

February 2008

Change of due dates for Provisional Tax Instalments

The due dates for your provisional tax instalments are changing. These will soon be the same as the due dates for GST so that businesses only need to file one return and make one payment for both taxes.

The new provisional tax due dates start from the beginning of your 2008/09 tax year and are based on your income tax balance date.

The number of provisional tax instalments will depend on the option you use to calculate your provisional tax payments and your GST filing frequency (if you have one).

- If you pay GST six monthly you'll only need to make two provisional tax instalments.
- If you use the ratio option, you'll make six provisional tax instalments.
- Everyone else will make three provisional tax instalments.

A schedule of the old and new payment dates for Provisional Tax are as follows:

	31st March Balance Date	
	Currently	New for 2008/09
If 3 instalments are due	7 th July 7 th November 7 th March	28 th August 15 th January 7 th May
If 2 instalments are due	N/A N/A	28 th October 7 th May
If 6 instalments are due	N/A N/A N/A N/A N/A N/A	28 th June 28 th August 28 th October 15 th January 28 th February 7 th May

* If a payment date is the 28th day of December it is due 15 January and the 28th day of April is advanced to the 7th May. This is to give you additional time over the Christmas and Easter periods to pay your provisional tax. There's no change to your end-of-year tax due date of 7 April each year.

Graham & Dobson Phone Number

Just a reminder that Graham & Dobson's telephone number is 869 1234. This changed when we moved to our new premises almost 18 months ago. If you have our number stored in your phone memory, please check that you have the correct number.

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30th June Balance Date		Other non-standard Balance Dates New for 2008/09
Currently	New for 2008/09	
7 th Oct 7 th Feb 7 th June	28 th Nov 28 th March 28 th July	The 28 th day of the 5 th , 9 th and 13 th months after your balance date *
N/A N/A	28 th Jan 28 th July	The 28 th day of the 7 th and 13 th months after your balance date *
N/A N/A N/A N/A N/A N/A	28 th Sep 28 th Nov 28 th Jan 28 th March 28 th May 28 th July	The 28 th day of the 3 rd , 5 th , 7 th , 9 th , 11 th and 13 th months after your balance date *

Checklist of things to do before the end of your financial year (They may save you tax!)

It's that time of the year again when if you have a March balance date you'll need to start gathering together your accounting and tax information for the year ended 31 March 2008.

Set out below is a list of items that will assist you with this process, and remind you of some of your tax obligations.

Penalties regime

There is a mandatory 'shortfall' penalties regime in place – the penalties range from 20-150%. These penalties cannot be remitted.

Examples of where automatic penalties will be applied include when:

- Motor vehicle logbooks are not kept. (If you are self-employed, a logbook must be kept for a 3-month period every 3 years).
Please check that your work-related vehicles still meet the criteria, otherwise fringe benefit tax may be applicable.
- Stocksheets are not kept, or a stocktake is not physically taken.
- Bad debts are not physically written off before 31 March 2008.
- Withholding tax (usually 20%) is not deducted from subcontractors, unless they are operating as a company or have a certificate of exemption issued by Inland Revenue.
- Resident withholding tax on interest (19.5%, 33%, or 39% on election) is not deducted when paying interest of \$5,000 or more per annum to a non-financial institution/individual (unless a certificate of exemption is supplied).

This tax is usually due on the 20th of the following month.

Deductions

Deductible expenses may be claimed in the year in which they are incurred, even though payment may be made in the following year. Following are some special expenses which are either deductible in full or in part when they are incurred, but are related to the next income year.

The following expenses have no restrictions on the amount deductible:

- Stationery;
- Subscriptions to newspapers, journals, and other periodicals;
- Postage and courier costs;
- Rates;
- Road user charges; and
- Audit and accounting fees.

Advertising

Prepaid amount less than six months and under \$12,000.

Bad debts

To be deductible, bad debts **must** be written off **during** the income year. A mere provision or reserve is not deductible.

Consumable aids

Amount on hand under \$58,000.

Depreciation

- Taxpayers have the option of depreciating fixed assets on either a diminishing value or straight-line basis.
- Fixed assets can only be depreciated from the month of purchase, eg plant and machinery purchased on 25 March 2008 is depreciated for one month.
- Items costing up to \$500 (net of GST) may be written off in the year of purchase if certain criteria are met.

Disability/loss of profits insurance

Premiums are deductible in full where the taxpayers are in business on their own account, or are employees.

Discount reserve

A deduction for a discount reserve, such as a prompt payment discount reserve, is allowed if debtors are entitled to this discount.

In the first year, a deduction of 2.5% of the debtors' amount is allowed, and in subsequent years adjustments are made which maintain the discount level at 2.5% of the debtors' amount. If a higher discount is generally given, this could be used instead of the 2.5%.

