



Newsletter: October 2014

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GST and provisional tax reminder

GST is due on 28 October for those registered for GST on a 2 monthly or 6 monthly basis.

For those companies and sole traders who are registered for GST on a 6 monthly basis, provisional tax is also due at that date.

The amount to pay should be listed on your Payment Schedule from 2014 if we have already completed your year-end work but if you don't know if you have provisional tax to pay or the amount to pay, **please contact us before 20 October.**

For those shareholder employees who receive income from their company, you will pay provisional tax on 28 August, 15 January and 7 May each year so you should have already paid your first provisional tax payment on 28 August.

As a general rule all provisional taxpayers will have made a payment for the year by 28 October.

Putting tax payments in the right year

We have had a number of instances where clients have made their tax payments by internet banking but allocated them to the wrong year. For example a provisional tax payment made on 28 August 2014 may be accidentally allocated to the 2014 tax year. In fact the 28 August provisional tax date is in the 2015 tax year. As a result the client often receives a refund and then gets charged a penalty for not having paid the tax due on the due date!

Unfortunately Inland Revenue has little sympathy in these circumstances and any request to have the simple mistake fixed requires a large amount of letter writing.

As the last page to the letter we send with your tax details each year we send a schedule of the tax payments due (amount and date) and the year the tax relates to. Have a look at this when you make your payments – it may save a lot of letter writing!

Welcome Jacinta

We welcomed Jacinta Palmer as a Manager to our office this week. Jacinta is a chartered accountant who joins us from BDO. Jacinta originally came from Nelson where she had also worked for a chartered accounting firm. She has a wide range of experience with SMEs and is a whizz at Xero.



Want your tax refund?

We have a large amount of completed financial statements and tax returns which have been sent out to clients but not yet returned. Some of you are due large tax refunds but to get these you need to sign the tax return on the last page and send it back to us. We then electronically file the return at Inland Revenue. This triggers the refund or calculation of your provisional tax for the year. Refunds can take up to ten weeks so we recommend that you send these back to us as soon as possible. If you would find it easier for us to post you out a paper copy for you to sign and send back please just email Maryanne at Maryanne@dowsemurray.co.nz.

Residency update

In a decision of the Taxation Review Authority (TRA) earlier this year the residency rules were tightened to include those who own rental property in NZ. In that case a New Zealander had been living and working overseas since 2003 and had separated from his wife and now had a new partner. His ex-wife and children were still in NZ although he visited them for a few days every six months or so, and between them they still owned several rental properties together. One of the main tests of residency since 1 April 2014 has been whether you have a permanent place of abode in NZ. In this case the TRA decided that the rental properties constituted a permanent place of abode.

This decision has caused concern for many rental property owners living overseas as they see the properties as purely investments, similar to a bank deposit. The implication is that if you are deemed a NZ tax resident then you are taxed at NZ tax rates on your world wide income. This could result in a large tax bill if you live in a country with low tax rates or with higher income thresholds.

Last month the High Court held that the ownership of a rental property in NZ did not by itself constitute having a permanent place of abode in NZ. The ordinary meaning would be to have a home in NZ and factors to take into account were whether the person had ever lived in the property, their other relationships and ongoing connections with NZ, whether the property was likely to be lived in again etc. In this case the tax payer was not a tax resident.

Going away

Martin and Baubre will be away from **23 October until 11 November**. Baubre was

going to run the New York marathon but sadly for her is not quite fit enough this year. But she is going along anyway and Martin is tagging along. If you have any queries during that period you can contact our Associate, Lucy Spencer at Lucy@dowsemurray.co.nz or on +64 4 971 1600.

Tech corner

Xero update

As in previous years, this year I've been on the Xero Partner Advisory Council. XPAC meets with Xero developers, analysts and product managers a couple of times a year for a day at a time to provide feedback on product development and suggestions for future enhancements. It is our chance to be heard and we make good use of it!

While Xero has been in the news a lot lately as its share price returns to more sensible levels...

