



OCTOBER 2014

USEFUL SNIPPETS

IMPORTANT REMINDER!

PAYING THE IRD ON TIME

From 1 October 2014, tax payments posted to the Inland Revenue are required to be received by Inland Revenue on or before the due date to avoid penalties and interest. This means cheque payments can no longer be posted on the due date. Inland Revenue statistics show that over 70% of payments to them are made online and the Department wants to encourage more customers to pay electronically. IRD believe that the removal of the unintended advantage to customers who post cheque payments on the due date, means IRD is able to treat all customers equally.

CHANGES TO PAYMENT SERVICE AT WESTPAC

From the beginning of October, customers are no longer able to make cheque payments for tax or drop off returns and forms for delivery to the Inland Revenue from any Westpac bank branch. However, customers will be able to continue to make cash and Eftpos payments to Inland Revenue at any branch of the Westpac Bank.

POST IT EARLY

If you prefer to keep making payments by cheque, it is important you consider potential delays when posting your payment to the Inland Revenue. New Zealand Post recommends you allow 3-4 working days for delivery from cities and towns and 5-10 working days from rural areas. You are able to post-date cheques with the due date. If you do this, we recommend you write "POST DATED" above the date on the cheque.

PAY ONLINE

All the trading banks have an option "Tax Payments" on the secure online banking section of their websites. The "Pay Tax" or "Tax Payments" section covers all tax types and requires the taxpayer IRD number and period the payment relates to. If you are making payments for several taxpayers, you will need to make them separately so that they are each credited to the correct taxpayer.

The tax type if you are an employer paying the monthly PAYE to the IRD is "DED" - Employers Deductions and not "PAY" - PAYE tax deductions. "DED" incorporates student loans, kiwisaver, child support and other types of tax relating to the employees earnings.

OR PAY BY CREDIT OR DEBIT CARD

You can also use a credit or debit card to make payments, including child support and student loan repayments, to the IRD from the website www.ird.govt.nz/online-services-name/services-c/online-payments. The online card payment service is provided by IRD's bank, Westpac NZ Limited. They charge a convenience fee of 1.42% for providing this service - the Inland Revenue does not receive any part of this fee. This fee appears as a separate transaction on your card statement and is referred to as "Westpac Convenience Fee".

OUT WITH THE .CO AND .ORG

Thousands of Kiwi websites are planning to ditch the 'co' and go with simpler new rules heralding changes in web addresses. This is because from the beginning of October, under a non-compulsory change, websites will no longer require to be '.co.nz' or '.org.nz' and can instead opt for the easier '.nz'. Domain Name Commission, a body which oversees domain names, believes the shorter address may be more memorable and the simpler address will appeal to many companies and individuals. Existing addresses will still run. However, companies such as Trade Me would register 'trademe.nz' to make sure somebody nefarious does not get hold of a URL which could confuse another to think it is the real site.



Graham & Dobson is supporting Gisborne's bid to win ultrafast broadband for our region through the Gigatown competition.

Gisborne needs your help! Please register your email at gigatown.co.nz; click the activation link in the email you receive, select Gisborne as your city to support, and that's it! SIMPLE!

To further support the cause you can also get involved by taking the online quiz or interacting on social media – facebook, twitter and instagram. If you have any questions about how this competition could benefit yourself or our community please contact our passionate gigatown ambassadors:

**Ryan (ryan@grahamdobson.co.nz); or
Jo M (joanne@grahamdobson.co.nz)**

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NEW REQUIREMENTS FOR NZ REGISTERED COMPANIES

Next year there will be new requirements for New Zealand registered companies to have at least one New Zealand director. This Amendment, proposed some time ago, was enacted by Royal Assent in July this year with a commencement date likely to be 1 May 2015.

One important point to note from the above change is that, in addition, all existing companies will need to update their Directors' details with personal proof of identity not previously required, such as the date and place of birth.



The additional compliance is a response to the possibility that New Zealand registered companies are being used for various illegal activities outside of New Zealand, including arms' trafficking and money laundering.

Comment:

Failure to provide proof of identity information for existing Company Directors within 180 days of the commencement date of the change is likely to be grounds for the removal of the company from the Companies Registrar.

CROWD FUNDING

The Government recently launched a series of improvements as part of the Financial Markets Conduct Act (FMC) that make it easier for all businesses to raise capital through crowd funding.

So what is crowd funding? Crowd funding is about obtaining funds in small amounts from a large number of individuals to finance a new business venture or invest in an existing business. A business can raise up to \$2 million through crowd funding each year without having to issue a prospectus or an investment statement and it can be an excellent way to boost capital of an existing or a start-up business looking to grow quickly.

