

Newsletter

No. 4 October 2002

Intro

This is a difficult time of the year financially as both GST and provisional tax payments are due within a week!

IRD does have instalment arrangement options available but you need to organise them **before** the tax is due.

If you would like to find out more please either call IRD or myself.

Topics in this Newsletter

- q GST and Provisional tax reminders
- q Adjustments required for GST
- q Rebates
- q Should you complete a tax return?
- q What's new at IRD?
- q Christmas
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GST

GST for either the 2 month or 6 month period ended 30 September is due 31 October ie next Thursday.

Remember that if it is not paid on time you will be charged a 1% penalty for up to the first week overdue and the remaining 4% if paid after the first week overdue.

Provisional Tax

The second instalment of 2003 provisional tax is due 7 November 2002.

If you have sent in your 2002 tax return this amount will be included on the payment schedule I sent you.

If your 2002 return has not been sent to IRD your provisional tax due will be based on 2001 and will probably be the same as the amount you paid on 7 July 2002.

Refer to my last newsletter for more information about provisional tax and whether you have to pay it. You can access my newsletters via my website www.baubremurray.co.nz or contact me and I can either email it or post it to you. If you have any queries please call me.

Adjustments for GST

- q Entertainment – if you have had entertainment expenditure that is not fully tax deductible (ie usually for meals with clients or customers away from your work premises) then only 50% of the both the GST and the cost will be tax deductible.

Therefore, you will need to make an adjustment in Box 14 on your GST return to subtract half of the GST claimed for entertainment.

- q Motor Vehicle Fringe Benefit – if you are a company and, instead of paying FBT, you are treating the value of the fringe benefit you receive from your motor vehicle as taxable income at year end, then you will need to add in the value of the fringe benefit to “Sales and Services” in your 30 September and 31 March GST returns.

The value of the fringe benefit is calculated as follows:

Rebates

It is not too late to claim rebates for childcare, housekeeper or donations. IRD expects that there are millions of dollars of unclaimed rebates out there: some may be yours!

Remember these details used to be entered onto your standard tax return (IR5 or IR3). Now that IR5s are no longer used, rebates are claimed via a separate return IR526 (even if you fill in an IR3 tax return).

If you didn't receive one this year either contact IRD for a form or myself.

Rebates are usually claimed for:

- q Donations (ie anything over \$5) and includes the annual school donation (but not the school activity fee or any private school fees) up to \$1,500, and
- q When both parents work, payments made to private pre-schools, childcare (but not state run kindies) or nannies but up to a limit of \$940 per year.

The rebate may be split among partners and there is no longer a time limit for claiming the rebates.

Do you need to complete a tax return?

This was covered in my June newsletter but is worth a reminder as several clients have not bothered to complete a return (because they have been on PAYE or withholding payments) but have ended up with sizable refunds because they may not have worked for the whole year or have been paid at different rates during the year.

Certainly running a business for part of the year will make a difference to your tax situation so it is always worth checking out

Cost of vehicle including GST x 12%.

To do this phone IRD and ask for a Summary of Earnings (NOT a Personal Tax Summary).

When you receive it, calculate your tax position either by using the IRD tax tables (in any of their booklets or on their website (www.ird.govt.nz)) or by phoning me (it takes around ½ an hour).

Compare the amount of tax you have calculated against what you have paid. If you have paid too little tax you don't need to do anything.

If you've paid too much then phone IRD and ask for a Personal Tax Summary. This will be sent to you outlining your refund. You sign it and return it to IRD and they will organise the refund.

What' new at IRD?

Probably the most interesting thing happening at IRD at the moment is the trialing of on-line GST returns. Next year these will be phased in and will be great for those receiving a refund or those who have a Nil return.

However best of all is that if the on-line GST returns prove successful, you will soon after be able to complete your annual tax return and rebate returns on-line.

This is certainly moving with the times!

Christmas

Have a safe and happy Christmas and best wishes for you and your business in the new year.

Contact details:

Feel free to contact me as follows:
Phone: 971 1500

your entitlement.

Email: Baubre@baubremurray.co.nz