

## Tax & Business Newsletter

### Autumn 2013



#### A change at the TOP

This newsletter brings you hot off the press news on a significant and exciting development at Greenfire Accounting. Darren has decided to chart a different course and effective immediately will no longer be working with us.

Lizelle has been working tirelessly to find a suitable addition to the firm to enable Greenfire Accounting to not only continue to provide you with great service but to open up opportunities to broaden the skills and experience available to our clientele to assist them to meet their financial goals.

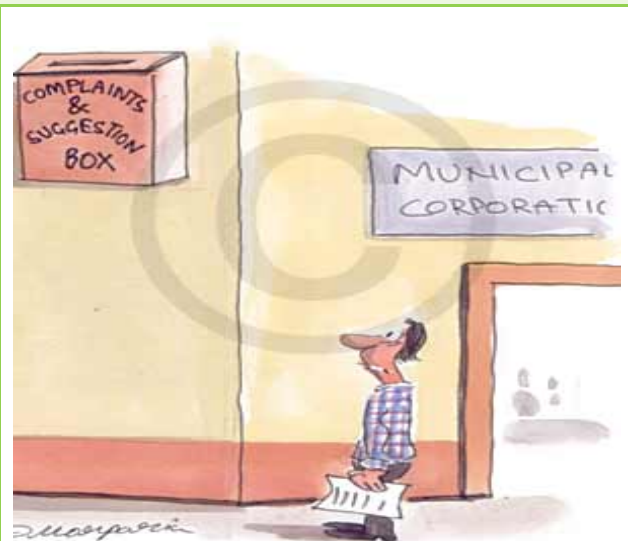
Brett Craies (B.Com) has joined the firm as a director effective 1 April and will bring considerable Chartered Accounting and Commercial experience to the team.

He has previously owned a CA Practice in the Waikato, currently services his client base from Takapuna and has held various commercial roles which have enabled him to develop his business acumen.

With a double major in Accounting and Marketing as well as over 25 years' experience in many roles Brett is keen to add to the offering we can make to you.

We are excited about this new opportunity, in any business if you are not moving forwards then you are going backwards, and the addition of Brett to our team will be of value not only to Greenfire Accounting but to our clients.

Please read more on Brett's background on our website, or feel free to call him or pop in for a chat at the offices. He will no doubt meet many of you in the coming months, however is keen to chat to anyone who would like a new set of eyes to look at the challenges that you are individually facing and how our Greenfire Accounting team may assist you.



#### Fear generally develops in an information vacuum.

In the absence of truth, employees will assume negatively. Regularly communicate the state of your business, its future direction and any potential hurdles with your team.

Honest and clear communication will promote greater respect for your leadership. It can be a springboard to better performance for your team and your business.

Owners should regularly check with their bank that they have the best loan, account package and interest rates available for their business.

# Tax Talk



## Changes to rates and thresholds as of 1 April 2013:

### Working for Families

The net income level guaranteed by the minimum family tax credit will rise from \$22,568 to \$22,724.

### ACC

The government announced that the 2013/2014 levy rates will remain at their current levels. However they have introduced three new initiatives:

- § Extended Workplace Safety Discounts
- § Vehicle Classification System
- § Fleet Safety Incentive Programme

We will be following up on these changes in future issues of Wilco, but in the meantime, visit the following website for more information:

[www.acc.co.nz/news/WPC116639](http://www.acc.co.nz/news/WPC116639)

### KiwiSaver

The minimum contribution rate for employers and employees will rise to 3% from April.

### Primary and Secondary School Children

From 1 April 2013 PAYE must be deducted from payments of salary/wages or schedular payments to school children.

### Student loan changes

The repayment rate for student loan deductions increases from 10 to 12 cents per dollar earned over the current threshold of \$19,084 per annum.



