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Stephen Larsen and Co

TAX AND BUSINESS ACCOUNTANTS

TAXTALK

What employers need to know about Kiwisaver

As an employer, you play an important role in helping your employees save for their retirement. There are some things you must do and some things you should keep in mind about KiwiSaver for your employees.

All employers must:

- offer KiwiSaver to all their employees who meet the eligibility rules
- give a copy of the 'Your introduction to KiwiSaver' - employee information (KS3) factsheet and KiwiSaver deduction form (KS2) to eligible new employees and any existing employees that ask for one (call 0800 257 773 to request copies or download them)
- check the eligibility of new employees and enrol them (if they're eligible)
- make deductions and contributions for new employees who are already KiwiSaver members
- make KiwiSaver deductions for any employee who is a member of KiwiSaver even if they have another superannuation scheme you contribute to unless the existing scheme is a complying super fund
- make sure existing KiwiSaver members are getting the correct deductions and contributions
- ask to see the contributions holiday letter if a new employee advises they're on a contributions holiday
- restart deductions and contributions at the expiry of a contributions holiday as soon as you get a letter from us
- send any New employee opt-out request (KS10) forms you receive to us.

If you're not sure if your new employee is a KiwiSaver member treat them as a non-member. To be eligible to join, your employee must be aged 18 or over, under age 65 (currently the age of eligibility for New Zealand Superannuation) and living, or normally living, in New Zealand.

Casual employees

Casual employees engaged on an irregular and intermittent basis and who receive holiday pay with their wages are not subject to automatic enrolment in KiwiSaver. They can join either through you or enrolling directly with a Kiwi- Saver scheme provider.

But if a casual employee is already a KiwiSaver member, you must make deductions and pay compulsory employer contributions for them.

You can find more information in our KiwiSaver employer guide (KS4) on page 5. There's also a flowchart on page 9 that will help you decide if a new employee should be automatically enrolled.

Making amendments to KiwiSaver deductions

When you reduce an employee's KiwiSaver deductions, a hold on the account is activated until the funds are returned by the employee's scheme provider.

If you've asked for this credit from the reassessment to be moved forward to another period, there may be a small delay. Please take this into account when you make your request as your account goes into "arrears" for this period of time.

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Seven tips for email senders

Here are seven tips which will help email readability.

1. Keep emails concise. Think about the message you want to convey, and do it in as few words as possible. Long emails don't get read.

2. Draw attention with the subject line. Like a headline in a newspaper it should entice the reader to look for more details.

3. Avoid attachments – they should only be what someone requests. Never try to convey a message with an attachment. Opening an attachment is an extra step readers are unlikely to take. Say what you want to say in the body of the email.

4. Check the text. Proof read before you hit the send button. Spelling mistakes and 'text-speak' are unprofessional.

5. Double-check forwarded messages. Beware forwarding a message with a thread deep down in the email that might have been sent to you in confidence.

6. Never assume privacy. Assume that your email will be read by others; after all you have no control over what happens to your email once you send it. So be courteous and respectful.

7. Take a breath. Never send an email in anger. If you receive an annoying email, never respond immediately. Put the email aside and reply when you are calmer. Consider always leaving those difficult emails until next day. You'll be more rational.

Keeping hard earned wealth a challenge

We have seen many clients work very hard only to lose some or all of their savings. And they're not stupid people, quite the contrary. Keeping your wealth is a challenge. You need to think about how to do this. Also, think about why the mistakes have been made. Greed? Bad advice? Putting all their eggs in one basket? Collapse of the sharemarket?
You'll be lucky to avoid making some mistakes. Let them be relatively small. Here are a few examples of how you could have made mistakes:

Ross Financial Management promising exceptional results.
South Canterbury Finance Company was a safe finance company wasn't it?
Lending to the wrong finance companies, often on the advice of a professional.
Many tax avoidance schemes such as pine trees, kiwifruit, alpacas and films have not worked out so well.
Bubbles bursting, such as the sharemarket in 1987.
Over-exposure to debt when the market recedes, usually while investing in real estate or the sharemarket.
ANZ Bank promoting 'Ing' to its customers. Do you remember what happened?

So what should you do? It's not our job to provide financial advice and the law requires us not to do so. Besides, we don't have the specialist knowledge required. However, consider these points:

1. The higher the return on your investment, the greater the risk. Don't be greedy.
2. Keep alert. Doing what everyone else does is, at times, wrong. Recently, gold was an example of this. It was going up for ever, wasn't it! The 1987 sharemarket collapse was another.
3. Recognise your mistakes and maybe you should sell out before they get worse. Have you the courage to do this?
4. It's often a good strategy to get rid of your losers rather than cash in your winners. If your winners continue to win, you're better to stay with them. You may have heard it said "No one ever went broke taking a profit". It sounds wise advice but maybe it's those who hang on to their good investments who really make the profits.

