

Summer 2014



Risk and Reward

A way to solve Christmas cashflow issues

The period after Christmas can be tough for many small and medium sized businesses.

According to more than half the respondents to a poll conducted by the Employers and Manufacturers Association, January to March is when they tend to experience cashflow constraints.

It's hardly surprising, really. The period after Christmas is traditionally slow business-wise. Consumers are either enjoying their holidays or getting their finances in order following their festive season spending. Earnings will be down if businesses shut during the break. Others may also feel the pinch if they paid staff bonuses prior to the holiday season.

It is, therefore, understandable how having to make a provisional tax payment on 15 January might be a bit problematic for some.

Still, it does not change the fact that Inland Revenue (IRD) expects this payment to be made on time and will charge taxpayers late payment penalties of up to 20 per cent per annum and use of money interest (UOMI) of 8.4 per cent if the tax is not received on the due date.

However, those who wish to free up cash at a time when they need it most have an option.

Tax pooling is IRD approved and can be used to defer provisional tax payments to a time that suits them - without incurring late payment penalties and UOMI.

This method is cheaper than using many other traditional forms of finance - rates at Tax Management NZ (TMNZ) start from below six per cent - and does not affect existing lines of credit.

No credit check or security is required.

The full amount of finance does not need to be paid back if less tax is owed than first thought. The finance arrangement can be easily extended as well.

How it works

Say you wish to defer a \$5,000 provisional tax payment for six months.

You would pay TMNZ a one-off, tax-deductible interest amount and TMNZ would arrange the \$5,000 provisional tax payment on your behalf. The interest amount is based on the amount of tax financed and the period of maturity, so in this instance would be \$145.

The provisional tax payment is held in an IRD account administered by the Guardian Trust. Guardian Trust instructs the IRD to transfer the tax into your IRD account when you repay the \$5,000 principal in six months' time.

IRD treats the \$5,000 provisional tax as being paid on time once the transfer is processed.

Visit www.tmnz.co.nz or phone us if you would like to know more.



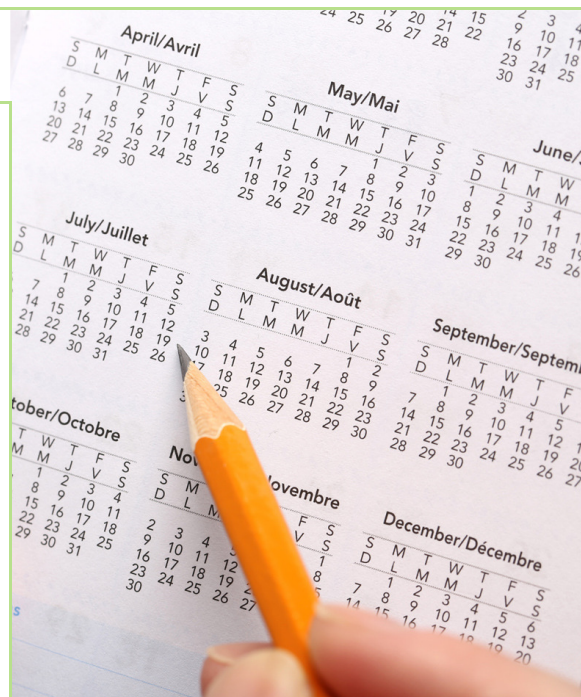
Wishing you a safe and happy holiday from all of us here. Our office will close at 5pm Tuesday 23rd December and reopen in the New Year at 8.30am Monday 12th January.

Tax Talk

Don't forget

IRD have changed their policy on when payments will be considered to have been received on time. Payments made by post are now treated as made on the day Inland Revenue receives them; the date of posting is irrelevant. It's therefore up to you to make sure you post your cheques in good time to reach IRD on time. There's no guarantee that a payment posted on the 18th will reach Inland Revenue by the 20th.

If you're sending a post-dated cheque, Inland Revenue will not bank it until the date specified. So even though it's physically received before the due date, it will still be treated as received late if the specified date is after the due date. You can also make payments in person, either at an Inland Revenue office or at a Westpac branch (note Westpac no longer accept cheques for tax payments) as long as you do so before close of business on the due date. Now might be a good time to think about making your payments online, if you don't already.



