

## TAXTALK



### New office in Wellington

We are very pleased to announce the opening of our Wellington branch. On the 2nd of December we purchased the Wellington Accountancy practice Deck & Deck Accountants from David Deck who, due to poor health, is seeking to retire in due course.

The new office is located at 91 Main Road, Tawa.

This acquisition will greatly help us to increase our level of service to our existing clients in Wellington. And to our new clients in Wellington we extend a very warm

welcome and look forward to serving you from now on.

Maria and Malina will continue to work in the Wellington office and David will also be assisting us as his health permits.

Stephen will be in Wellington on a regular basis and looks forward to meeting with our Wellington clients in the very near future.

To our Manawatu clients, rest assured that you will continue to receive the same level of service as you have in the past.

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### Holiday Hours

Our offices will be closed from Friday, 20th December 2013 until Monday, 6th January 2014

#### Special note for our GST Clients:

If you had a GST period that ended on the 30th November, the IRD allows until January 15th 2014 for this return to be filed. So we will be able to complete this for you on our return to the office.



# Fair holiday trading: what you need to know

If you are a retailer or service based business gearing up for a bumper Christmas season, now's a great time to polish up on your knowledge of your responsibilities under the Fair Trading and Consumer Guarantees Acts.

Both Acts affect the way that you can legally advertise and sell your products – from running Christmas sales and promotions to resolving customer returns and disputes.

## The Fair Trading Act

The Fair Trading Act (FTA) covers all aspects of the promotion and sale of goods and services, and this includes pricing. The key point to remember is that all claims your business makes about price must be clear and accurate.

### Sales and promotions

In the mind of your customer, the word 'sale' means an opportunity to buy goods at reduced prices for a limited time.

There are many different types of sales, but all generally imply that a lower price than usual is being charged. Any goods or services a business promotes as part of a sale must be priced below normal levels to avoid misleading customers. If a sale doesn't include stock already on sale or discounted, then this must be clearly stated.

## The Consumer Guarantees Act

The Consumer Guarantees Act (CGA) protects customers from poor quality services and goods that do not meet reasonable customer expectations.

The CGA applies to all goods bought for personal or household use – such as clothes, food, appliances, and furniture. Vehicles, pets, plants and trees, and second-hand goods are also covered as well as goods sold by hire purchase or hired out for use.

The Act also applies when you buy these types of household goods to use in your business – such as a toaster for the staff cafeteria – unless the seller's contract, or its terms and conditions, specifically exclude goods bought for business purposes.

If you sell or buy goods that are not normally bought for household use these aren't covered by the CGA – such as a hardware store selling tools to professional tradespeople. These goods aren't covered even if they are purchased by a consumer for household use.

### Resolving customer issues

If the problem with the goods can be fixed, then your customer can ask you to put it right. You must provide a remedy, but you do have the choice of whether you will repair the goods, replace the goods or give a refund.

You must act within a reasonable time and provide the repair or replacement free of charge.

### What if a customer changes their mind about the goods?

You don't have to give a refund or a replacement if the customer has decided they no longer want the goods or if their circumstances have changed. It's your choice whether you offer a refund or any other remedy if a customer has changed their mind or decided they can't afford the goods.

However, if you told the consumer that they could get a refund or a credit note if they change their mind, then that is part of your contract with them.

When a customer changes their mind about goods they are paying off on layby they have the right to a refund under the Layby Sales Act.

### What if you pointed out a defect before they bought it?

You will not be liable for a fault if you display a sign or tag with the goods that specifically states what the fault is – for example, "this appliance has a scratch on the left side".

You can only exclude liability for specific faults that you know exist. You can't use a sign to avoid responsibility for unknown faults that may occur.

## CGA for service businesses

The CGA says that any consumer service you provide must meet four specific guarantees.

These guarantees are:

- The work will be carried out with reasonable care and skill.
- The work will be fit for any particular purpose that the customer has told you about.
- If the time for completing the work has not been agreed, the work will be carried out within a reasonable time.
- If the price for the work has not been agreed, the price charged will be a reasonable price for the work done.

