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Provisional Tax Reminder

The second provisional tax payment for the year ended 31 March 2014 for those either, not registered for GST, or those registered for GST on **a two-monthly basis**, is due 15 January 2014. This includes most individuals.

If we haven't completed your 2013 tax work yet then you will need to pay the same amount of provisional tax that you paid at each instalment date last year plus 5%.

We recommend that you set up the payment before you head away on your Christmas break to ensure payment is made on time as penalties and interest are charged on late payment.

Please contact us if you need to check the amount you should pay.

GST Due

GST is also due on 15 January for those registered for GST on a two-monthly basis.

New Business Numbers

All companies on the Companies Register have been assigned a NZ Business number (NZBN). You'll see the 13 digit number at the Companies Office website www.companies.govt.nz under the Company Number.

The application of the unique numbers to companies is the first step in applying unique numbers to all businesses in NZ.

While there may be no immediate impact from the new number the intention is that this single business number will speed up government interactions considerably in the future.

Body Corporates and GST

Inland Revenue has never previously spelt out the GST status of body corporate but has now provided an interim view that a body corporate does not have to register for GST but may choose to do so.

The situation has come to light recently with body corporates having to pay large sums to have leaky buildings fixed. By registering for GST after collecting insurance payouts or additional levies from members it can receive funds (or use accumulated funds) but only pay the GST exclusive cost of the repairs, saving considerable sums. For example the GST saving on \$100,000 of work would be just over \$13,000 and the body corporate could save more than \$130,000 on \$1m of work.

Seeing considerably lost revenue Inland Revenue is now reviewing the situation.

UK Pension Schemes

NZ tax residents with a UK pension scheme need to decide well before 31 March 2014 whether to transfer the scheme to KiwiSaver in NZ. You will need to pay tax in NZ on 15% of the transfer amount and you may need to withdraw funds from the scheme to pay this liability. This may in turn trigger a UK scheme liability.

UK pension funds not transferred to NZ KiwiSaver by that date may be exposed to the FIF regime retrospectively. This means you could be paying tax on a 5% deemed return for each year since 2006/7 and interest and penalties will be charged on any underpaid tax.

Please contact us if you have a UK pension scheme as the cost of not doing anything by 31 March 2014 may be high.

IR's SME Compliance Focus

With more funding for audit work Inland Revenue has published the areas it is focusing on for small to medium enterprises. These are:

1. GST – correct treatment and calculations (including rate),
2. Employer Monthly Schedules for PAYE,
3. Record Keeping to support claims,
4. Contractors (vs employees)
5. Non-resident contractors – to ensure they pay tax on earnings in NZ
6. Industry Benchmarks – to identify unusual variances for further investigation,
7. Child Support – deducted if required by IR,
8. KiwiSaver – making sure employers are paying the minimum 3% (up from 2% from 1 April) and that the ESCT is being correctly calculated and paid to IR,
9. Student Loans – to ensure loan repayment amounts are being deducted from staff pays where required,
10. Income Tax – correctly calculated and all income included.

IR is also doing a large amount of work in audits of larger enterprises.

Audit Shield

The cost of your accountant responding to an IR risk review (the first stage of a tax audit) or an audit can be high as IR usually asks for a large amount of information to be collated for sifting through. Audit Shield provides insurance to cover most of this cost.

If you would like more information please get back to Baubre.

New Institute of Chartered Accountants

On 1 November 2013 NZ and Australian Chartered Accountants voted to create one new institute with effect from 1 April 2014. Baubre is an elected member of the NZ Institute of Chartered Accountants Council and has been appointed to the new institute council.

Practically we expect little change but we hope it will facilitate doing business with Australia.

Tech Corner - Xero

We were early adopters of Xero and have been suggesting improvements and monitoring changes over the last 6 years. The recent number of developments has kept even us busy. The most noticeable change for you will have been the format of the GST return. While the change may look mostly related to formatting, in fact there has been a fundamental underlying change to the “build” of the GST return which should improve functionality and speed in future.

From our end Xero is rebuilding the whole financial reporting framework so that we will have greater reporting flexibility, particularly in the format of reports. We're hoping these will be in place for April 2014 reporting.

Our News

We're closing down for the Christmas break from midday 24 December and re-opening the office again on Monday 13 January.

As usual we will have staff working off site so you can still email us during that period.

Wishing you all a very happy Christmas and a good holiday break!

