

Dowse Murray Chartered Accountants newsletter number 53  
February 2015

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## Newsletter: February 2015

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### Terminal tax 7 April 2015

The final or terminal tax payment for the year ended 31 March 2014 is due 7 April 2015.

Remember that Inland Revenue charges interest and penalties for late payment so we recommend that you make payment promptly especially as 7 April 2015 is the first Tuesday after Easter this year and could be easily overlooked.

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

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## **Firm changes**

We'd like to welcome Sarah Watson to our firm as an Associate. Sarah is a chartered accountant with 12 years of business advisory and commercial experience. She has worked in a large chartered accounting firm and has had a short break working for a state-owned enterprise as their Senior Financial Accountant. Sarah lives on a farm on the South Coast with her husband and two young sons and in her spare time enjoys cooking, reading, and walking. You may have met her at our Christmas drinks last November but if not, you're likely to meet her sometime this year, as she helps Baubre with her work.



Maryanne Irving left at the end of January to pursue her studies and Martin Dowse is now working on contract so is not in the office every day.

This means that our firm consists entirely of chartered accountants – 5 of us, including Sue working from Nelson. Profiles for all staff are on our website at [www.dowsemurray.co.nz/about](http://www.dowsemurray.co.nz/about).

These changes mean that you will have an accountant allocated to you this year and that accountant will deal with all your work whether related to Xero, accounting, GST or other tax matters.

This will free Baubre up to also focus on work to help your business grow such as strategic planning, financial analysis, and business improvement.

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## **Work scheduling**

As in past years we will be scheduling all our tax work for the 2014/15 tax year.

We will roll over from last year which means we will do your work at roughly the same time that we did it last year.

Our busiest period is from 1 April to 7 May and we prefer to reserve this period for the provisional tax payers in the estimation regime because their tax is more than \$50,000 per annum and they are charged interest and penalties on underpaid income tax. We will do some re-jigging too because of client business changes as

well and please contact us if need to change e.g. if you are going overseas for an extended period.

We'll email you about a month beforehand so you have time to get your records ready, Xero reconciled, etc., but if you have any queries at any stage then please just call us.

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### **Dividends from Government company shares**

Remember that if you purchased shares as part of the government's assets sales in the last couple of years, or own other shares, then you may have dividend income that needs to be included in your tax return for the year ended 31 March 2015. The companies the Government partially sold were: Mighty River Power, Meridian Energy, Air NZ, and Genesis Energy.

If you don't have the dividend notices then please let us know the number of shares you own and we should be able to work out the dividends and associated tax credits.

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### **Risks of internet tax advice**

We are aware that clients research the internet for tax advice but would warn that this could have drastic (and expensive) consequences, particularly because information on the internet is not always correct and can be out of date.

We encountered a simple example of this recently when we found another accountant had copied (typos included!) our frequently asked questions several years ago but has not been updating them. Anyone reading the FAQs from that website could be making important tax or business decisions based on information that was out of date.

By all means read to get background information from the internet but if you need up to date information then please contact us. A dollar spent now could save many later!

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### **Changes to financial reporting**

You may be aware that changes to the Companies Act from 1 April 2014 mean that companies no longer have to prepare financial statements as a requirement of the Companies Act. When introduced, this was expected to save companies around

\$200 each a year and extrapolated across 450,000 small companies, would lead to national savings of around \$90 million.

However, others such as Inland Revenue, banks, and auditors had been relying on those legislative provisions to ensure companies had the information needed for their purposes. Since the Companies Act changes, Inland Revenue has brought in the requirement to have appropriate financial reports to support the information summarised in the company tax return. We use your base accounting information (usually in Xero) to prepare the financial statements and the tax return so there is no real saving in not producing the financial statements. We believe every business should use these as a base for monitoring results.

Practically this means there has been no substantial change and we will continue to prepare financial statements and income tax returns for all companies.

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## **Nikau Foundation - achieve your charitable goals without the costly overheads**

If you have been thinking about setting up your own charity but don't want the cost of administration then the Nikau Foundation may have the solution for you. They help you create your own endowment fund, which is easier and less expensive than starting your own private charitable trust. With your own endowment fund your charitable purpose receives annual income while the capital is maintained by Nikau forever. Further, you are relieved of all the usual overheads such as accounts, tax, audit, charitable registration, and investment management. Donations while you are still alive can be eligible for the 33% donation tax credit / rebate.

If you don't want to create your own fund you can give to an existing fund or charity or donate services or products.

For more information go to [www.nikaufoundation.org.nz/Giving.html](http://www.nikaufoundation.org.nz/Giving.html)

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## **Relatives in rental properties**

We have recently seen situations where individuals have purchased a property and installed a close relative in them. They then proceed to claim a loss against their own personal tax. Remember that if it is a close relative, such as a mother or son, then you cannot claim a tax loss from the "rental activity".

You can only claim a tax loss if the activity is an arms length transaction with tenants paying a market rent and if your intention is to make a profit.

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## **Things to watch out for in rental property sales**

A client recently sold one of his two rental properties in Wellington. He had bought both during the time when you could borrow 100% of the purchase price of a rental property. Although he sold the property at a profit the bank used the additional capital gain to reduce the borrowing on the remaining property to 80% in line with their new lending policies. Our client was understandably disappointed as the bank hadn't warned him that they were not going to pay him over the full amount even though he had other plans for the profit.

