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Dowse Murray Chartered Accountants newsletter number 48  
April 2014

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## Newsletter: April 2014

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### Provisional tax reminder

The final provisional tax payment for the year ended 31 March 2014 is due

**Wednesday 7 May 2014.** This applies to all taxpayers who pay provisional tax.

Please make the payment by the due date as we never like to see clients having to pay penalties or interest unnecessarily to Inland Revenue!

The amount to pay should be listed on your Payment Schedule from 2013 (or 2014 if we have already completed your 2014 work) but if you don't know if you have provisional tax to pay or the amount to pay, please contact us as **soon as possible**.

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### Scheduling your work this year

As advised in our last newsletter we have introduced a new scheduling system this year to provide you with greater certainty over the timing of your work.

Building on our experiences over the last few years, we've allocated each client a scheduled date based on the urgency of your work (e.g. if you are in the estimation regime for provisional tax), timing of your work in the past, and our ability to deliver a three week turnaround.

Maryanne, our practice manager, will contact you within the next few weeks with your scheduled date. We have some flexibility to do work earlier if needed urgently, for example, if you need your 2014 financial statements to secure a business loan, so please contact us if such a situation arises.

If you have any concerns about changes in your income or the amount of provisional tax you have to pay for 7 May, please just give Baubre a call on 971-1600.

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### **Free Xero seminar in May**

We still have some spaces available for our free Xero seminar on Monday 5 May from 5:30pm to 6:30pm at our offices on Level 7, 166 Featherston Street Wellington.

The seminar will cover what Xero does, why you might want to use it, significant changes to Xero in the last year, what's coming up in the next year and useful add-ons.

If you want to find out more or register for the seminar email [martin@dowsemurray.co.nz](mailto:martin@dowsemurray.co.nz).

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### **New residency rules**

Inland Revenue has brought in new residency rules which apply from 1 April 2014. The emphasis is now firmly on where you have a permanent place of abode and the accepted meaning of permanent place of abode has been extended.

This is an extremely complex area but as a quick summary, if you are moving overseas it pays to be registered as a non-resident for NZ tax purposes. To do this you need to complete an IR886 – Non –Residency questionnaire. On the basis of your answers, Inland Revenue decides if you are a non-resident or not. If you are deemed a resident then you are taxed on your world wide income. This involves a lot of work as you have to provide your foreign income details, your NZ accountant then has to translate the

figures to NZ dollars, and if there is a double tax agreement between the country you are living in and NZ then you may be able to offset the tax paid there against the income. If less tax was paid in that country compared to NZ tax rates then you will have to pay additional tax here in NZ on that income. Worse, if you are in a country that doesn't have a double tax agreement then you may have to pay tax in NZ on the whole of that overseas income resulting effectively in double taxation. If you pay more tax overseas than you would have paid here then you won't receive any refund but you will have incurred costs having your NZ tax return prepared.

So it pays to be registered as a non-resident. However, it is now harder to qualify. First you need to be out of the country for more than 325 days (so no trips back in between!) and have severed all ties with NZ. This means that you can't have a permanent place of abode in NZ and the term permanent place of abode has been extended to include a property that you own and could live in eg a rental property that is on a periodic tenancy, especially if you used to live there.

If you are moving overseas please contact us before you go. And if you're interested in finding out more, there is detailed information in Inland Revenue's [TIB for April](#).

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## **100% Inland Revenue filing**

We are delighted to let you know that we have again achieved 100% filing with Inland Revenue for 2013 tax returns. We have an extension of time so that all the income tax returns we file don't need to be completed and filed with Inland Revenue by 7 July each year – we have an extension of time to file them by the following 31 March. This helps spread our workload through the year and Inland Revenue's processing.

It is one of our KPIs that we have all returns filed by 31 March so that we can start straight onto the following year's work and we have achieved it every year we've been in business.

There is only a very small number that achieve this each year, and it reflects our focus on scheduling our work and on turning it around quickly so that you know your tax position and don't get charged late filing penalties.

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## **Claiming entertainment expenses**

We often get asked what entertainment expenses can I claim? Definitive answers on what you can and can't claim are contained in IRD's IR268 booklet on

entertainment [here](#).

Usually entertainment expenses (meals and drinks consumed off the office premises) are 50% deductible. If you bring food or drinks into your office (e.g. because people are working late) then it is usually fully deductible.

If you are travelling for work any of your accommodation and associated costs (meals etc;) are fully deductible. However if while travelling you are paying for meals for work related guests then the cost of the meal is only 50% deductible.

