total:

Harry Potter book box set (Amazon.com)

Now: \$100.98

With GST: \$116.82

Topshop Shoes

Now: \$111.82

With GST: \$128.59

Ironman 3 DVD (Amazon.com)

Now: \$28.92

With GST: \$33.25



SIGNIFICANT CHANGES PROPOSED FOR STUDENT LOANS

As part of the Budget 2013, the Government has announced further changes to student loans with the focus on improving repayments from overseas-based borrowers and increasing responsibility for

debt. As legislation has not yet passed, some detail may change.

The Department of Internal Affairs will share the contact details of customers who apply for or renew an adult passport. This will allow the Inland Revenue to contact any overseas-based customers who are in default with their student loan. This information-sharing proposal will be put in place later in 2013.

The Inland Revenue will also introduce a fixed repayment obligation threshold for overseas-based borrowers. This means borrowers with higher loan balances will have a higher repayment each year.

Proposed legislation will also be passed later this year which will enable the Inland Revenue to prevent student loan borrowers in serious default from leaving New Zealand.



KEEPING THE WOLF FROM THE DOOR

The first few years in a new business can be the most delicate and the new entrepreneur really does not want any unwanted surprises, especially an initial tax bill.

There have been constant murmurs recently about what to do if your business is facing tax debt, but what about some guidance as to how to avoid it altogether?

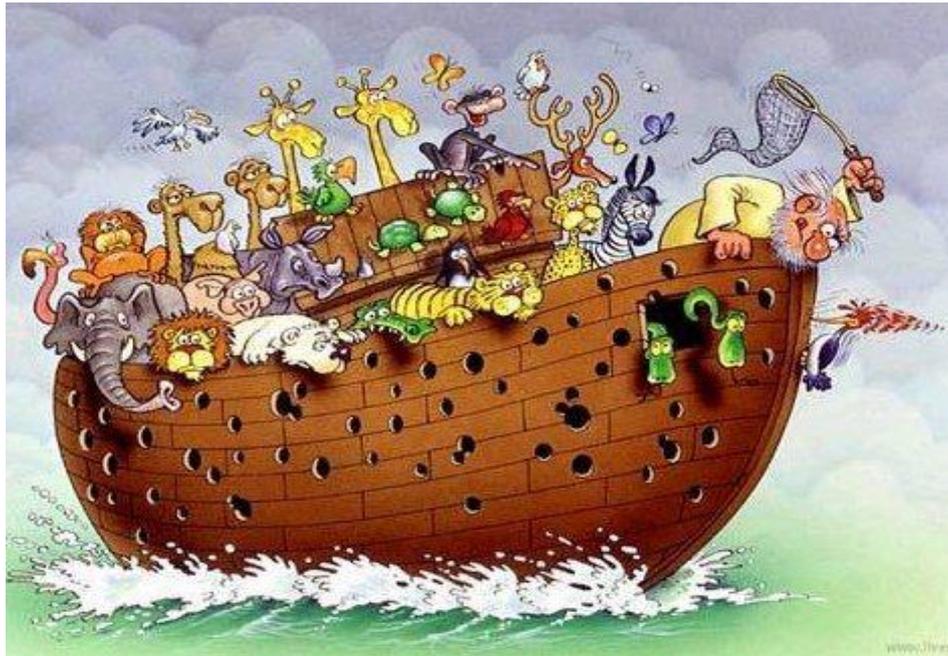
It's about that age old solution: planning. The key is to start putting surplus money aside for tax from the beginning of the business. If you are collecting GST, keep it in a separate account. And the tricky bit – once put aside, do not touch it.

This is an essential point for new businesses, because in the first year of operation the Inland Revenue does not collect income tax. However, these first year payments will be lumped in with the second year tax charges and this is often where fledgling businesses get into tax debt.

PRO BONO PUBLICO - TRANSLATION: 'FOR THE PUBLIC GOOD'

Graham & Dobson is a strong supporter of the community – giving of our time and skills pro bono to a wide range of community organisations. The Gisborne Stroke Support Group Incorporated is one such organisation – they work with stroke survivors, young and old, their carers and spouses, providing regular exercise and speech therapy workshops and social occasions. Much of their work is done by volunteers assisted by a committee of eight and a field worker. David Quinn and his team assist with the Group's day to day account administration, and with the preparation of their financial statements for audit.

Everything I needed to know, I learnt from Noah's Ark!



- One: Plan ahead. It wasn't raining when Noah built the Ark.
Two: Stay fit. You could be asked to do something really big at any age!
Three: Don't listen to critics – just get on with the job.
Four: Build your future on high ground
Five: Best travel in pairs
Six: Two heads are better than one.
Seven: The Ark was built by amateurs, the Titanic by professionals
Eight: When you cannot fight or flee – float!
Nine: Speed isn't always an advantage; the cheetahs were on board but so were the snails.
Ten: Don't miss the boat.
Eleven: Be brave - Noah floated his stock while the whole world was in liquidation
Twelve: No matter the storm, there's always a rainbow waiting
Thirteen: Remember that we are all in the same boat , and
Fourteen: Take care of your animals as if they were the last ones on earth!



NEWSLETTERS VIA THE WEBSITE

Thank you for viewing our newsletter online. If you are not already a subscriber and would like to receive our bi-monthly newsletter via email please [click here](#)