

## Special Alert: 2013 Year End

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### 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.

### 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 Tax Management NZ.

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 very easy and risk free funding option which is only for provisional tax and the IRD have approved it. It is called Tax Finance.

By using Tax Finance (see Table on page 2), 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 even use this as a form of instalment such as arranging tax finance for 6 months and then paying 1/6<sup>th</sup> to Guardian Trust tax pool each month. You won't get any late payment penalties or IRD interest.

We suggest using Tax Management NZ as your tax intermediary. They have the greatest experience in tax pooling and they guarantee the availability of the funds for both tax purchase and tax finance.

Give us a call or you can deal with them directly at <http://www.tmnz.co.nz/businesses/>. Simply register as a business and then enter the finance request. Please include our details with your registration.



## Tax finance for 7 May 2013

The finance rates are subject to change

	3 Months	6 Months	10 Months
<b>Provisional Tax Amount</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>
Provisional Tax Due Date	7 May 2013	7 May 2013	7 May 2013
Maturity Payment Date	22 Aug 2013	22 Nov 2013	24 Mar 2014
<b>You pay only</b>	<b>\$120</b>	<b>\$198</b>	<b>\$315</b>
Payment of interest due by 3 May 2013			
<b>Provisional Tax Amount</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>
Provisional Tax Due Date	7 May 2013	7 May 2013	7 May 2013
Maturity Payment Date	22 Aug 2013	22 Nov 2013	24 Mar 2014
<b>You pay only</b>	<b>\$240</b>	<b>\$396</b>	<b>\$630</b>
Payment of interest due by 3 May 2013			



## Year end checklist

When it comes to the end of the financial year, you need to consider a few key factors. Here are some of the most important ones.

**Fixed assets** - Do you have assets that you are no longer using or don't intend to use in future? Be sure to review your fixed assets to see if they can be written off.

**Maintenance and repairs** - If you are planning on carrying out any significant maintenance or repairs, bring this forward to get an early tax deduction.

**Bad debts** - Always review your debtors. If you have tried to recover the cost of the debt, it's possible you may be able to write it off. If so, you may be able to claim a deduction.

**Stocktake** - You need to know exactly how much stock you are carrying at the end of the year. If it's less than \$10,000 worth and your turnover is less than \$1.3m for the year, you won't need to include your stock movement for tax purposes.

**Dividends and imputation credits** - Consider reviewing planned dividend payments to use any imputation credits arising from tax paid at the 30% rate. After 31 March 2013 all dividends will only be able to be imputed to a 28% rate.



## 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.

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CHARTERED ACCOUNTANTS

### Disclaimer

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