In Xero, code fully deductible expenses to Office Expenses or Travel. For 50% deductible expenses you have two choices:

1. You can use the add details link on the reconcile screen and code half to 420 - Entertainment and the other half to 424 - Entertainment non deductible OR
2. code the lot to 420 Entertainment and at the end of the year when we do the annual accounts we will whip half out and make it non deductible.

More details in our FAQ [here](#).

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## **Client profile - OnNetworks**

The great thing about the accountancy business is you get to meet interesting people with interesting businesses. This month we decided to ask one of our clients to write a bit about themselves.

By way of introduction I got to know Don and John from OnNetworks in the 80's when Don was running the IT systems at Victoria university. Both Don and John are serious propeller heads and between them have built and supported a lot of the core DNS and registry systems behind the Internet in NZ.

Back in the day when I was contracting at The Ministry of Education and we registered the [minedu.govt.nz](http://minedu.govt.nz) domain name and set up an internet connection, it was Don that did all the magic to make it happen - and in those days it required a lot of manual technical magic. When we moved Dowse Murray to Featherston Street and needed fast, reliable and good value Internet it, was Don, John, and Mat I called.

So here they are (Don, John and Mat bottom row)...



## **What do they do?**

OnNetworks is an internet service provider based in Wellington providing services to small businesses. They have been in business since 2001 as an ISP (Knossos Networks) and specialise in true flat rate business internet with no data caps, Voice over IP (VOIP) telephony systems, remote/teleworking solutions and web hosting and email services. Most of the services are flat rate, fully managed and plug and play so you don't have to be a technical wizard to use them.

OnNetworks have also teamed up with New Zealand's leading Ultra Fast Broadband providers to provide Ultra Fast Broadband connections to businesses through out New Zealand.

## **What does it mean in practice?**

Firstly if you call or email OnNetworks you talk to a human being who can and will help you - you don't spend hours on hold to a call centre on the other side of the world. Secondly you save money by moving to an OnNetworks solution - typically you save 30% or more of your communications and phone costs. Lastly - being a small business the team there are very responsive and understand small businesses and your needs.

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## Invitation to NZ Shareholders Association meeting

John Hawkins, Chair of NZSA is making a trip to Wellington to give the branch an update of what is happening at a national level, talk about current issues of interest to investors and members, and answer any questions you have. There will also be special introductory offer for anyone there on the night for who is interested in joining NZSA and/or signing up for a Sharesight subscription ([www.sharesight.co.nz](http://www.sharesight.co.nz)).

The meeting will be held on Tuesday 13 May at the Royal Society rooms 11 Turnbull Street, Thorndon. Aim to arrive by 7:20pm for a 7:30pm start.

If you are interested in finding out more about NZSA and investing then this is the meeting for you. Guests are welcome, there is no cover charge.

Please RSVP to [martin@dowsemurray.co.nz](mailto:martin@dowsemurray.co.nz) so we know how many to cater for.

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## Tech corner

For me the first three months of the calendar year is a great time to get IT work done. Plenty of holidays for any out of hours downtime needed and as everyone else here is busy finishing off the financial year work they tend to leave me alone.

By IT work I mean the constant process of upgrading and improving our systems - if it all goes well no one notices anything, it is only when something breaks they see what I have been doing.

So far it has all gone well so by way of justifying some of the behind the scenes IT work, here is a list of some of the things I've been doing over the last six months ...

1. Migrating our email from in house Microsoft Exchange to Google Apps for Business.
2. Syncing our file server shared drive to Google drive (all 15GB/150,000 files) using [insync](#) on our server.
3. Migrating our linux servers from 8.04 LTS to 12.04 LTS (these host our website, blog, remote access gateway and client management system).
4. Modifying internal applications to use Google Apps for authentication.

5. Replacing our old VMWare 2.0 (free) servers with Microsoft's 2012 R2 (free) Hyper-v servers. Hyper-v really is good and you can read more about this on our blog [here](#).
6. Upgrading several PC's to Windows 8.1 - this was needed so I could run the management tools for Hyper-v and it was more painful than I hoped but not than I expected. After much effort I succeeded in making my 8.1 PC look and work like a Windows 7 PC.
7. Retiring our Windows 2003 Small Business Server (a VM under VMWare that was migrated to a Hyper-v VM) and replacing it with a Microsoft 2012 R2 Essentials server also as a VM.
8. [Updating our VOIP phone system](#) - thank you Mat from On Networks for supplying the Cisco phones.
9. Lastly and most importantly - finally replacing Baubre's big old Windows laptop with a Macbook Air.



Martin/Wally

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