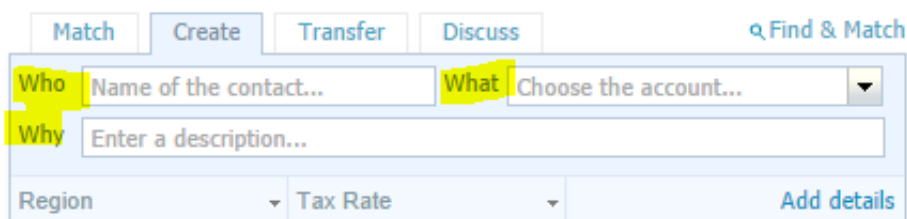


... a lot has been going on behind the scenes at Xero HQ.

First up a big focus on getting regular releases out to enhance Xero - two which were released in early September have been much asked for by our clients, that is printing receipts from Xero and a way of doing batch deposits. More details on these and other releases here <http://help.xero.com/help/Releases/AllChanges.htm>.

There have been minor tweaks too that are easy to miss, last week saw changes to

the reconciliation screen to make it easier to know what goes where, Name, Acct and Desc are now Who, What and Why.



The screenshot shows a software interface for reconciliation. At the top, there are four tabs: 'Match', 'Create', 'Transfer', and 'Discuss'. To the right of these tabs is a button labeled 'Find & Match' with a magnifying glass icon. Below the tabs, there are three input fields: 'Who' with the placeholder text 'Name of the contact...', 'What' with 'Choose the account...' and a dropdown arrow, and 'Why' with 'Enter a description...'. At the bottom of the form, there are two dropdown menus for 'Region' and 'Tax Rate', and a button labeled 'Add details'.

New more powerful reporting is progressively being released - go to Reports/All Reports and click the [Try out the new reports link](#) to see what is there so far. Further down the track Xero is making the very minimal built-in payroll and inventory systems more powerful, and the Australians are rewriting the fixed assets in Xero to make it easier for accountants to handle large numbers of assets.

There is also quite a bit of development happening that we can't talk about at the moment - watch this space.

Sadly one thing that is not going on very fast is improvements to the expense claims in Xero - this is where you can help. If you have a Xero login click on this link <https://community.xero.com/business/question/97131> to cast your vote to help fix expense claims. It worked to fix unreconcile, it will work here if enough people vote, three hundred should do it!

Client profile

Administrative (2009) Limited - Body Corporate Managers

Alistair & Fiona Gillespie established the company (as the name suggests) in 2009. When the UTA (Unit Titles Act 2010 and Unit Titles Regulations 2011) was updated bodies corporate found themselves with a lot more compliance requirements. While large buildings have traditionally engaged a professional manager, more and more bodies corporates (even the small ones) are deciding to engage professional managers to free themselves from the work that is now required to manage them properly.

So in 2011 Alistair and Fiona started managing bodies corporate as the two directors had a wealth of knowledge and experience both as property owners themselves and also in technical building matters and finance and administration. They do not

manage the actual apartments in the building but manage the common areas/services in the building for the collective of owners.

Their first contract was for a modern nine-storey apartment building in central Wellington with 69 apartments and three commercial units. It was a great proving ground for their business model and management styles and soon word-of-mouth gave them referrals for other buildings. They currently manage 13 bodies corporate, mostly large buildings in central Wellington. As the business has expanded they have taken on additional full-time staff (Building/Facilities Managers and Finance/Administration Managers) and will soon be recruiting for a Body Corporate Administrator to join the team.

They pride themselves on being a one-stop shop management company providing both building/facilities management as well as finance/administration management for bodies corporate.

They use Xero to manage the finances for each body corporate client and find it simply the best accounting programme around to simplify their work processes and actively manage their clients' finances.

Establishing the company and heading into body corporate management has certainly been the right thing for the two working directors who have enjoyed the journey so far, take pride in lifting the service levels afforded to bodies corporate and are looking forward to growing their business even further.

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