### Guarantee of reasonable skill and care

Reasonable care and skill will be judged by looking at the care and skill used by other competent people doing the same work. Your skills should be such that you can do the job and achieve the purpose the customer wanted. You should take the same care that other competent people take to do the job well and avoid causing any damage.

Some examples of a lack of skill and care include:

- A plumber installs new guttering. The next time it rains part of the guttering falls down.
- A drycleaner ruins a duvet by using the wrong method.
- A painter paints over flaking paint and six months later the new paint starts to flake.

# Employing students or casual staff over the holiday period

If you're an employer or you're responsible for doing payroll for clients, this information is important to you if you take on students or casual staff over the Christmas break.

## School students

The tax credit for children has been repealed, which may change how you tax school students.

All children need to complete a *Tax code declaration (IR330)* and give it to their employer so tax can be deducted from their wages.

## Tertiary students and other staff

All other staff, including any university, polytech or other tertiary students, must complete an IR 330 and give it to you so you can deduct the correct PAYE or tax on schedular payments from their pay.

## KiwiSaver

If you employ anyone on a temporary contract for less than 28 days you don't have to enrol them for KiwiSaver. If they're already KiwiSaver members and they want you to make KiwiSaver deductions they must give you a *KiwiSaver deduction notice (KS2)*.

## Check a certificate of exemption is valid

If a worker receiving schedular payments tells you not to deduct PAYE from their income, you need to check they hold a valid certificate of exemption.

What to check:

1. The certificate must be an original issued by Inland Revenue.
2. It must be current at the time you pay the worker - even if the work was done in a previous year.
3. The name and IRD number on the certificate must be the same as the name on the worker's invoice.

If all the above points are covered, you can make payments without deducting tax. The certificate just means the worker is exempt from tax being deducted at source. If you're not sure you have a valid certificate we can check it for you if you call IRD on 0800 377 772. You don't need to show the payments you make to these workers on your *Employer monthly schedule (EMS/IR348)*.

## question time >>

**Q: Do your employees get perks?**

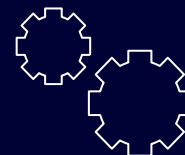
**A: You may need to pay FBT**

If you give your employees benefits or perks you may need to pay FBT (fringe benefit tax) on the value of that benefit.

FBT replaces the PAYE that you would deduct from the employee if you were to just give them cash instead. Common benefits include:

- an employee using a business vehicle for private use
- low-interest loans
- free or subsidised goods and services
- subsidised transport
- contributions to funds, insurance and superannuation schemes.

If you're liable for FBT and are not registered, call the IRD on 0800 377 772 to register.



## 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

Have you check out our website lately? We have a variety of really useful calculators which you can download free of charge. These calculators are designed to help you manage and grow your business better by applying proven principles to your business.



## PROHUB SOLUTIONS

Are you effectively managing all of your sales enquiries? Do you have a system to record all of your potential sales leads? PROHUB CRM is designed to handle all customer enquiries and compile them in one database. Each enquiry is allocated to a team member for follow-up at the appropriate date. This ensures all potential sales are followed up and you don't miss out on critical sales opportunities. Contact us today for more information on how this program could help your business prosper.



# What happens when you die without a will - Are you endangering your estate?

Most people are not particularly enthusiastic about contemplating their own demise but it is interesting to consider for a moment what happens if you die without a will.

If you die without a will you are said to be intestate. If you have an interest in land or more than a small amount of cash, then what happens is governed by the Administration Act 1969 which sets out a statutory distribution according to a specific formula in different cases.

For example, if you are married with children the following formula applies:

- Spouse receives personal chattels
- Spouse receives a prescribed sum (Currently \$155,000)
- Spouse receives one third of what is left
- Other two thirds is held equally for all children.

The administration Act does not allow for gifts to Charity or specific gifts to persons not in the relationships named in the Act. The above is just an example; other formulas apply in other situations - none of them very satisfactory

Contact your lawyer to ensure you are protected.

## Quick Quote

In the business world, everyone is paid in two coins: cash and experience. Take the experience first; the cash will come later.  
~ Harold Geneen



## 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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*We care about your Business Prosperity*