



Newsletter: December 2014

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Tax reminder

The second provisional tax payment for the year ended 31 March 2015 for those registered for GST on a two-monthly basis (or not registered for GST) is due **15 January 2015**. This includes most individuals.

If we haven't completed your 2014 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.

If you don't know if you have tax to pay or the amount of terminal tax to pay, please contact us before **15 January 2015**.

GST due

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

ACC

Clients, particularly new clients, often ask about “registering” with the Accident Compensation Corporation, ACC.

The short answer is that no registration is required. ACC will find you!

When you file an income tax after 31 March each year the salary and wages information (including shareholder salaries) from that return is sent from Inland Revenue to ACC. ACC then calculates the amount of levy based on the business’ Business Industry Classification (BIC) number and the amount of salary and wages paid. Each employee is only charged a levy up to \$118,191 of salary and wages so if an individual earns \$150,000 a year then they will only be charged a levy on their earnings to \$118,191.

Your BIC number is determined by the industry you operate in rather than the type of work you do. So if you do general administration work then you may be able to use an administration code but if you do administration work for a forestry company then you will need to use the forestry BIC.

Industries with higher accident costs will have higher levy charges.

The levy is made up of several portions: current and residual portions of the work account levy, current and residual portions of the earner levy, and the health and safety in employment levy. The earner levy is charged through the PAYE system for employees but is part of the total employer levy for shareholder employees.

When you set up your business you will generally be asked for your BIC when you register for GST or obtain an IRD number. If you already have an IRD number but are below the \$60,000 GST registration level then ACC will contact you for your BIC.

Because your first ACC levy is charged after the business tax return has been filed, it may be some time before you receive your first ACC invoice. For example, if your income tax return for the year ended 31 March 2014 is filed in October 2014 you may not receive your ACC levy invoice until the following February or March. At the same time ACC will send you a provisional invoice for the current year based on last

year, usually resulting in a large bill for your first year.

Very roughly you would expect the levy to be around \$1,000 for every \$100,000 of salaries and wages paid.

A couple of things to remember about earnings cover under ACC:

- it only covers accidents and not illness. You may therefore want to have some income protection insurance,
- you may not have reasonable loss of earnings cover if you are in your first year of operating your business. You may therefore want to consider Cover Plus Extra – see below for more details.

You can read the full article about ACC levies and a bit about how to reduce them on our blog [here](#).

Inland Revenue requirements

We have found Inland Revenue to be a lot stricter on the documentation required to claim expenses than in the past.

This is particularly noticeable with home office and mileage costs. Inland Revenue won't accept an electricity bill for one month extrapolated over a year, or that you've easily done 5,000kms of travel.

So from now on please provide accurate information to us so that we can make the claims. Without accurate documentation Inland Revenue may not accept the claim.

Making tax payments in the right year

With increased use of electronic payments we have found a large number of payments being made in the wrong tax period or for the wrong tax type. A classic example is a payment made in August 2014 for provisional tax being allocated to the 2014 year whereas the payment should be for the 2015 tax year. The result is that the payment may be refunded as it is seen by Inland Revenue as an overpayment of 2014 tax. You may not even notice the refund arriving into your bank account.

You will then be charged interest and sometimes penalties on underpaid income tax for the 2015 year.

You have 20 days to advise Inland Revenue, repay the amount, and request that any interest and penalties be reversed. As Inland Revenue does not necessarily send notices advising of the refund then you may not realize that the payment has been made to the wrong period.

The warning here is to be very careful with the payment period and we recommend that you refer to the payment schedule we prepare at year end for the details.

Christmas closing



Our office will be closed from midday Wednesday 24 December and we'll re-open again at 8.30 on Monday 12 January 2015.

We hope you have a safe and happy Christmas and that business is booming for you in 2015!