As it uses social media websites or online crowd funding platforms which are easily accessible, it makes it easier to engage with investors from outside the more traditional networks. Consequently, it has the benefit of expanding the potential pool of investors quickly.



The changes to the FMC are part of a wider Government focus on making it easier for businesses to grow by reducing barriers to investment. It is a key component of the Government's business Growth Agenda to build capital markets and drive business growth, exports and jobs. Peer to peer lending, which allows businesses to borrow funds from the public online, will also be covered by the new scheme.

Comment:

Businesses seeking crowd funding investment will need to apply to be licensed by the Financial Markets Authority (FMA). Once they are licensed, these facilities will be able to advertise the services they offer. All licensed crowd funding service providers will have to meet and maintain certain minimum standards set out by the FMA. For more information visit the FMA website www.fma.govt.nz.

MUM AND DAD INVESTMENTS UNDER NATIONAL

With the National Party returned to Government, it is timely to turn to what this might bring for the so called "Mum and Dad" investors.

Kiwisaver - Kiwisaver has a certain future at least for the next three years and Kiwisaver members may not expect any surprise reforms in terms of their Kiwisaver accounts. However, there is a proposed boost for first home buyers.

Currently, an investor who has been a Kiwisaver member for three or more years will be able to withdraw all his/her savings, all the employer contributions and all the investment earnings in their Kiwisaver account, except the \$1,000 kick-start and the annual member tax credits in order to purchase his/her first home. From 1 April 2015, member tax credits will also be able to be withdrawn.

By way of an example – after 5 years on a salary of \$45,000 with the employer and employee both contributing at 3% of your salary to a growth fund, you will be able to withdraw approximately \$18,100 (\$15,500 previously without the member tax credits).

If you increased your employee contributions to 8% of your salary for 5 years, that figure would increase to approximately \$32,000 (previously \$29,400 without the member tax credits). For a couple, the contributions will be even larger.

We suggest you go to www.sorted.org.nz and use the Kiwisaver account calculator to see what you might save in 5 years.

At present, first home buyers receive a first home subsidy grant of \$1,000 for each year they have been saving in Kiwisaver up to a maximum of \$5,000 after five or more years. Years of Kiwisaver savings includes any years of saving in a complying fund. The subsidy only applies if the member has been saving for at least three years. It is proposed that the subsidy will double from 1 April 2015 if the house being bought is a newly built house.

To qualify, a couple must jointly earn less than \$120,000 and a single person earn less than \$80,000. For a couple, the amount available is as above for the person individually, corresponding to their respective periods of contributory membership.

The maximum purchase price will also be increased to \$550,000 in Auckland, \$450,000 in Hamilton, Tauranga, Western Bay of Plenty, Kapiti, Porirua, Hutt City, Hutt Valley, Wellington, Tasman, Nelson, Christchurch, Selwyn District, Waimakiriri and Queenstown and \$350,000 elsewhere.

Listed Energy Companies - The energy sector was expected to face significant regulation, as opposition parties were expected to introduce changes to the energy sector. State-owned enterprise listings are now expected to benefit from the re-elected National Government, as the uncertainty arising from a potential change in the political landscape has eroded. This has been the case at the time of writing as the energy companies' share prices have risen.



2015-2016 ACC LEVIES

ACC levy rates are reviewed and set each year. The levy rates for the 2015/16 year have been finalised and will come into effect from 1 April 2015, along with changes to the Vehicle Account Levies effective from 1 July 2015.

These include:

- a 5% decrease in the average work levy, paid by employers and the self employed
- no change in the Earners' levy, paid by everyone in the paid workforce
- a 41% decrease in the average motor vehicle levy, paid by motor vehicle (currently 1.45%).
- a reduction in the petrol levy by 3 cents per litre, from 9.90 cents to 6.90 cents
- introduction of 'risk rating' for cars based on crash data which means owners of petrol-driven cars in the safest group will see the ACC component of their annual vehicle licence fee fall by 66%.
- updating the minimum and maximum liable earnings limits for Work and Earners' levies
- a reduction in the average levy paid by employers and self employed people, from 95cents to 90cents per \$100 of liable earnings, meaning a lower ACC bill at year end.



A case study:

Miranda owns a small business and earns around \$45,000 a year. She employs two staff members and pays them a combined annual salary of \$80,000 pa.

