

client newsletter

Winter 2013

Risk and Reward



Encouraging employers to employ youth

The government has introduced a new initiative aimed at encouraging employers to recruit young New Zealanders, especially those who have been on a benefit. It allows the lower minimum wage rate - 80% of the adult minimum - to apply to a wider range of people. The new scheme came into effect on 1 May 2013.

The 'starting-out' minimum wage can be paid to certain categories of youth aged 16-19 years. Currently, the categories are:

- 16 and 17 year olds in their first 6 months of paid employment with their current employer
- 18 and 19 year olds who have received a benefit for 6 months or more and have not completed 6 months' work with any employer since starting on that benefit
- 16 - 19 year olds involved in a recognised industry training course of at least 40 credits per year

The starting-out wage replaces the new entrant minimum wage and the trainee minimum wage for under 20s. (There is still a trainee rate for those who are 20 years or older.)



Is your workplace safe?

ACC levies will not be rising this year but that's not the only good news. If you run a safe work environment, you may be eligible for a Workplace Safety Discount from April 1, 2013.

In 2012, Cabinet agreed to expand the Workplace Safety Discount programme from the current seven high-risk industries to all industry groups.

This decision was made for a number of reasons but came about after requests were made from major industries to be considered for Workplace Safety Discounts. It aligned with ACC's goal to make health and safety incentive schemes attainable for all self-employed people and all small to medium-sized businesses in New Zealand.

Most importantly the expansion of Workplace Safety Discounts is an opportunity to encourage small to medium-sized businesses in all industries to increase their focus on their health and safety systems and raise their standard of safety management.

What does the expansion of Workplace Safety Discount mean for New Zealand businesses?

It means that all self-employed and small to medium-sized businesses will have the opportunity to apply for a Workplace Safety Discount, regardless of their industry. It's a way to save 10% on the work component of the levy.

Tax Talk

To save or splurge?

So you had an exciting moment when you received a letter advising you of your tax refund. A clatter of thoughts tumbled through your mind about how you might use the money. A fancy item for your wardrobe? A deposit on a holiday? A new electronic device?

That little devil on your shoulder shook his head wildly when you made a conscious effort to think about using it for new car tyres, putting it into a savings account or doing anything remotely sensible. However, being sensible with your tax refund is not such a bad idea. Before you let the cash burn a hole in your pocket, think about the following options:

Consider your business - Perhaps you own your own business and need to replace particular assets within your business or purchase new ones? By doing this, you can substantially improve your business' health, which in turn can lead to greater cashflow down the track.

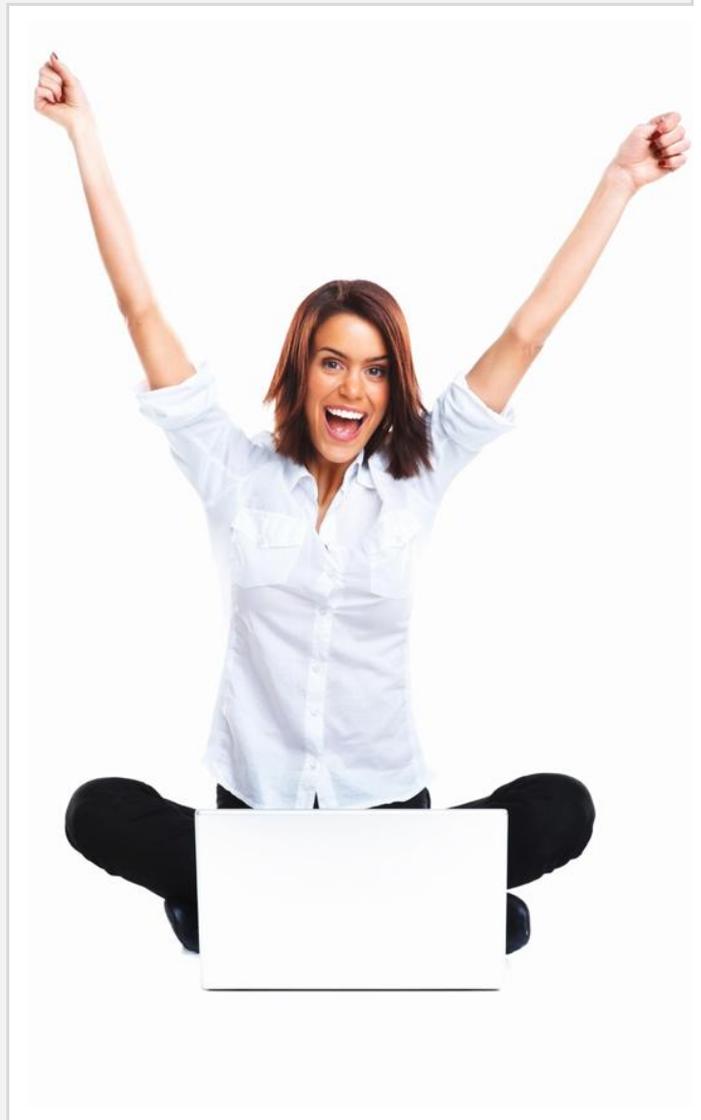
High interest debt - Are you currently paying off credit cards, hire purchase or a personal loan? By paying a large chunk using your tax refund, you will be surprised at how quickly you can bring down the remainder of your debt.

Save it or set up an emergency fund - It always pays to have a stash of cash on hand. A healthy savings account allows you to have the freedom to enjoy the things you like to do, without having to pull out the plastic. An emergency fund provides you with the comfort of knowing that if unexpected costs arise, such as car repairs or medical bills, then you are capable of paying them.