Tech corner

Free [Arduino](#) robotics workshops, 29-30 December, Wellington

I spotted this in some quality junk mail - if you have children between the ages of 11 and 18 who are interested in programming, robotics and building neat stuff then read on ... I'd love to go but I'm too old!!.

As part of its holiday programme, the National Library is hosting arduino robotics workshops, led by Elf Eldridge, School of Engineering and Computer Science at Victoria University of Wellington.

Workshops will cover the basics of assembling electronics and programming arduino to control LEDs, sensors and servos to get your robot moving and grooving, and will also include showing off several existing robots based on the arduino platform.

For ages 11-18. No prior knowledge of programming or electronics is required – only an interest.

Details: 9.30-11am, 11.30-1pm, 2-3.30pm 29-30 December. Te Ahumairangi



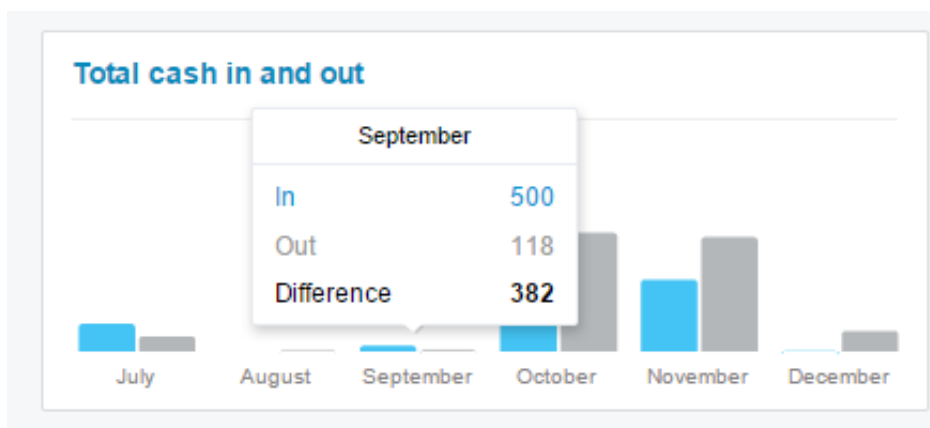
(ground floor), National Library, corner Molesworth and Aitken Streets.

Each workshop is limited to 20 participants so bookings essential. For more information and bookings go to <http://natlib.govt.nz/events/arduino-robotics-workshop>.

Changes to Xero

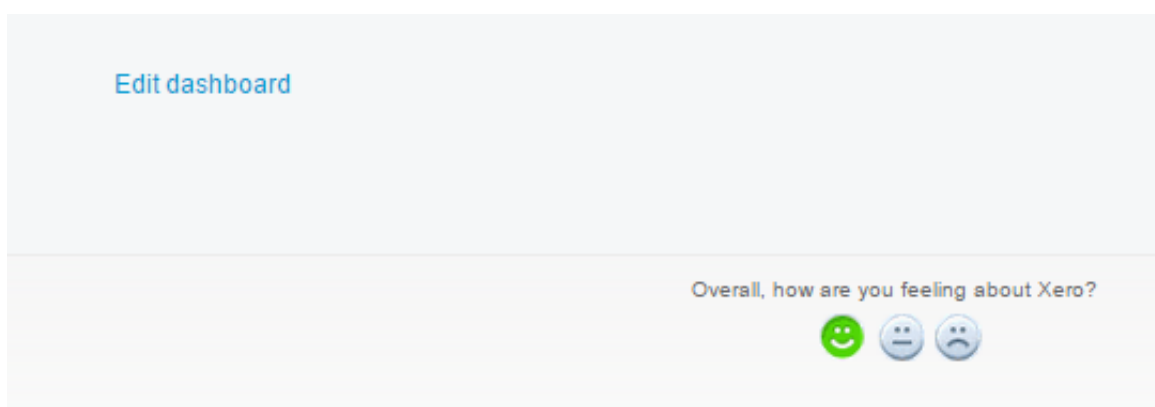
Changes are being made to Xero all the time but often you don't notice them, just a new report, a minor change to a font, or the bank reconciliation getting a bit smarter. However the last change was very noticeable as the Xero dashboard has changed quite a lot - the first real change to it in five years.

