



JUNE 2017

SNIPPETS

**WORKSAFE'S CLARIFICATION:
CARRYING PASSENGERS ON QUAD BIKES**

In consultation with Federated Farmers, Beef + Lamb NZ and DairyNZ, WorkSafe New Zealand has clarified the circumstances in which it is acceptable to carry passengers on single-seat quad bikes.

Under the Health and Safety at Work Act (HSWA) 2015, persons conducting a business or undertaking such as farming must identify and manage risks arising from work so far as it is reasonably practicable. WorkSafe's position on quad bikes is that single-seat quad bikes should not normally be used to carry passengers. Carrying a passenger on a quad bike that is not designed for more than one person can increase the risk of accidents by making it more unstable, more difficult to control and more likely to roll over. WorkSafe's guidance is that you should use the safest vehicle for the job.

However, WorkSafe acknowledges that farmers and others using quad bikes for work need to have the policy clarified. So WorkSafe has deemed it is only acceptable to carry a passenger when there is no reasonable alternative having considered factors such as rider and passenger capability, terrain and alternative vehicles. In those cases where a passenger is taken, appropriate mitigation measures must be taken – including limiting speed, briefing the driver and

passenger on best practice riding and avoiding unsuitable terrain.

The clarification also stipulates that carrying a child as a passenger on a quad bike creates its own particular set of risks and as with the general principle, you



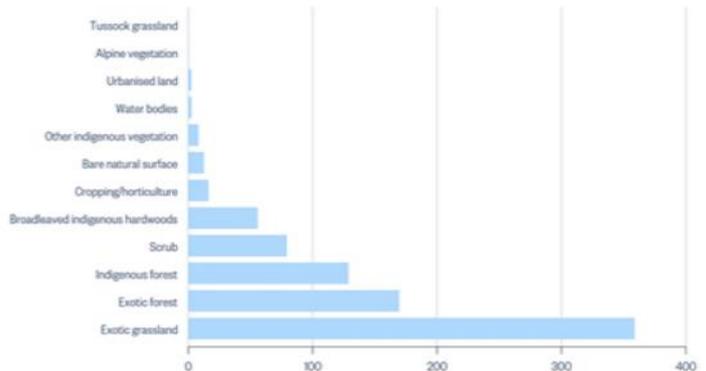
may only carry a child as a passenger if there is no reasonable alternative and you follow the related risk assessment and risk mitigation measures.

**INTERESTING GRAPHS AND STATISTICS
Vegetation cover in our district 2012**

Land cover classes in the Gisborne Region, New Zealand

figure.nz

2012, thousands of hectares
Source: Ministry for the Environment



GLOBAL MOBILITY

-) In 1977, 14.5 weeks of work at the average after-tax New Zealand wage paid for a return air ticket New Zealand-United Kingdom. Today it takes two weeks to pay for the tickets.
-) In 1977, 3 million international passengers used New Zealand airports. This year it is likely to be 17.5 million.
-) China – in 1977, 1 international air passenger per 1,000 people; 2017 – 1 international air passenger per 3.5 people
-) New Zealand – 1977, average 1 trip per passenger per person through Wellington airport; 2017 – average 3.8 trips per passenger through Wellington airport.

Data supplied by Infratil

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BEWARE OF PAYING FAMILY MEMBERS EXCESSIVE SALARIES



It is very common for family owned companies to employ members of the family in the business on a permanent or casual basis. There is no problem with this per se – however, income tax rules seek to prevent ‘excessive salaries’ being paid to family members.

Inland Revenue has recently been focusing on this issue and has been scrutinising the type of work completed, the amount paid, the way in which it was calculated, and what a third party might be paid for the same work.

There is no precise measurement as to what constitutes ‘excessive’, as each case is different. What is most important is that business owners determine the value of a relative’s remuneration based on the service provided to the business. The relative should be paid the same amount as an unrelated employee performing similar duties.

Inland Revenue has the ability to intervene and reallocate remuneration, income or losses if it considers the amount is not reflective of the value contributed. If an amount is deemed to be excessive, the excess may be ‘recharacterised’ as a dividend and therefore non-deductible to the payer. Therefore, where salaries to family members are paid, it is important to ensure the employment and the amount paid is calculated and documented on an arms-length basis.

