

A Word from George

Winter Newsletter 2014



Welcome to the first newsletter in our new era where Hugh is no longer an owner.

As I've said previously, both Mark and I owe Hugh a lot and we need to thank him for the opportunity he has afforded us to carry on this business. It is a credit to Hugh, the business and legacy that he has built up over the last 30 odd years, and we realise that we need to work hard to continue on that legacy.

Hugh should be held out as a success story when it comes to succession planning as he has pretty much achieved all his retirement and succession goals with barely a grey hair on his head. Of course the message that we have been pedalling and I want to reiterate here is that not a lot has changed really, Hugh has been and will still be around for awhile yet, just not in an owner capacity.

The way things are shaping up, it looks as though the winter might be a good one on the curling front if the last week or so is anything to go by. This time of the year is really the only time where I wouldn't happily trade places with someone that has an outside job. The good thing though is when the weather is at its coldest, we are at our busiest, and so those short cold winter days seem to pass by pretty quickly. May through to November is definitely our busiest time and this year is no exception.

Recently Inland Revenue informed us that we achieved a 99.9 filing percentage for the 2013 financial year and needless to say we are pretty chuffed with that result. However I have seen a list of outstanding returns for 2013 and I'm not sure where Inland Revenue get their figures from because there are several of the usual suspects on that list who still haven't had their 2013 financial accounts and tax returns filed. So, if your name is on that list, please get off your bum and get your stuff in here and why not bring your 2014 information at the same time so that we can bring things right up to date.

Over the last couple of days, we have sent out a Client Alert regarding changes to the way that Inland Revenue will accept payments. Just to reinforce this, you need to be aware from the 1st of October 2014, that you can no longer pay by cheque at the Westpac bank and they will no longer accept any forms on your behalf. Also if paying by cheque, Inland Revenue needs to have received the cheque in their hand on or before the date the tax is due. The post mark date will no longer be accepted for the tax being paid on time. I know the thought of paying online through internet banking scares a lot of you but it is looking more and more likely that we are all going to need to embrace this technology and start paying online, in order to avoid unnecessary penalties from Inland Revenue. For those of you that haven't seen the Client Alert it is included as part of this newsletter to reinforce this point.

All the best for the winter and I hope to catch up with you soon.

George

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Have any TAXING ISSUES?

Then come and join us for **Beer & Pizza** on the last Friday of each month, at 4.30pm for an hour or two. We are happy to discuss any tax, accounting or business questions with you, in a relaxed and informal gathering.

To be held at our offices on the last Friday of each month from 4.30pm





Simplifying GST Returns & Payments to IRD

We have recently received notification from the IRD advising that they are changing the way they accept tax payments. We felt it was important to notify you of these changes and to let you know of some changes within our office, as a result of this.

From 1 October 2014, Westpac banks will **no longer accept cheque payments, forms or returns**. Only Eftpos or Cash payments can be made.

This has made us stop and think about the way we process your GST.

Because of this change, and in an attempt to make the GST process more efficient for both yourself and us, we will now be emailing your GST return and reports to you.

As well as saving a tree or two, this will mean that you will have your information in your inbox the moment it leaves ours.

Rather than ask you to sign the return, declaration, write out the cheque and get it all back to us, it will now be as simple as replying to our email confirming that you are happy with the content of the return. There will be a simple declaration within the email so all bases are covered.

And of course a confirmation that you have made your payment online to the IRD is also covered in the email (that is if a payment is required!)

While we appreciate that some of you have only ever paid by cheque, online payment is now the preferred method. We are more than happy to talk you through your first online payment when you make it. Once you have done it once we are confident it will be a walk in the park for you.

If you wish to continue paying by cheque, it is imperative that IRD receive your cheque on or before the due date being the 28th of the month it is due. Given the current state of the NZ Postal service we cannot take responsibility for the on time delivery of your cheque.

NB: Dropping your cheque to us for payment is no longer an option.

In the meantime, from next month you will be receiving your GST Return electronically from us. We are excited about this and hope you will be too!

We are happy to discuss any questions you might have. Please just give us a call, we are happy to help.

Cheque duty abolished

Cheque duty will be abolished from 1 July 2014. No duty applies to other payment methods and this simply tidies away a compliance cost. While most businesses have been using other payment methods for some years, enough people still use cheques that the cost of removing the duty is estimated at \$15.5 million over four years.



Servicing tax compliance

Inland Revenue's role in ensuring tax compliance receives a continued vote of confidence with an additional \$132m over the next 5 years. \$48.6m of this is earmarked to shore up IRD's tax compliance activities and \$84m to cover tax write-offs. The Government is also committed to a business transformation of Inland Revenue, modernising its computer system and processing systems at an estimated cost of \$1.5b over time.



CONGRATS HUGH ON STEPPING BACK!!!

Hugh has officially resigned as a Director of McIntyre Flannery Tait and has taken up his new position as a Consultant!