Timely Reminders

7 Jan	Terminal Tax FBT	Taxpayers (where we prepare tax returns) on a December balance date Close companies paying FBT on an income year basis (where we prepare tax returns) with a December balance date
15 Jan	Provisional tax GST return and payment for period ended 30 November	Standard provisional taxpayers on March, November and July balance dates GST ratio method taxpayers on January, March, May, July, September, and November balance dates 6 monthly GST taxpayers on May and November balance dates Taxpayers filing GST on a monthly basis AND taxpayers (with March, May, July, September, November and January balance dates) filing on a 2 monthly basis
20 Jan	FBT	Third quarter return (for the three month period ended December)
28 Jan	Provisional tax GST return and payment for period ended 31 December	GST ratio method taxpayers on February, April, June, August, October, and December balance dates 6 monthly GST taxpayers on June and December balance dates Taxpayers filing GST on a monthly basis AND taxpayers (with February, April, June, August, October and December balance dates) filing on a two monthly basis
9 Feb (7th falls on a weekend)	Terminal Tax FBT Terminal Student Loan Repayment	Taxpayers (where we prepare tax returns) with a January balance date Close companies paying FBT on an income year basis (where we prepare tax returns) with a January balance date. For those (where we prepare tax returns) with a January balance date

Note: these dates apply to those clients for whom we prepare tax returns. Different dates will apply for those clients for whom we don't prepare returns. Please ask us if you'd like more information.

Party party party

Are you planning a Christmas function for special clients and/or suppliers and business contacts? Be aware that this will come under the entertainment regime for purposes of tax deductibility. Any expenditure on food and drink that your business provides off your business premises will be 50% deductible. This extends to any incidental expenditure on things like hireage of crockery, glassware or utensils, waiting staff, and music or other entertainment provided for the function you're planning.

If you're thinking of a more public event to promote the business during the festive season, expenditure on food, drink and all the necessary incidentals could be fully deductible. However, be aware that the event can't cater for your VIPs alone. It must be open to the public on the same footing as clients or business contacts. Its primary purpose must be as a marketing event for the business.

If you're planning an event and you're not sure which tax regime it will fall under, please contact us for information.

Avoiding the January blues

Many people kick start the New Year with a myriad of resolutions, from keeping fit to losing weight or achieving financial goals. However, many of those resolutions fail to embody anything remotely close to working life. The first week back is usually a slow one; clearing out the inbox (usually spam as most other people were also on break) dusting off the keyboard and restocking the cupboard with fresh new stationery.

So when your employees hit the deck with the January blues, here are some ideas to instil excitement and motivation.

Know your team

Inspiring your team can start even before the New Year kicks off. If you give out Christmas gifts at the end of each year, do your research first. Find out about your team and ensure you're getting each and every one of them something that is thoughtful and representative of how you see them as individuals. If specialised gifts are not within your budget, ensure you do something, whether it be a Christmas party or even a personalised card that lets each of your employees know how much you've appreciated their efforts throughout the year. By feeling this appreciation, they are more likely to come back to work in a positive frame of mind.

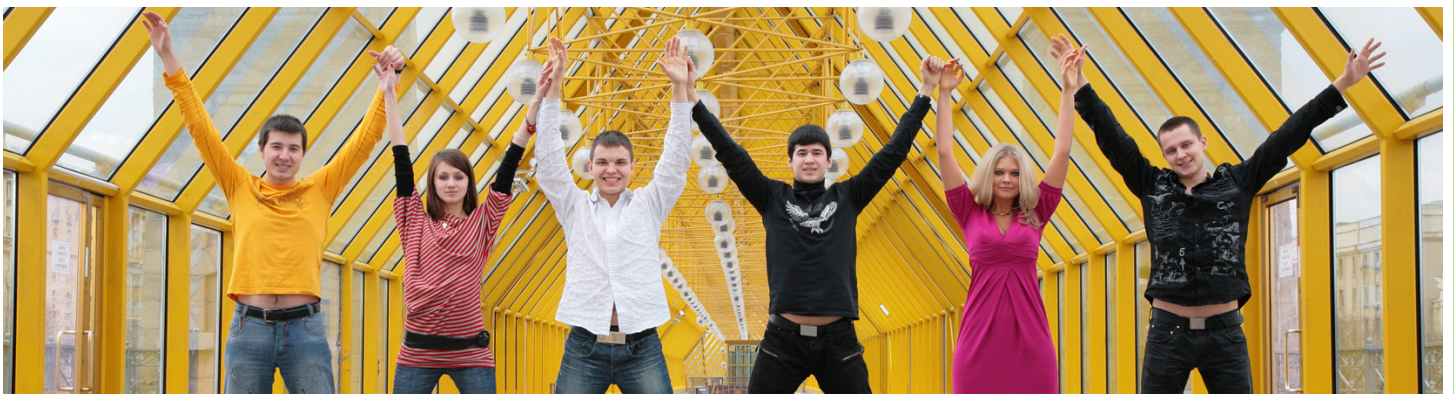
As a by the by, when you're planning the office Christmas party, if it's likely to be especially festive, make some provision so that people don't have to drink and drive. Often someone's willing to volunteer as sober driver but give it some thought and talk it over with the team so there's a plan for everyone to make it home safely.