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## **Stocktakes at 31 March 2015**

If you hold stock for sale you are reminded that you will need to do a stocktake of all your product for sale at 31 March 2015 (a Tuesday this year). You should make a note of all the stock items and the cost of each (GST exclusive). The total is counted as your closing stock. If you have a computerised stock recording system, the annual stocktake is a good time to bring the computerised system into line with the physical stock at that date.

The stocktake is important too for performance monitoring and income tax purposes. Without a closing stock figure it will appear as if your sales have cost a large amount and this will reduce your profit (and taxable income) at balance date. Having an accurate closing stock figure means you are only counting the cost of your actual sales.

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## **IRD and accommodation allowances**

New rules apply from 1 April 2015 clarifying the deductibility of accommodation and meals provided to employees.

**Meals:** employees do not have to treat as income and therefore pay tax on meals or meal allowances when:

- attending meetings, training courses, or conferences as part of their job, or
- on work-related travel for up to 3 months.

**Accommodation:** employees do not need to declare as income or pay tax on

accommodation or accommodation payments when:

- on an out of town secondment for up to 2 years,
- on capital projects for up to 3 years,
- working at multiple workplaces on an ongoing basis, or
- attending meetings, training courses or conferences as part of their work.

There are special rules for:

- people working on Canterbury earthquake recovery projects,
- NZ Defence personnel,
- Ministers of religion, and
- people working overseas.

You can find out more at Inland Revenue's website [www.ird.govt.nz](http://www.ird.govt.nz).

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## **Payroll providers**

If you are thinking about a payroll provider e.g. [iPayroll](#), [SmartPayroll](#), [Thankyou Payroll](#) (which is free) then you may be interested in the free seminar being run by SmartPayroll in Wellington on Friday 27 February. The seminar covers payroll rules around terminating employees, the differences between employees, contractors, and casual part timers, employer KiwiSaver obligations etc. Not only is the seminar free but you can save the \$50 set up fee if you sign up with SmartPayroll by 28 February. Please contact [keryn@smartpayroll.co.nz](mailto:keryn@smartpayroll.co.nz) for more details.

Even if you only have one employee we recommend using a payroll provider as they take all the hassle out of payroll and the cost is less than the cost of missing even one PAYE return to Inland Revenue. And of course, with Thankyou Payroll there is not even a cost!

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## **Tech corner**

**A scanner in your pocket.** I recently had to scan some old receipts for an insurance claim and found the scanned copies didn't show all the faded information. However when I took a photo of a faded receipt with my phone I got all the detail I needed. So I ended up taking lots of photos with my phone and sending them in as attachments in png format.

That's ok but there is a better way - there are many many scanning apps for phones that allow you to use your phone's camera to snap pages and assemble them into a

PDF document. I had a bit of time so I went looking and after a bit of trial and error I found one I'm really happy with - Genius Scan+ [thegrizzlylabs.com/](http://thegrizzlylabs.com/).

The reasons I chose Genius Scan+ over the multitude of others were:

- Nice clean simple interface
- Easy to add pages to a scanned document
- Save as an image or as a PDF, and options around the size/quality of the PDF
- Ability to upload to Google Drive, DropBox, Skydrive, email, ftp, just about anything you can think of
- IOS and Android versions

So now when I'm out of the office and need to scan something, out with the phone and scan and upload to Google Drive. If you don't need the upload to cloud services the you can save \$6.99 and use the free version.

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## **Client profile - Barefoot Inc**

With a background in shoe retailing and a love of Five Finger shoes, Dylan Connor brought the concept and products to NZ in 2009.

For anyone like me who has read Christopher McDougalls' "Born to Run" about the barefoot running Tarahumara Indian tribe in Mexico, the Five Finger shoes provide the ability to run almost barefoot over rough terrain.

Originally operating out of Sydney, the NZ company was established in 2010 and Dylan now commutes between the Australian and NZ operations. Barefoot Inc offers a range of shoes (with the colours and styles changing regularly) as well as a variety of running accessories such as five finger socks, water bladders for racing, and waist belts.

The company operates with a small team from an office and storeroom in central Wellington. It sells online and through other retailers meaning it doesn't need to have the cost overhead of retail outlets scattered around NZ. Always aware that in a competitive retail environment it is essential to keep all costs to a minimum, the company uses Xero for its day to day accounting and Smartpayroll to pay its staff.

Its biggest threat is from web customers buying from overseas online as no GST is payable so emphasis is placed on supplying all the information the consumer could possibly want, which is always lacking from retailers selling at low cost. Guidance is provided on correctly fitting and trying shoes as well as providing advice about

starting slowly to reduce the initial ache in your calves if you're not used to barefoot running. The second threat is mis-information at a retailer level. The FiveFingers have always been a hard sell into retail stores and without exception it is a pleasant surprise when the sales start building up. Opportunities are unlimited as more and more people experience the feel of moving while being as close to nature and the ground as possible. New Zealand is ahead of the game with children being raised to play barefoot the norm rather than the exception.

Find out more at [www.barefootinc.co.nz](http://www.barefootinc.co.nz)



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