Apart from being visually more appealing (to me anyway) there are two new features on the dashboard that are quite useful. First up the Total cash in and out chart.



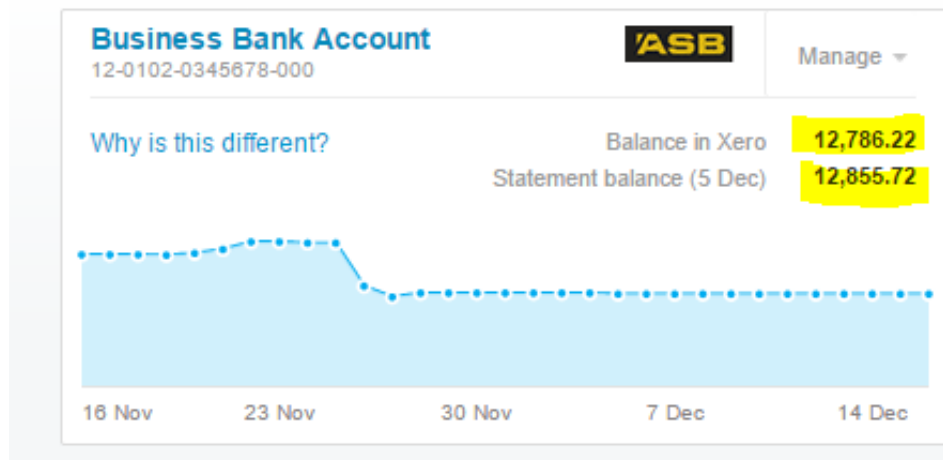
This shows six months of cash flow at a glance and if you hover your mouse over a month you get a bit more detail.

Next is the ability to customise your dashboard by moving things around and hiding panels you don't use - e.g. expense claims or bills. To try it out click the Edit dashboard link near the bottom of the page.



Bank balance wrong in Xero

We regularly get clients calling to ask why the Xero dashboard is showing two different bank balances when all transactions have been reconciled.



A bit of background. The Statement balance shown is calculated by Xero from what we said the bank balance was when Xero started with all the transactions from manual imports and bank feeds added/subtracted. If the original balance was set correctly in Xero and the bank feeds are working then this balance should match that in the bank at close of business on the date shown in brackets next the the balance.

The balance in Xero is the same starting point adding/subtracting the transactions reconciled into Xero. When all transactions are reconciled this balance should match the statement balance and in this case Xero just shows one number, the statement balance.

When it doesn't match you get something like the screen shot above, and if you click the [Why is this different?](#) link you are directed to a Xero help page that explains how to fix all sorts of bank balance related problems.

In our case the problem is that there is one or more orphan transactions in that account, that is transactions that are in Xero but have no associated bank statement lines. These typically occur in one of three ways:

1. You have coded a transaction as a transfer to the account that is now out of balance when actually it was a transfer to a different account, or an account not in Xero at all (in which case it should probably have been coded as drawings or funds introduced rather than a transfer).
2. You were doing a find and match transaction and as part of that process did a

new Receive Money or Spend Money transaction then cancelled out of the find and match.

3. You edited a reconciled transaction and used the unreconcile option instead of Remove and Redo.

To fix the problem all you need to do is find the orphan transactions and then use Remove and Redo to delete them. The best way to find them is to run the Xero reconciliation report from the Manage button on the dashboard.



Orphan transactions will show up as Outstanding Payments or Outstanding Receipts.

