

Dowse Murray Chartered Accountants newsletter number 58
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Newsletter: December 2015

In this issue:

1. Tax reminder
2. GST due
3. Payment dates
4. Trustee resignations
5. Health and Safety legislation changes
6. Boards
7. Filing annual returns at the Companies Office
8. GST on online purchases
9. Tech corner
10. Christmas break
11. Client profile - Kelly Chiropractic 2014 Ltd



Tax reminder

The second provisional tax payment for the year ended 31 March 2016 for those registered for GST on a two-monthly basis (or not registered for GST) is due **15 January 2016**. This includes most individuals.

If we haven't completed your 2015 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.

We have just sent out tax reminders but 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.

Payment dates

With lots of holidays over the Christmas period it is timely to review the dates at which payments need to be received by Inland Revenue to avoid late payment penalties. These differ according to the payment method as follows:

- by post - must be received before or on the due date
- electronic payments, local and from overseas - must be paid into their bank account before or on the due date
- internet banking - payments made on the due date must be made before the end of the bank's business day to be treated in time
- cash and eftpos - these are accepted at Westpac branches and must be made before or on the due date before the end of the bank's business day
- cheques - must be delivered to an Inland Revenue office before or on the due date, and before the office closes for the day. Post-dated cheques will be treated as late if the post-dating is after the deadline.

For payments that fall on a holiday or weekend Inland Revenue accepts a payment to have arrived on time if it arrives or is credited before the close of business the next working day after a holiday or weekend.

Trustee resignations

Trustees are personally liable for the tax obligations of a trust.

So if you resign as a trustee, you need to ensure Inland Revenue has been advised of the resignation.

If you or the trust doesn't send written confirmation, Inland Revenue will continue to recognise them as a trustee, which makes them liable for any tax obligations of that trust **up until the date Inland Revenue receives the written resignation**. This

liability continues until any debt is paid.

We recommend that all trustee resignations be promptly advised to Inland Revenue.

Health and Safety legislation changes

A new Health and Safety Act has been enacted and comes into effect 4 April 2016. It largely extends existing provisions to ensure that a person cannot hide behind a company to avoid liability for avoidable accidents.

The Act introduces the concept of a PCBU, a person conducting a business or undertaking, who has a duty to identify and then eliminate or minimise risks to ensure, as far as practicable, a safer workplace for themselves, employees and others in the workplace (e.g. visitors, suppliers, customers etc).

A PCBU includes self-employed people and whether operating for profit or not.

Specifically excluded are wholly volunteer organisations. However if you are a not for profit organisation with a single part time employee – even if on contract – they are required to comply with the Act.

Officers of PCBUs (e.g. directors, partners, chief executives, and senior managers) are also required to ensure the PCBU fulfils its duties.

You cannot purchase insurance to pay any fine but you can purchase insurance to help with legal costs. Nor can you contract out of the Act.

The main requirements are to identify workplace risks, take reasonable steps to eliminate or at least minimise, the risk, and to notify Worksafe NZ of any death, serious injury or illness, or near misses from a workplace incident.

Individuals also need to take responsibility to be safe within a workplace.

Penalties range from \$50k to \$3m in fines and 5 years imprisonment.

Further information is available at: www.business.govt.nz/worksafe

Boarders

If you have one or two boarders then as long as you charge them each \$254 per week or less then you do not need to include the income in your tax return. This standard cost should increase slightly for the year ended 31 March 2016 but we won't know the new rate until Inland Revenue calculates it sometime after 1 April 2016. If you have 3 or 4 boarders then the current rate for the subsequent boarder is \$208 each. If you have 5 or more boarders you need to calculate the actual costs.

Boarders live on your property and you provide the cost of their accommodation, food, heating, power and you may also provide linen etc. This is different to tenants or flatmates who pay rent only and contribute to the actual costs of food, power, insurance etc.

With boarders you can only claim a loss if you complete an income tax return showing all the income and associated costs and have supporting records. You cannot use the standard costs to claim a loss. But with tenants or flatmates you will have to show the actual income and expenses so it is easier to claim a loss.

Filing annual returns at the Companies Office

Since October, filing an annual return at the Companies Office has become a little harder. You now need to have a NZ resident director or a director who is not NZ resident but who is a director of an Australian company.

Unrelated to this requirement, you now need to provide the date and place of birth for every director. The information is not publicly available.

The other major change is that you are asked if the company has an ultimate holding company. This question is confusing to many clients. The short answer is that if you have one company then it is the ultimate holding company so the answer is "no" because your company doesn't have another, different, holding company. If you have more than one company then each is likely to be an ultimate holding company. A company has an ultimate holding company if it is a **subsidiary** of another company i.e. the majority of the company's shares are owned by another company. In this case you would answer "yes" and provide the company number, country of registration etc of the holding company.