We celebrated the end of era with a Stepping Back Party at the Alexandra Golf Club on the 4th of April. Many memories were shared (and jokes told) of Hugh's time as a Director, a business coach, and a friend.

A big thank you to everyone who attended and made this a memorable evening!

ACC and rental income

Do you have income from rental? You may be wondering about why ACC collects levies from rental income. It comes down to whether your rental income is classified as 'active' or 'passive'. ACC levies active rental income but not passive rental income.

The difference? Rental income is classified as active when you put in some effort for it. For example, that might be mental and/or physical work collecting rents, inspecting the property, arranging for maintenance, finding tenants and so on. Where there's not this degree of effort - for instance, where you have a property manager in place - the income is classified as passive.

If you're running the rental property through a company, and distribute the income as shareholder salary, this would also be levied as active income. Where income from 'passive' rental has been distributed to the shareholder as dividends, these are not subjected to ACC levies.

If you have income from rental properties but you're unsure whether it's considered active or passive, please contact us and we can look at your situation.



Employer registration - just part of making it easier

The Government has extended online services to build employer registration into the process of incorporating a new company.

Up to now, companies have been able to register for income tax and GST and obtain their IRD/GST number when incorporating online on the Companies Office website. But the process has then required a visit to Inland Revenue's website to register for PAYE and FBT as an employer, entering all over again information which the company has only just provided to the Companies Office. The new employer registration service means new companies only have to enter this information once.

This is part of the Better Public Services initiative to cut paperwork and its associated costs, following on from the introduction of the New Zealand Business Number (NZBN). If the news about the NZBN has passed you by, it's an initiative to assign a single identifying number for all businesses in New Zealand. In December 2013 all 1.1 million companies in New Zealand were allocated an NZBN. However, around half of New Zealand businesses are sole traders, partnerships and trusts.

Whatever kind of entity your business is, you don't have to do anything differently. At the moment, the NZBN will not replace any ACC, GST or IRD numbers that you use to identify your business to various government agencies. However, the plan is to allow the NZBN to be the main identifier for businesses eventually and that you will be able to use your NZBN with customers, suppliers and government agencies. The Government hopes the NZBN will mean businesses spend less time and effort on filling out forms and more time and effort on business. They've committed to reducing the cost of doing business with government by 25 per cent by 2017.



Timely Reminders

30 June: Last date for employers to elect to pay FBT annually

Are you keeping track of the usage of your mixed use asset? (If you have one) Call us for hints on how to do this fuss-free if we haven't talked already.



I don't measure a man's success by how high he climbs but how high he bounces when he hits bottom. George S. Patton

Risk and Reward

Reduce the cost of paying late terminal, provisional tax

Anyone who has been hit hard by Inland Revenue (IRD) late payment penalties and use of money interest (UOMI) for unpaid or underpaid tax knows how crippling this can be.

It's the last thing you want to happen.

However, using tax pooling to settle income tax liabilities reduces your exposure to late payment penalties and UOMI, meaning it is cheaper than paying the money directly to IRD.

Tax pooling allows you to purchase tax from someone who has overpaid and then apply that tax to meet your liabilities.

As such, you can eliminate IRD late payment penalties and significantly reduce UOMI costs by up to 30 percent

When might it work?

If, having just paid your third instalment of provisional tax for the 2014 year, you think you might have underpaid at one of your earlier dates, you can top up at any time with Tax Management NZ (TMNZ) to eliminate late payment penalties and reduce UOMI interest costs.

Is your 2013 terminal tax still outstanding?

Those with unpaid 7 April terminal tax have until 16 June, 2014 to eliminate late payment penalties and reduce UOMI costs through TMNZ.

How tax pooling works

Lord Sparkle Cleaning had a bumper 2014 financial year, with its income tax liability expected to be \$300,000.

Because the year was better than expected, the company realises it has underpaid its first two provisional tax payments by \$40,000 each.

It purchased the underpaid tax from TMNZ for \$83,048. By paying only \$3048 in TMNZ interest, it saved \$9219 in potential IRD late payment penalties and \$561 in UOMI.

Contact us if you would like to talk through your tax plan and want to know more about using tax pooling to manage your provisional tax.



What's been happening around here?

Hugh is counting down to his Bike Tour of Germany and France later this month. The lycra is ordered and the bikes are ready and waiting.

Chris and Sue are now Nana's again. A grand daughter, Bella, for Sue. Chris welcomed two grandsons into her family, Mason and Kohen.

Nicole spent a week at Berwick Lodge on a RYLA camp in April, (Rotary Youth Leadership Association) and learnt that abseiling was as scary as she imagined, but lots of fun at the same time.



George has had his annual trip to the maimai and even managed to shoot a couple of ducks while he was there.

Paul has just returned from Sydney where he spent five days at the 2014 Rotary International Convention

Mark is in training for his Gold Coast Marathon which is to be held in July. You couldn't ask for more extreme training conditions ... from below zero to 25 degrees??



Disclaimer

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.



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