For the 2015/16 year Miranda will pay:

- \$63 less in her annual work levy, covering any work related injuries Miranda or her staff may suffer
- \$36 less on her annual petrol levy, which helps cover any injuries that involve a moving vehicle on a public road – note: this is statistically based on average annual petrol consumption of 1,200 litres per car)
- \$95 less on her annual car registration, (i.e. the ACC levy proportion of the annual licence fee) which helps cover any injuries that involve a moving vehicle on a public road

So, overall, Miranda will be paying \$194 less in 2015/16 than she did in 2014/15.

RENTING YOUR HOUSE OUT FOR RHYTHM & VINES OR WHILE AWAY

We have recently had two letters from the Inland Revenue Department advising they had noted our clients had advertised their house for rent. In both cases they had advertised on a website and both whilst Rhythm & Vines was on in Gisborne.

IRD had presumably checked the websites, then checked and found no income had been returned by the entity/(ies) they thought should return it. In both cases, it turned out IRD were correct.

If you do plan to rent your house out, remember you are required to return the income for income tax purposes. You will be entitled to deduct expenses in respect of the income earned.

CLAIMING GST ON SECONDHAND GOODS USED IN YOUR BUSINESS

In some situations you may have purchased secondhand goods to use in your business but did not pay GST on the purchase because the seller was not GST registered. The good news is you can still claim a GST credit as long as the goods were located in New Zealand at the time of purchase and you have sufficient records of your purchase.

An example:

A dressmaker purchased a secondhand small industrial sewing machine for \$160 at a garage sale for her dressmaking business.

To calculate the GST amount to claim as a credit, she would use the following formula:

$$\text{Purchase price} \times 3 \div 23 = \$20.86 \text{ the GST credit that can be claimed}$$

The dressmaker can claim this amount on her GST return, as long as she has kept sufficient records of the purchase, including name and address of the supplier, date of purchase, description and quantity of the goods and the price paid.

Secondhand goods are commonly defined as goods previously used and paid for by someone else. In the context of GST, secondhand goods do not include:

- Primary produce
- Goods supplied under a lease or rental agreement
- Livestock
- Goods which contain gold, silver or platinum in any degree of purity.

WAGE EARNERS - WHEN ARE YOU LIABLE TO REPAY YOUR STUDENT LOAN?

BEWARE: If you have a student loan you should take care when completing the Tax Code Declaration IR330 form for any employer. The code should end with "SL" unless you are a Casual Agricultural worker "CAE" or receiving Scholar payments "WT". For most, the code should be "MSL".

There is a misconception among some who think that as long as they earn under the annual threshold of \$19,084, they are not required to make any student loan repayments.

However, if you receive wages, the threshold is based on your pay period, e.g.

Pay Period	Threshold
Weekly	\$367.00 (\$19,084 ÷ 52)
Fortnightly	\$734.00 (\$19,084 ÷ 26)

If your gross earnings exceed your pay period threshold, your employer is obligated to deduct student loan repayments at the rate of 12% of the gross earnings above the threshold.

The pay period threshold doesn't apply to secondary earnings (codes SSL and SBSL etc) and repayments will be deducted from all your gross earnings at the rate of 12%.

IRD will send you a bill for the student loan deductions the employer should have deducted from your wages if you get it wrong.

GLORIOUS INSULTS

(from an era before the English language became boiled down to 4-letter words)

"He has all the virtues I dislike and none of the vices I admire"
– Winston Churchill

UNFORESEEN OUTCOMES!

A man was out walking by a wharf when he was accosted by a particularly dirty, shabbily dressed, obviously homeless fellow, who asked for a couple of dollars for dinner.

The man took out his wallet, extracted \$20, thought a little and then asked, "If I give you this money, will you buy some beer with it instead of dinner?"

"No, I stopped drinking some time ago," the hobo replied

"Will you use it to go fishing instead of buying food?" the man asked.

No, fishing around here is a waste of time," the hobo said.

"Will you spend this on green's fees at the golf course yonder instead of food?', the man asked.

"Are you nuts?" replied the hobo. "I haven't played golf in 20 years".

"Well, I hope you are not going to spend this money on a woman in the red light district, instead of food", was the man's next response.

"Are you mad? What women would I get for a lousy twenty bucks?" exclaimed the homeless man.

"Well", said the man, "I'm not going to give any money. Instead I'm going to take you home for a terrific meal cooked by my wife."

The homeless man was astounded – "Why would you do that – I'm disgustingly dirty and probably smelly".

The man replied "That's really okay. It's important for her to see what a man looks like after he has given up beer, sex, fishing and golf!"

NEWSLETTERS VIA THE WEBSITE

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