Consider your children - If you have children, remember that they can get refunds too and your accountant can help you with this. Talk to your children about the importance of saving and look at opening a high interest savings account in their name. Monitor their access so they can learn to budget effectively.

Home improvements - If you own your own home, take a look around your house and assess whether any repairs and maintenance need taking care of. Often if left, general repairs can become expensive so it's best to deal with these early on to save additional cost.

If it's a substantial sum, you may have the option to use part of it for something nice but receiving a tax refund does not necessarily mean it's a good time to splurge. Take the time to assess all your options and put the money to good use.



A bit late with your payment?

If you missed payments on end-of-year income tax, Working for Families Tax Credits or your student loan bill for the 2012 tax year and you can't make the payment in full, you may qualify to make payments by installments.

The original cutoff date was 7 February (or 7 April if you had an extension.)

Be aware use of money interest will still apply for the payment duration, together with any late payment penalties already imposed.

If you want to know if you qualify for this arrangement, call us and we can request this for you.

'Mondayisation' ahead

Previously, when New Zealand celebrated Waitangi Day or ANZAC Day, and it fell on a Saturday or Sunday, it wasn't recognised with a day of paid leave unless the employee normally worked on that day. For some New Zealanders, this projected the idea that these dates, marking significant moments in our history, weren't important enough. Many also wanted to see employees enjoying their full entitlement of 11 public holidays every year.

We will now see the Mondayisation of these holidays. That means that if the date in question falls on a Saturday or Sunday, the public holiday will be treated as falling on the following Monday for those staff who do not normally work on the day upon which it actually falls. (Of course, the employee will only be paid for that Monday if it would otherwise be a working day.) And the public holiday will continue to be treated as falling on the Saturday or Sunday for those staff who normally work on the day it actually falls.

The changes do not mean that the actual observance of the two holidays will occur at different times.

The cost to businesses following the law change is not enormous since these holidays fall on weekends in only two out of every seven years. Although the relevant amendments come into force on 1 January 2014, the first time one of these holidays falls on a weekend is not until 2015.



'Wise are those who learn that the bottom line doesn't always have to be their top priority.' - **William Arthur**



Keeping the wolf from the door

The first few years in a new business can be the most delicate and you really don't want any unwanted surprises when your initial tax bill arrives. There have been constant murmurs recently about what to do if you're facing tax debt but what about some guidance as to how to avoid it altogether?

It's that age old solution: planning. By planning ahead and ensuring you have a surplus set aside for tax payments, you'll prevent any over the top or unexpected bills. The key is to start putting money aside from the beginning. And the trick? Once it's there, don't touch it. This is an essential point for new businesses because in the first year of operation, the IRD do not charge tax. However, these first year taxes will be lumped in with the second year tax charges and this is often where businesses get into trouble and wind up facing tax debt.

It's not just about the additional cash though. Always ensure you keep hold of your receipts and ensure your records are as accurate as possible.

- Understand your tax obligations and budget for them
- Keep money aside from a capital gain when selling an asset such as property or shares
- If you are collecting GST, always keep it in a separate account
- Update your financial records regularly (at least once a month)

We may be able to help you forecast for potential cashflow and assess what you may expect in your first few years of business. Avoiding tax debt should be on the radar for all businesses, new and established. Call us today if this is something you'd like to discuss.



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Tax due in April and again in May... A bridge too far?

Some of you have a terminal tax bill due 7 April 2013. If you have IRD interest on these payments, you can pay a lower interest rate through a Tax Financing Company.

Then IRD insist you pay **again** on 7 May 2013 for provisional tax. This could well be 'a bridge too far' and your cashflow just can't take it.

We have found a few very easy and risk free funding options which are only for provisional tax and the IRD have approved them.

By using a Tax Finance company, you decide when you want to pay your tax (maximum delay of 10 months for 7 May). The tax intermediary arranges your payment into their tax pool which is a special account with the IRD. All you have to do is pay the interest cost upfront. Then there's nothing to pay until your selected maturity date. You can pay off the debt monthly, instead of a lump sum at the agreed date, if you prefer. You won't get any late payment penalties or IRD interest.

Don't be blasé about tax debt

When it comes to paying bills, we often tend to be blasé and put our financial responsibilities into the too hard basket. Ignoring debt is the easy option at the time but eventually things catch up with you. When it comes to paying tax, it is even more important to stay on top of your obligations to avoid potential tax debt.

So what happens if I do get behind? You should try to avoid getting to this point, but it is likely the IRD will contact you if you miss your payments.

In most scenarios, tax debt will result in the following charges:

- late filing penalties and interest
- late payment penalties
- non-payment penalties

If you do receive a letter from the IRD, it pays to act quickly. There may be a variety of payback options available to you. If you want to know more, call us and we can work with you to get back in the black.

Changes to our Practice

We will be relocating our offices to Apollo Drive, Rosedale at the end of July this year. More details will be sent out closer to the time.

Changes from April...

Minimum wage:

The minimum wage will increase from \$13.50 to \$13.75 per hour. Training and new entrants' minimum wages will increase from \$10.80 to \$11.00 per hour.

Student loans and allowances:

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. In addition, the voluntary repayment bonus is removed for extra repayments made after 1 April 2013 on loan obligations for the 2014 tax year onwards.

KiwiSaver:

The minimum contribution rate for employers and employees will rise to 3% from 1 April 2013. Note employer contributions for employees under the age of 18 are not compulsory.

Primary and Secondary School Children:

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