WHEN IN NORWAY.....

It is considered somewhat taboo in this country to ask other people how much they earn. So how would you feel if you could look up how much your colleagues, neighbours and friends make, all legally, online and for free? This is possible in some Nordic countries! Donald Trump must be relieved he doesn’t live in Scandinavia.....



Norway in particular has had an ‘open salary policy’ since 1863 when they used to publish individuals’ tax returns and post them to the walls of the local town hall. Until recently Norwegians could anonymously request certain information about other taxpayers. The information is limited to the total income earned and the total tax paid by the taxpayer – there is no breakdown of amounts received from different income categories.

When a right-wing government took office three years ago they tightened the rules. Now people still have the right to request tax information about other individuals – however the person concerned is sent an email telling them who has been checking up on them!

Understandably, this loss of anonymity has had an immediate and dramatic impact on the number of searches people have been making, requests falling from 16.5 million per year to 2.15 million!!

GST REFUNDS

It is now compulsory for the Inland Revenue to return GST refunds by direct credit to a taxpayer’s identified account. Inland Revenue will only make GST refunds by cheque if they do not hold details of a customer’s bank account or if there are extenuating circumstances.



Comment:

The IRD using direct crediting to process GST returns results in faster GST refunds so it is important that Inland Revenue has your correct bank account details.

-) **If you are registered for myIR, log on and check these are updated and correct.**
-) **If you would like us to confirm that IRD hold your current bank account details, please contact us.**

IMPROVEMENTS ON HOW IRD CHARGE INTEREST ON PROVISIONAL TAX

Companies, Trusts, high income individuals and those entities who estimate their provisional tax are charged use of money interest (UOMI) by the IRD if the amount they have paid by way of provisional tax is less than the actual tax liability (once it has been calculated).

At the current IRD charge of 8.27% the interest (additional tax if you are a cynic) can be significant. As well, the interest was calculated from when the first provisional tax payment was due.

This was particularly unfair on those taxpayers who had little or no idea of what their annual income was likely to be at the first and/or second provisional tax payment dates. Cropping and livestock farmers are two very good examples.

The IRD have made a positive change commencing from the 2017/18 income tax year where UOMI interest will only be charged from the third provisional tax instalment date.

As the third provisional tax instalment date falls after the end of financial year, it will be a lot fairer and easier for taxpayers to minimise the UOMI interest they pay to the IRD. The IRD expects this change will benefit 67,000 taxpayers.

RECORD YOUR EMPLOYEES’ START AND STOP DATES

These dates on your Employer Monthly Schedule (IR348) are used by the IRD to work out your employee’s tax credit entitlements, whether they have more than one job, or if they move from one employer to another. If you forget to enter these dates, you are able to have them recorded by using the secure mail facility on your myIR.

APPLYING FOR A NEW IRD NUMBER MADE SIMPLE

There is now a simpler and faster way to obtain an IRD number for a new club, trust, society, company, partnership or other business entity such as operating a rental property. You can register online, attaching all the required documents in myIR instead of posting or faxing them. The streamlined process allows to you to get your IRD number within 48 hours.

CHARITIES REPORTING REGIME - YEAR TWO

A lot of charities will be gearing up for year two of the new reporting framework. Initially the Charities Commission has been pretty lenient on compliance with the new standards and with timelines. Charities need to file their annual return within six months of balance date which can all be completed online now.

Here is a quick checklist to get your charity on track for the 2017 year:

- Check your 2016 annual return has been completed
- Ensure the Performance Report on the website is the final signed version
- Review the last year report and consider any areas where there were difficulties or questions around the requirement last year
- Ensure you have supporting information for the Statement of Service Performance and that what you are measuring and reporting aligns with your charitable purposes
- There are a number of recorded webinars on the Charities Commission website covering problem areas as well as upcoming webinars that you can register for
- Make contact with your accountant or auditor as appropriate to plan timing of accounts preparation and audit to ensure your Performance Report is ready before your AGM and can be filed with the Charities Commission on time.



