Newsletter

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Intro

Welcome to the first of what I hope to become quarterly newsletters.

The purpose is to keep you up to date with things happening, mainly on the tax front, as well as other information that I think may be useful to you.

Let me know if you have topics you would like covered.

Topics:

My holidays
Web site
Rebates limit removed
Do you need to file a return?
ACC full-time vs part-time
ACC Cover Plus Extra extension
How to deal with your expensive car

Holidays

I will be away from 18 December until 16 January.

If you need any help please contact me before I go. Otherwise you can email me as usual as I'll be picking up my mail while I'm away.

Have a great Christmas everyone (and keep those bank reconciliations balancing!!)

Contact details:

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Web site

I have a web site which you can access at www.baubremurray.co.nz. It contains background info about me as well as lots of free resources eg newsletters, seminar notes, templates for cashbooks etc.

If you have already visited the site you will notice that I have had my hair cut very short since then. Having had the photo taken was enough of a harrowing experience for me (smile NOW) that I was not prepared to repeat it!

Rebates

The time limits for claiming rebates have been removed. Previously you only had until 30 December to claim these rebates; now you can back claim up to 8 years (the time limit for claiming refunds). Rebates affected are for donations, childcare and housekeeper.

Do you need to file a return?

If you have PAYE deducted (and used to complete an IR5) and your salary is your only source of income (other than up to $200 worth of dividends and interest) then you generally do not need to file a tax return.

However it may be in your interest to do so if you:

- Worked part-time
- Worked for only part of a year
- Are a superannuitant or low income earner and you had a small amount of interest or dividends.

In these cases you may have been paying too much tax during the year and may be entitled to a tax refund.

To find out, ask IRD for a **Statement of Earnings** as at the end of the financial year (ie 31 March). It's not too late to apply for one for 31 March 2001. This shows your income from all sources as well as the amount of tax deducted.

You can readily work out then the amount of tax you should have paid according to the following tables (for income under $38,000 and over $38,000):

Income ($) – for annual incomes **under $38,000**	Tax rate (per $1 of income)
0-$9,500	15c
$9,501 - $38,000	21

Income ($) – for	Tax rate (per $1 of

annual incomes **over** $38,000	income)
0-$38,000	19.5 c
$38,001 - $60,000	33 c
$60,000 and over	39 c

If it looks like you could get a refund then either complete an IR3 or ask IRD for a **Personal Tax Summary (PTS).** A PTS is a tax assessment done by IRD without you having to fill out any forms. The downside of it is that if you request a PTS then you are stuck with the outcome (even if it means that you have to pay money even though you wouldn't have had to if you hadn't requested the PTS!)

Apparently the IRD is holding $25 million worth of unclaimed (expected) refunds – some of it may be yours!

ACC: Full-time vs part-time

Did you know that if you are registered as part-time then you have no entitlement to loss of earnings income even though you may pay as much in premium as someone who works full-time?

Part-time self-employed workers (ie those who work for less than 30 hours per week) should consider completing the box for ACC status on your next tax return as "F" (ie full-time). After all, the number of hours you work isn't based on the number of hours you charge – there are always an unknown number of hours spent on administration and marketing.

ACC Cover Plus Extra extension

ACC Cover Plus Extra is now available to shareholder-employees.

Previously only self-employed could use Cover Plus Extra which allows a self-employed person to negotiate an income level (and associated premium) with ACC. It works really well for self-employed who have variable income, have not been working for a full period or have recently started in business.

Previously shareholder-employees were restricted to their last year's earnings when calculating ACC entitlements. If this was their first year of business then they had no entitlement for the first year unless they were a PAYE taxpayer – an option that many shareholder employees took. Now they too can apply for Cover Plus Extra.

Residual Claims Levy

From now on ACC will collect the Residual Claims Levy. This is the amount of levy currently collected by IRD through your tax return. It is used to pay for the existing claims which were not taken over by private providers when accident compensation was privatised.

How to deal with your expensive car

There are several options for dealing with vehicles to minimise FBT payable. Generally you need to modify the vehicle so that passengers cannot be carried or permanent signage needs to be applied to avoid paying FBT. Details are contained in my seminar notes on my web site.

Other options for very high value vehicles (which otherwise result in a large amount of FBT payable) are:

9-5 Leases (no FBT): you own the vehicle (not the business) and lease it to the business from 9am to 5pm (or other hours) for a set amount each month. You can't use the vehicle privately during the lease hours. You then calculate the running costs based on your use of a logbook and offset these costs against the lease amounts received. The extra is taxable income to you.

I would only recommend 9-5 leases where you have a high value car that would be expensive to pay FBT on. There is a lot of administration with these leases and IRD tends to look at them closely.

9-5 Leases (with FBT): As above but the business leases the car full-time and makes it available for private use on the hours not used for work. FBT is payable on the private use availability. Again IRD looks carefully at these.

1 by 1 by 1 leases: The company leases the vehicle full time for a year and pays FBT on the private use. Under this method all the costs may be claimed by the business (although the individual claims the depreciation) and the value of the vehicle for FBT purposes may be recalculated each year (downwards) to reduce the FBT liability. This is especially useful for higher value vehicles. IRD looks carefully at these.