## Changes to the tax treatment of commercial lease payments

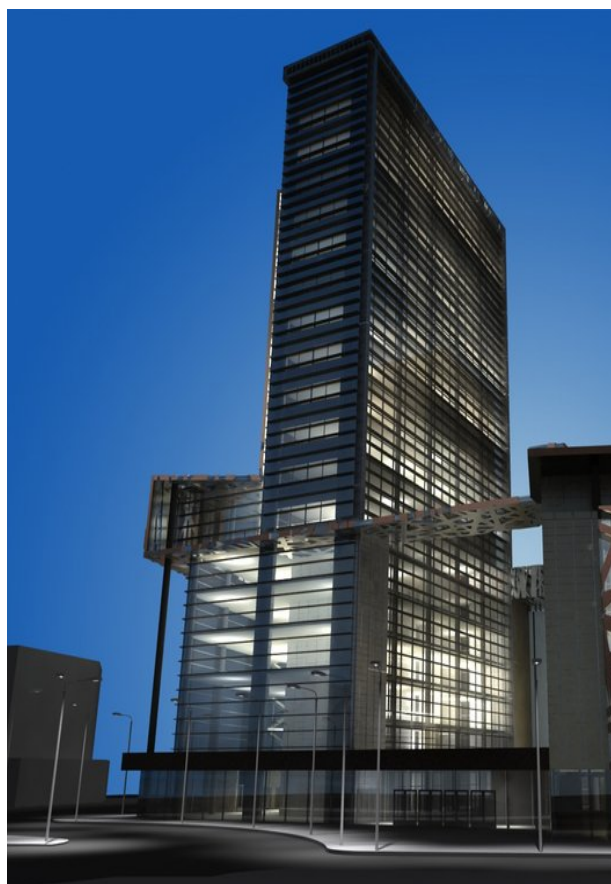
If you're considering entering or exiting a commercial lease arrangement in the coming months we advise you to contact us to discuss the potential tax implications arising from proposed changes effective 1 April 2013.

**Lease inducement payments** are a lump sum paid by a commercial landlord to a tenant providing incentive to enter a lease arrangement in times of high lease vacancy. Currently such payments are treated as deductible for the landlord and as capital or non-taxable receipts for the tenant.

The proposed changes will make lease inducement payments taxable income for the tenant with the income spread evenly over the lease term. Landlords will now also have to spread the deduction over the lease term.

**Lease surrender payments** are a lump sum paid by the tenant to a landlord to exit a long term lease. Generally lease surrender payments are treated as taxable to the landlord, but non-deductible to the tenant. In future these payments will be made tax deductible to the tenant.

Both proposed changes will only apply to leases entered on or after 1 April 2013. Effectively landlords and tenants will in future receive symmetrical tax treatment for receipts and payments.



## KiwiSaver employer contributions and minimum wage

A recent case must have given some employers pause for thought. The Employment Court has ruled that employers must pay KiwiSaver contributions in addition to the minimum wage, not inclusive in the minimum wage. In a 'total remuneration' package, the gross wage must amount to at least the minimum wage plus compulsory employer contributions. Anything less is a breach of the Minimum Wage Act 1983.

**Case Study:** Employees were being paid the minimum wage, with their employment agreements stating remuneration was 'inclusive of KiwiSaver compulsory employer contributions'. The KiwiSaver Act 2006 allows total remuneration packages, provided that mandatory employer contributions are accounted for.

The Court found that employees have an inalienable right to receive the minimum rate irrespective of anything in any other statute or agreement. A payment of a compulsory employer contribution was not 'payment for ... work' performed by an employee for the purposes of the Minimum Wage Act. Here, the Court said, the employer was effectively expecting its employees to pay for the employer contributions.

In themselves, the employees agreements did not infringe the requirement to account for the contributions. The Court said there did not need to be a numerical figure for the deduction; simply a statement as to how that figure is arrived at.



'A good plan today is better than a perfect plan tomorrow' - old proverb ted.

### Be our guest

Sometimes our clients want a discreet and/or independent location to host meetings. We have spacious boardroom facilities which can be made available for such use. Tea/coffee facilities and internet access can all be provided. Parking should not be a problem. Simply check with our receptionist Annelie on availability by emailing [admin@greenfire.net.nz](mailto:admin@greenfire.net.nz) and "book in".