Spread your risks.

If you're tempted into a scheme which looks too good to be true, it probably is.

If you really are tempted, don't go in big time.

Only invest money you can afford to lose .

Under promise, over deliver for good referrals

It should be obvious to anyone in business, not keeping your word does nothing to enhance your image. It's often hard to tell a customer, very politely of course, "You'll have to wait". You might be a very small building company and know you won't have a gap in your work for six months.

If this is the situation, tell the customer you can start in seven months, turn up after 6½ and you'll be praised. Say you'll be along in three months (to keep the customer happy) and they'll hate you for taking six.

Never promise more than you can achieve. It's better to lose jobs than to upset customers, because happy customers are the very people who are going to recommend you for your next job. You'll get payback when the economy goes bad again, as it inevitably will one day—you'll get referrals when others won't.

question time >>

Q: Do I need to keep receipts to be able to claim GST?

A: Read the following case study to get the answer

Inland Revenue is auditing the GST returns of a restaurant business. The investigator has requested copies of tax invoices in relation to payments claimed in its GST returns. The business has been unable to produce tax invoices for about 30% of the expenditure claimed in its GST returns. The business has made all payments through its business bank account but has not kept all the tax invoices and receipts.

Does this mean that Inland Revenue can require the business to pay back the GST on these payments?

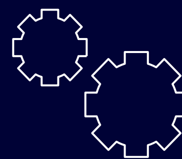
Section 20(2) of the Goods and Services Tax Act 1985 provides that a registered person can only claim a deduction for input tax on goods or services supplied to the person if the person holds a tax invoice, debit note or credit note in relation to that supply at the time that any return in respect of that supply is furnished. However, no tax invoice is required if:

- the value of the transaction does not exceed $50
- the Commissioner is satisfied that there are or will be sufficient records available to establish the particulars of any supply or class of supplies, and that it would be impractical to require that a tax invoice be issued, or
- the supply is a supply of second-hand goods and sufficient records are maintained to identify the particulars of the supply.

Where a tax invoice, debit note or credit note in relation to a supply has been provided, the Commissioner can disallow a deduction for input tax in relation to that supply if that tax invoice, debit note or credit note is retained in accordance with the provisions of s 75 of the Goods and Services Tax Act. Section 75 requires a registered person to keep tax invoices, debit notes and credit notes for a period of at least seven years after the end of the taxable period to which they relate.

Therefore, regardless of whether the business held tax invoices when it claimed the input tax on the purchases in its GST returns, if it cannot now produce the tax invoices to support the input tax claims it has made, Inland Revenue may disallow those input tax deductions.

REFERENCE: Goods and Services Tax Act 1985, ss 20(2), 24, 25, 75.
CCH Q & A Service



TAX SOLUTIONS

The PAYE system and PAYE tables are worked out based on 52 weeks or 26 fortnights occurring in a tax year. However, each year a number of employees receive 53 or 27 pay days within the tax year because of the day on which their wages are paid. This often results in PAYE and/or student loan repayment shortfalls. Where the employee has an entitlement to Working for Families Tax Credits this may also be overpaid if their family income has been underestimated. Summaries of earnings began going out to your employees in May 2015 and this may cause an increase in questions from your employees.

WEB SOLUTIONS

Did you know you can calculate how much ACC you need to pay online? Go to www.acc.govt.nz and search for calculators and you will find a variety of calculators that will help you with calculating the cost of ACC.

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.

Take care with bank discussions

Anything you say to a bank can be written down and used in evidence against you. Not by the bank so much as the Tax Department.

It is not confidential from the IRD. Always imagine an officer of the department is listening to your every word.

You have no control over the notes your bank manager makes of your meeting. Just in case he/she makes a mistake and writes a note of something he/she imagines was said, make a detailed diary note yourself immediately following the meeting.

For example, if you were to buy a property for renting and were to tell the bank there is a good capital gain to be made, this could be interpreted by the IRD as being a purchase made to get a capital gain. Consequence: taxable income.

If you have the intention to make a profit and a reasonable prospect of success, the eventual gain on any transaction you are engaged in is probably taxable. So, if you buy a rental property but have in mind selling it for a profit some time in the future, the profit on sale is taxable. On the other hand, if you buy the same rental property as a long-term investment to provide income in future years, you are not taxed on the profit you make on the eventual sale.

We all know property prices rise over time. So the person who buys to rent is aware there's likely to be a capital gain on sale of the property. The issue is you must buy for the income, not the capital gain.

The same applies to the sharemarket. Buy shares like Xero for fat dividends once they make profits and your sale of Xero shares for a gain is not taxable. Buy Genesis shares and sell them soon after issue “to take a profit” as sharebrokers say, and the gain is probably taxable.

Quick Quote

The reason most people do not recognize an opportunity when they meet it is because it usually goes around wearing overalls and looking like Hard Work . ~ Author Unknown

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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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