Equipment service contracts or warranties

The full amount is deductible, provided it forms part of the consideration for the assets.

Holiday pay

The amount accrued at balance date is deductible, if paid within 63 days of the balance date.

Prepaid insurance premiums

Where the total insurance expense in the year does not exceed \$12,000, a 12-month prepayment is claimable.

Lease or bailment of livestock

Prepaid amount less than 6 months and under \$23,000.

Other services

Prepaid amount less than 6 months and under \$12,000.

Rent for land and buildings

Prepaid amount less than 6 months and under \$23,000.

Repairs and maintenance

Generally no deductions are allowed for a repairs and maintenance reserve, except for the periodic overhaul of business aircraft and the maintenance obligations of a construction firm under its building contracts.

Royalties

Royalties accrued to balance date are fully deductible.

Service or maintenance contracts

A prepayment of 3 months' expenses is deductible, provided the total expense on the contract does not exceed \$23,000 in the income year.

Subscriptions for trade professional associations

A prepayment of 12 months is deductible provided the total amount for that association in the year does not exceed \$6,000.

Telephone and other communication equipment expenses

A prepayment of 2 months is deductible.

Trading stock valuation

Don't forget to do a stocktake!

New stock and work-in-progress valuation rules were introduced from the 1998-99 income year, and have applied since.

The valuation methods differ depending on whether or not you are a 'small taxpayer'. Small taxpayers are those who, together with their associates, have an annual turnover of \$3m or less.

If the turnover is less than \$1.3m and a reasonable estimate of the true value of stock is made to be under \$5000, then a physical stockcount at year-end is not required and the opening stock value may be used.

Please contact us to establish the valuation rules that apply to your situation.

Travel and accommodation expenses

Prepaid amount less than 6 months and under \$12,000.

Income

Review credit notes in the months following balance date for any credits which are able to be taken back into the previous financial year.

Records required

- Cash books or computer disc;
- Bank Statements;
- Cheque butts, deposit butts;
- Documents relating to the purchase of fixed assets;
- Hire purchase/lease agreements;
- Solicitors' settlement statements;
- GST returns and workpapers;
- Term loan statements;
- FBT return copies;
- Log books;
- Stock sheets;
- Debtors list; and
- Creditors list.

**Newsletters via the website**

In future, we would prefer to send an e-mail to clients advising that our latest newsletter is on our website. We consider this to be a more efficient and cost effective way of getting the newsletter to you.

If you would like to receive future newsletters by e-mail, please go to our website at www.grahamdobson.co.nz, click on the "Register for Newsletter" icon and complete the registration screen.



"Better to remain silent and be thought a fool, than to speak out and remove all doubt"

Abraham Lincoln

MY LIFE BROKEN DOWN INTO SEGMENTS



Beaten Up

Judge: 'Raj, why were you beaten up in public?'
 Raj: 'Your honour, I was in crowded bus, my photo fell from wallet, so I said to lady in front of me, 'Aunty, please lift your Sari, I want to take photo....'

An Insurance Company

Insurance form question and answer about a recent accident:

Q: Could either driver have done anything to avoid the accident?

A: I could have travelled by bus.

A man collided with a cow

and completed the requested form as follows:

Q: What warning did you give the other party before the collision?

A: Horn

Q: What warning was given by the other party?

A: Moo

What causes arthritis?

A man who smelled like a distillery flopped on a subway seat next to a priest. The man's tie was stained, his face was plastered with red lipstick, and a half empty bottle of gin was sticking out of his torn coat pocket. He opened his newspaper and began reading. After a few minutes the disheveled guy turned to the priest and asked, 'Say, father, what causes arthritis?' 'Mister, it's caused by loose living, being with cheap, wicked women, too much alcohol and contempt for your fellow man. 'Well I'll be' the drunk muttered, returning to his paper. The priest, thinking about what he had said, nudged the man and apologised. 'I'm very sorry. I didn't mean to come on so strong. How long have you had arthritis?' 'I don't have it father. I was just reading here that the Pope does.'

I'm going to a lecture

The man was in no shape to drive, so he wisely left his car parked and walked home. As he was walking unsteadily along, he was stopped by a policeman.

'What are you doing out here at 2am?' said the officer. 'I'm going to a lecture 'the man said.

'And who is going to give a lecture at this hour?' the cop asked. 'My wife 'said the man.

Great News!

The newlywed wife said to her husband when he returned from work, 'I have great news for you. Pretty soon, we're going to be three in this house instead of two. 'Her husband ran to her with a smile on his face and delight in his eyes. He was glowing of happiness and kissing his wife when she said, 'I'm glad that you feel this way since tomorrow morning, my mother moves in with us.'