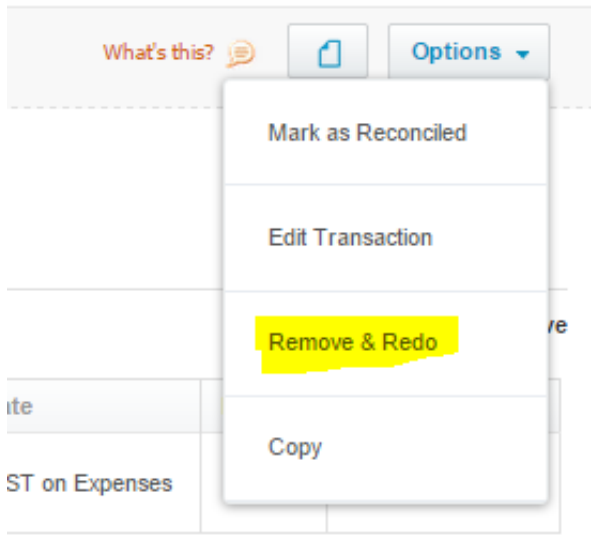
Bank Reconciliation Summary

Business Bank Account
Demo Company (NZ)
As at 18 December 2014

[Add Summary](#)

Date	Description	Reference	Amount
18 Dec 2014	Balance in Xero		12,786.22
Plus Outstanding Payments			
24 Nov 2014	24 Locks		69.50
Total Outstanding Payments			69.50
18 Dec 2014	Statement Balance		12,855.72

Drill into the transaction, click the Options button and select Remove and Redo.



As always - if you get stuck call or email us for support!

Client profile - Victoria Bartram

Victoria Bartram is a serial entrepreneur. Since running a snowboard retail business in Queenstown, Victoria has completed an MBA, is a part owner of baby products retailer The Baby's Room (Wellington outlet and online www.thebabysroom.co.nz), part owner of Kiwi and Associates Ltd, a company providing retail access to the US for small retailers, and has been IT contracting for 10 years. Here she talks about what she's learned from being in business.



Hi I'm Victoria, and I am a Government and private sector consultant contracting under a company structure. I've had some good experience when things go right but also have struggled when things don't go so well. This is some advice on how we contractors can protect ourselves against some common financial problems that are easy to avoid.

One of the things I did right was to pay for a good compliance professional from the start who can provide business advice. I know some contractors who see this as a waste of money, but in my opinion it pays for itself in spades. Professionals such as Baubre keep up with the latest tax rules from IRD including any changes to allowable expenses, saving you money again, as some people

I know have had expenses disallowed upon audit and/or tax return submission that they have claimed, and not only do they need to pay the taxable amount, they are up for interest and penalties. The IRD has got tougher on expenses lately, so I think it's important to have a good agent that can back you if necessary and/or advise you appropriately.

One of things I did wrong was to play with the IRDs money. In the past I was quite loose with cash flow in and out of my company, and didn't necessarily put aside tax and compliance money so I could pay these things on time. The IRD, as you may know, is very good at slapping on fees under the guise of 'interest' at payday loan rates, in addition to penalties. If I had adopted good compliance diligence from the outset, I would have saved thousands – and made money in interest as well! Some banks (like BNZ who have a 'Total Money' product) are perfect for contractors, who look after cash for the taxman and can enjoy the interest benefit, but ultimately have to hand it over when its due.



One of the other things I did right was to subscribe to Xero as an early adopter. There is nothing more powerful than the ability to look at your financial position at the click of a mouse. I love Xero (hype aside) as I can hop on it on any device at any time and it is super easy to use. Learning to use Xero lowers compliance costs as Baubre's team have less to do if all accounts are up to date and reconciled. Xero is definitely a time saver and I use it to load budgets, analyse spending and make forecasted changes when necessary. Lately, I have used Xero to inform me of the amount I was spending on car parking as I knew that I could possibly lower these costs if I was able to lease a park at a good deal, which I have now done saving over \$150 per month.

Contracting remains a viable and well-paid career choice in Wellington, and with good practices, you too can succeed at making the most of your cashflows and income.

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