### Income Tax Rates

Rates for tax year 2012-2013

Taxable income	Income tax rates for every \$1 of taxable income (excl ACC earners' levy)
<b><u>Individuals</u></b>	
up to \$14,000	10.5 cents
from \$14,001 to \$48,000	17.5 cents
from \$48,001 to \$70,000	30 cents
\$70,001 and over	33 cents
No-notification	45 cents
<b><u>Trusts</u></b>	33 cents
<b><u>Companies (excl LTC's)</u></b>	28 cents

## Are you ready for 2013 payroll changes?

For more information on 2013 payroll changes effective April 1, visit the IRD website and use their helpful checklist. Visit the website and follow the simple step by step guide from the homepage: [www.ird.govt.nz](http://www.ird.govt.nz)

## Timely Reminders

§ Provisional tax payments for clients with March balance date and GST returns and payments for period ended 31<sup>st</sup> March 2013 are due on 7<sup>th</sup> May 2013.



# Business Perspective

## Expenses impact the “bottom line”

### ACC

The ACC levy is calculated on actual payroll details supplied to Inland Revenue. There are a couple of avenues to reduce levies. If the business has an annual payroll over \$450,000 and more than 10 full-time staff, the ACC Workplace Safety Management Practices programme is applicable. An independent auditor using set audit standards will assess the business. Depending on the results, one of three level of discount may apply: primary (10%), secondary (15%) or tertiary (20%). The ACC levy discount will apply for 24 months, at which time the business will need to reapply in order to stay in the programme.

For self-employed and non-PAYE shareholder-employees, ACC Cover Plus Extra may be appropriate, offering a slightly lower levy in return for reducing levels of lost earnings. The ACC website ([www.acc.co.nz/for-business/tax-agents-accountants-and-advisors/cover-products/BU00069](http://www.acc.co.nz/for-business/tax-agents-accountants-and-advisors/cover-products/BU00069)) provides an overview.

### Bank fees

Depending on the bank, there are various ways to keep bank fees down. For example, the Westpac Business Transaction Account has:

- a simple flat monthly fee for transactions
- or “pay as you go” for each transaction – each month, the bank will waive the fees for 15 monthly transactions with the highest fees
- no fees on unlimited withdrawals from Westpac ATMs
- no fees on unlimited Eftpos debit transactions
- low fees on electronic transactions
- optional overdraft to help with cashflow or unexpected expenses

### Insurance

Natural and man-made disasters, no matter where they happen, can see premiums increase in subsequent years. It's important that insurance policies and their terms are reviewed regularly to ensure the policy is still appropriate, premiums are reasonable and that, if something untoward occurs, the business is covered.

### Light and power

The energy retailer market has become more competitive and it's now easier to move between retailers. It's worth checking for the best rates on [www.switchme.co.nz](http://www.switchme.co.nz), a useful website that compares price by retailer. Also consider steps to minimise energy wastage, For example are the lights, air conditioning or other appliances on a timer?

### Postage, printing and stationery

A google search on “printing and stationery savings” comes up with 208,000 results. There are plenty of players in the market and competition is tough, so there's no excuse for not shopping around for a good deal, remembering always to compare like with like, as there are differences in paper and print quality.

### 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.

### Telephone (connectivity)

Telecommunications costs (not including technology costs), now consist of a multitude of items, notably:

- landline
- landline (national) calling
- international calling
- internet access
- mobile calling
- mobile data
- 0800 numbers.

A benchmark exercise needs to be completed, especially if supply agreements haven't been reviewed in the last 18 months. Technology changes mean offerings and pricing are changing as well. Be warned, the result of the exercise may require capital spend to improve service levels and reduce operating costs, as well as some behavioural changes to reduce cost of ownership.



### Travel

Air New Zealand has just released its nightrider fair between Auckland and Wellington, and there are other competitive options available, but planning is the big element in keeping travel costs to a minimum. Late bookings are always the most expensive. Consider alternatives to the face-to-face meeting – Skype is an excellent tool for those business meetings.

In times when the increased revenue is hard to come by, management of expenses is vitally important and should be a continuous process. The examples above are just some of the options available to businesses.

