



in this issue >>>

- Minimum wage increase April 1
- Tax payments - when received in time
- Phone Scams
- Employee or Contractor?
- Are you charging market rates?
- Can't pay tax?
- Five marketing mistakes in an hour!

Minimum wage increase April 1

Labour Minister Simon Bridges recently announced the adult minimum wage rise from \$13.75 an hour to \$14.25 an hour on 1 April 2014.

Both the starting-out and training minimum wages have increased from \$11.00 an hour to \$11.40 an hour – equating to 80 per cent of the adult minimum wage.

Now's a great time to double-check your books to ensure you have adjusted your employee's wages from April 1.

It's also a good idea to check if your employees currently on the starting-out or training wage will need to be moved to the adult minimum wage.

Below is a quick rundown of each minimum wage and how these are affected by the changes:

The adult minimum wage

The adult minimum wage applies to all workers aged 16 and over who are not starting-out workers or trainees, and all workers who are involved in supervising or training other employees.

The new adult minimum wage rate (before tax) is \$14.25 an hour, which is \$114.00 for an eight-hour day or \$570.00 for a 40-hour week.

Employees have to be paid at least the

minimum hourly wage rate for any extra time worked over eight hours a day or 40 hours a week.

The starting-out and training minimum wages

The starting-out wage is focused on:

16 and 17 year olds starting out in the workforce

18 and 19 year olds who have been on a benefit for six months or more;

16 to 19 year olds in training in a recognised industry-training course involving at least 40 credits a year.

The training minimum wage applies to employees aged 20 years or over who are doing recognised industry training involving at least 60 credits a year in order to become qualified.

The new starting-out and training minimum wage rate (before tax) is \$11.40 an hour, which is \$91.20 for an eight-hour day or \$456.00 for a 40-hour week.

If you're unsure how much you should be paying your employees, or you think you might be paying too little, you can contact the Ministry of Business Innovation and Employment Contact Centre on 0800 20 90 20.

Tax payments - when received in time

Inland Revenue has released a draft standard practice statement (SPS), ED0159: "Tax payments — when received in time", which will update and replace SPS 07/01. The standard practice statement has been rewritten as a consequence of a review of the ways in which taxpayers may pay their tax.

Significant changes are:

- The current practice of treating payments which are mailed and post-marked on the due date for payment as being received in time is to end. From 1 October 2014 payments mailed to Inland Revenue must be received on or before the due date for payment or late payment penalties and interest may be imposed.
- Inland Revenue has also reviewed the current arrangement allowing taxpayers to make payments at most branches of Westpac. From 1 October 2014 only payments made using cash or by EFTPOS will be accepted by Westpac. Payments can only be made over the counter and the payment is received in time if it is made by the close of business on the due date.
- Cheque payments will be accepted as being received in time if it is delivered to an Inland Revenue office on or before the close of business on the due date.
- Payments may be made electronically, including by internet banking. A payment will be received in time when it has been electronically paid or direct credited into an Inland Revenue account either on or before the due date.
- Inland Revenue will accept post-dated cheques but a cheque that is post-dated after the due date, even though it is received on or before the due date, will be treated as late. This applies to payments that are posted or physically delivered.



- Payments made by taxpayers through a tax pooling intermediary who then deposits that money into a tax pooling account with Inland Revenue are not tax payments at this stage. It is when payments are transferred from the tax pooling account into the taxpayer's tax account that they become tax payments.

Weekends and public holidays

- If a due date falls on a weekend or a public holiday, Inland Revenue will accept a payment as being in time if it is received, either at an Inland Revenue office, or at an Inland Revenue postal address on the next working day.
- If a due date falls on a weekend or a public holiday, then an electronic payment will be accepted as being in time when it is credited into an Inland Revenue account on or before the next working day.
- A provincial anniversary day is treated as a working day, so if the due date falls on such a day any payment must be received by Inland Revenue on or before that day to be accepted as being received in time.

Phone Scams

Hoax phone calls may claim to offer a refund on the condition that people make an upfront direct payment to a bank account via Western Union. They may also ask you to go to your computer to make the transfer through a website address they will give you, while they are still talking to you.

Important!

Inland Revenue will never direct you to any website except www.ird.govt.nz.

If you receive what you believe to be a scam phone call, please just hang up.

If you have replied to those behind these scams, and given money or personal details, contact your bank or credit card provider immediately.



Employee or Contractor? - take care...

It's very tempting to try and make someone working for you a contractor rather than an employee.

The hope is by doing so, you will bypass the obligations of the Employment Relations Act and avoid tax complications. As accountants, we don't advise you on the Employment Relations Act but we do comment on tax.

Simply by signing up a contract for service between you and the "employee" will not necessarily mean the person about to work for you is an independent contractor. Particularly if the contract does not reflect the true relationship.

You need to be particularly careful when it comes to tax. If you fail to make PAYE deductions when you should have done, the IRD can make you pay the PAYE and charge you a penalty. There could also be use of money interest and ACC premiums to be paid on the wages.