GST on online purchases

If current legislation before parliament is passed, from 1 October 2016 you will have

to pay GST on intangible purchases made online from overseas. This includes e-books, videos, and music and software purchased from offshore websites. Non-registered suppliers will be required to register and return GST when their supplies of remote services to NZ residents exceed NZD \$60,000 in a 12 month period. Overseas suppliers won't have to provide GST tax invoices nor will they have to account for GST on sales to NZ GST registered businesses.

The change is designed to level the playing field for NZ resident companies competing against foreign suppliers but is also an opportunity for the government to earn more revenue from overseas tax payers. However it is ultimately the purchaser who will pay the increased cost!

It is possible that GST will also apply at some time in the future to physical purchases costing less than \$400 which are currently exempt. New Zealand retailers are pushing hard for this but Inland Revenue have calculated the costs of enforcing it will outweigh the GST collected.

Tech corner

The Xero share price isn't doing much these days but Xero is - changes over the last few months include:

- Billable expenses
- Email reminders
- Global search
- Two step authentication
- Cashflow report

To see all major changes check out the changes timeline www.xero.com/nz/feature-timeline/ and detailed release notes help.xero.com/RecentChanges.

Filing GST returns directly from Xero

We have a small number of clients working with Xero on a trial to file GST returns directly from Xero to Inland Revenue. We are hugely supportive of this initiative as we can see significant savings in time and effort for clients as well as reducing the effort required by Inland Revenue in following up on transposed numbers etc. All going well, everyone should be able to file their March 2016 GST returns this way.

Thanks to those of our clients who agreed to participate in the trial.

BNZ Payclip and Westpac's Get Paid

BNZ Payclip and Westpac's Get Paid are examples of the innovative ways banks are responding to real customer needs. Similar to Square Register, BNZ payclip allows clients to accept credit card payments easily and instantly by clipping a small attachment onto their smartphone. Perfect for small businesses on the go, see how it works at:

www.facebook.com/BNZBank/videos/10151811953443409/

And a 40 second video of Westpac's Get Paid at

www.westpac.co.nz/business/payment-solutions/getpaid/

Christmas break



Our office will close at midday Thursday 24 December and re-open again on Monday 11 January 2016.

Wishing you all a very happy and safe Christmas break.

Client profile - Kelly Chiropractic 2014 Ltd

In the words of Dave Kelly:

When we opened Kelly Chiropractic in Johnsonville in 2003 it was a 50/50 business with my Dad who had been a chiropractor for ~30-years. I had graduated 4-years earlier and had worked in Wanganui and then Dublin.

Dad and I were eager to start a business together as we were both very similar chiropractors, we both had a very simple, functional, 'old-school' approach, which worked incredibly well, helping people of all ages improve their spinal health which had amazing effects on their overall health. But, we knew that Dad's practice was too small for the both of us.

While on a yacht cruising around the coast of Turkey in 2002 we dreamed up a plan to start our new practice which lead us to build an architecturally-designed 300-

square meter new practice next door to where Dad had been practicing.

We did some things differently to how Dad had been practicing, but a lot of things stayed the same. Dad had been using a local accountant for a long time so we continued to use him. Over the years I would often look at our costs and try to work out how to save money. I would often ask our accountant if there were ways we could save money in our accounting bill, as I



knew that it was much more than other similar businesses. He told us to make less mistakes with inputting our data into MYOB. I asked if we could switch to Xero. I knew that Xero would be awesome which is why I had earlier invested heavily into it when it was \$1.50. Unfortunately, I sold out at \$3, thinking I was very clever! Our accountant wasn't overly keen on Xero but I forced it through thinking that it should save us money. It didn't. The bills were still massive.

In 2014 Dad decided to semi-retire, so we moved to a smaller premises and I bought his half of the business (actually I had a new business buy all the business assets). Leading up to this I had been investigating a new accountant and came across Baubre, who estimated my accounting cost. I was gobsmacked. I ended up paying less than a third of what we had been paying. The old accountant was not dodgy he was just 'old-school'. He was a very nice guy and very honest, but he did not know how to fully utilise Xero. He would transfer all the Xero data into his own spreadsheets!

Now I am very happy with Dowse Murray, my costs are very manageable and I can focus on doing what I love doing, making the world a better place, one spine at a time.

Disclaimer

This information is of a general nature and should not be relied upon for specific situations. If you need advice we are happy to talk to you about your particular situation.

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