Comment:

It is expected that the current leniency from the Charities Commission won't last forever, so a bit of planning and preparation will ensure you can meet the reporting requirements of your charity.

TAXATION OF INSURANCE RECEIPTS

New Zealand has taken a battering in recent years from major disasters including earthquakes, fires, cyclones and floods. These events have caused business disruptions, devastated land and damaged infrastructure and homes. Where insurance is received, a question often asked is how these receipts should be treated for tax purposes. Whether insurance proceeds are taxable will depend on what the proceeds are received for. If proceeds are for items of a revenue nature, such as loss of profits, rents, or reimbursement of business expenses, the proceeds will generally be taxable. Receipts for income protection will also be taxable because they are typically based on loss of earnings and especially if you have been claiming a tax deduction for the premiums.

Insurance proceeds for capital items such as residential properties and loss of land will generally not be taxable, unless you are in the business of dealing in property.

Compensation received for depreciable assets is treated as though the asset has been sold to the insurance company for the amount of the insurance compensation received. If the compensation is less than the asset's tax

book value (TBV), a loss on disposal can be claimed (for assets other than a building). However, where it is more, tax will need to be paid on any gain made above TBV (i.e. depreciation recovery income is recognised). Any gain above the asset's original cost is a tax free capital gain.

NEW PAID PARENTAL LEAVE RULES

From 1 June 2017 parents who are entitled to get paid parental leave payments can choose to first use other types of paid leave they are entitled to e.g.

-) Annual leave
-) Alternative days
-) Time in lieu



Consequently, they can choose to start their 18 weeks paid parental leave payment period once they have taken other types of paid leave – even if this is after the child's arrival.

Previously the paid parental leave could not start later than the child's arrival. If a working parent is applying for, or getting paid parental leave, and their baby arrives before the end of 36 weeks' pregnancy, they can be eligible for preterm baby payments for up to 13 weeks and parental leave payments when they go back on parental leave – if it is no later than the original expected due date.

INLAND REVENUE INFORMATION SHARING

As part of a drive to promote public confidence in the integrity of New Zealand's business environment, the Inland Revenue can now share information with the Registrar of Companies about some serious offences under the Companies Act 1993. This agreement improves the Registrar of Companies' ability to enforce serious offences under the Companies Act and hold non-compliant businesses and directors accountable for breaching their corporate responsibilities. These offences include:

-) a serious breach of a director's duty to act in good faith and in the best interests of a company
-) breaches of various orders and prohibitions – e.g. directors and managers of companies found to be unscrupulous, incompetent or irresponsible and banned from directing, promoting and/or managing companies
-) breach of restrictions on persons judged to be bankrupt – such persons are prohibited from being a director of a company.

ACC CHANGES

If you are an employer or are self-employed, your ACC Work levy will go down by an average of 10% over the next two years – i.e. compared to 2016/17 rates. You can check what your new levy is likely to be using ACC online calculators www.levycalculators.acc.co.nz bearing in mind these calculators provide an indication of your base levy only - before any experience rating adjustments are made - and your actual levy will be calculated based on your liable earnings information provided to the Inland Revenue.

Employers should note the maximum liable earnings for employees which attract the earners' levy has increased from \$122,063 to \$124,053.

Newsletters are available by e-mail - please go to our website www.grahamdobson.co.nz click on the "Our latest newsletter: view or subscribe" icon and complete the registration screen.

Well I never.....



A mother and daughter, part of the county's secluded Amish community, were visiting a big city mall. They were amazed by almost everything they saw but especially by two shiny, silver walls that could move apart and back together again. The girl asked, "Mother, what is this?"

The mother, never having seen an elevator, responded, "I have never seen anything like this in my life. I don't know what it is."

While the girl and her mother watched with amazement, an old man in a wheelchair rolled up to the moving walls and pressed a button.

The walls opened and the man rolled between them into the small room. The walls closed and the girl and her mother watched the numbers above the walls light up sequentially. They continued to watch until the last number was reached, and they watched some more as the numbers began to light up in reverse order.

The walls opened up again and a hunky young man stepped out. The mother, not taking her eyes off the young man, said quietly to her daughter, "Go get your father".