The IRD has some guidelines around this issue and they will look at whether you control the "employee", what the intention between the parties was, whether the "contractor" is truly independent. They will consider whether the type of work being done is near enough to the same and that being done by other staff and does what the "contractor" is doing look like an independent business?

There is no room here to discuss this subject fully. This is just an outline. If you have any doubt, please consult us.

Are you charging market rates?

Recently we heard the story of a professional man whose charge-out rate was way lower than the others of his profession. He bit his bottom lip and hiked his prices 33% in one go. He lost no customers.

He was lucky because big price hikes are generally asking for trouble. When did you last review your charges? Are you up with the market? Little and often is generally better than a big catch up. No-one likes a nasty surprise.

In this economic environment, it is often difficult to ask for more. For big customers, be extra careful. It might help if you were to ring first and make it clear that the price increase is merely an adjustment to get back to where you were. Hopefully, you can get them to agree to the adjustment on the phone.

question time >>

Q: Can't pay tax?

A: Options are available...

Some people who can't pay their tax let the problem fester. Our advice: Don't!

We can help you to do the following:

- Make a sensible, manageable arrangement with IRD; one you should be able to maintain. This will stop penalties accumulating.
- Buy someone else's over paid tax and so reduce penalties and interest charges.
- Budget your personal expenses to provide funds to catch up.
- If you're in deep trouble, persuade IRD you are a suitable candidate to have some of the tax written off.

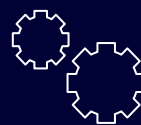
If you ignore the problem:

- Penalties compound while you sleep.
- High interest charges do the same.
- You get further and further behind.

Getting behind with your tax is a recipe for a disaster. Don't let this happen.

It's usually very light in your first year in business. Then there's a catch-up.

You might suddenly be horrified by the amount of tax you have to pay. Plan for this.



PAYROLL SOLUTIONS

Are you finding it a hassle to do your own Payroll? We have a solution for you. We can prepare and complete your payroll either weekly or fortnightly using the latest payroll software ensuring you are 100% compliant with the ever changing employment legislation. We send you meaningful reports each pay run and assist you with all enquires you may have. Call us for a quote and more information.



WEB SOLUTIONS

Did you know that you can use Mail Chimp for free to help you manage your email blasts more successfully? This free service allows you create mailing lists to which you can market and communicate your products and services. Business's that have used this service have noticed considerable improvement in response rates to email blasts over against the traditional way of sending email blasts from your own email. Visit www.mailchimp.com to get yourself set up and utilise the many layouts to improve your email marketing today.



PROHUB SOLUTIONS

Do your salesmen have comprehensive reports of all a customer's contacts with your business that they can take with them when they go out to visit their customers? If they don't they should and PROHUB can help you with such reports. PROHUB allows you to create reports for your travelling salesmen to print off and take with them which will tell the salesman all of the contacts that there customer has had with your business. This is an invaluable tool for the salesman as it helps him to be able to ask intelligent questions and follow-up enquiries with all the information he needs right at his fingertips. Contact us today for more information on how this program can help your business prosper.

Five marketing mistakes **within an hour!**

Our storyteller needed a plumber.

He was just going out for the evening when he saw a trickle of water coming out of the cupboard. As a newcomer to the area he looked for a plumber on the internet. There he was, the plumber available 24/7!

"I rang him. Yes, he would come within the hour."

Phil turned out to be a very likeable fellow. He said he got fed up working for the boss and decided to set up his own business. However, the business wasn't working very well. He said it was hard to get customers.

"Being a bit of a marketing enthusiast, I worked out later how many mistakes this plumber had made when he fixed the leak."

Our storyteller had taken the screws out of the panel hiding the hot water cylinder which was presenting the problem. He had left them on the bench. When the plumber had done his job, he didn't put the screws back in. He just fitted the panel in place and left it.

It would have been a small matter for him to have finished the job. Little things can be quite big to a customer.

He said the reason little hot water was available was that the cylinder was too small. However, he never offered to source or price a bigger one. He missed a potential sale.

He didn't inquire about any other jobs, such as cleaning the guttering of autumn leaves.

He didn't get contact details so he could keep in touch.

He didn't leave business cards.

Good business is not about being good at your job. All you need is to be thought of as being good. Perception is reality. A basic need to grow your business is good marketing. When you see or hear good tips, write them into your computer. Read through your list from time to time for inspiration. Plan your marketing. Now is a good time to do so, ready for your next financial year.

Quick Quote

The results of quality work last longer than the shock of high prices.
~ Unknown



Stephen Larsen and Co

TAX AND BUSINESS ACCOUNTANTS

Important: This is not advice. Clients should not act solely on the basis of the material contained in the Tax Talk Newsletter. Items herein are general comments only and do not constitute nor convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Tax Talk Newsletter is issued as a helpful guide to our clients and for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval.

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