Include your staff in the company goals

In your initial meeting at the beginning of the year, let everyone know what the overall plan is for the year and where the business is going. Sit down with each staff member individually and chat about personal career goals, how you and the company can help to achieve these and reiterate the importance of the company values. This makes each team member feel valued and appreciated, with the knowledge that you care about his or her future.

Make it fun

In this initial meeting, make sure you include some exciting goals and talk about ideas for functions and team outings. It's good for your crew to have something to look forward to. More importantly, make sure it happens. You don't want to plan big and be greeted with exasperated sighs and rolled eyes for not following through on promises from previous years.



Keep it moving

Is everyone in the team already a bit nostalgic for the days on the beach? Or are they talking about their healthy lifestyle resolutions? Would they be up for a detox week at work? Programme some healthy shared lunches, with everyone bringing in their favourite salads and juices. Make the most of the long summer days and go for a walk in the sun during lunch or before work. Make a date to go out to a local lookout for a scenic moment. Get the blood pumping with a game of touch after work.

Leave room for treats

Build in some reward moments, too. Simply surprise the team with an occasional morning tea treat. Or, if people are in the mood to be social but a little cash-poor after the holidays, suggest an evening get-together at someone's house for DVDs and snacks.

These ideas can also be helpful tools to check in with your team throughout the year. Open communication, positive attitudes and keeping everyone in the loop is just the start to maintaining motivation and keeping energy levels up. This can encourage respect and in turn, reinforce staff retention and loyalty. By treating your employees as valued team players, you can have a far more productive and efficient year ahead.



'Tis the season to be... on call

Do you have situations where some employees will be on call during a public holiday? If so, they are usually entitled to a contractual on call payment as well as at least time and a half rates if they are called out. Whether or not they are also entitled to an alternative holiday depends on whether the public holiday falls on what would normally be a working day:

If the public holiday falls on a day the employee would normally work	
<i>If the employee is on call...</i>	<i>He or she is entitled to...</i>
... and is called out	at least time and a half for the actual hours worked, (your employment agreement may provide for more) plus an alternative holiday as well as any contractual on call payment
... and is not called out but the restrictions of being on call mean the employee has not enjoyed a full holiday (for example, if the employee is required to stay at home all day)	an alternative holiday as well as any contractual on call payment
... and is not called out but the employee's freedom is NOT restricted - for example, he or she can choose not to accept the call-out	any contractual on call payment but he or she would only be entitled to an alternative holiday if he or she accepts a call-out
If the public holiday does NOT fall on a day the employee would normally work	
<i>If the employee is on call</i>	<i>He or she is entitled to</i>
... and is called out	at least time and a half for the actual hours worked (your employment agreement may provide for more), plus any contractual on call payment
... and is not called out	any contractual on call payment




craiganderson
 CHARTERED ACCOUNTANTS

270a Queen St
 Richmond, 7050

p: 544 6179

f: 544 5979

www.caca.co.nz



The Team at Craig Anderson wish you a safe and happy holiday.



Our office will close at 5pm Tuesday 23rd December and reopen in the New Year at 8.30am Monday 12th January.

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.