



TAXTALK

in this issue >>>

- Are you trading online?
- Construction firms warned after employment law breaches
- No change to mileage rate for 2013
- Do you have unclaimed money?
- How to avoid common IT scams
- Large penalties for price-fixing

Are you trading online?

Trading on the internet is just the same as doing business from a shop or from your home when it comes to income tax. But sometimes you may not be sure whether your online income should be taxed or not.

If you're not sure whether income from your online trading is taxable or not, think about why you're doing it, i.e., what your intention was at the time. Your activity is likely to be taxable if you:

- acquired goods you intend to resell
- intend to make a profit
- provide a service in return for payment (remember, this doesn't have to be for money).

If you sell online as part of an established business, the income you receive needs to be recorded in your business accounts. If you've been trading online but haven't declared that income, you should talk with your accountant or with IRD as soon as possible. This is so any tax that might be due on this income can

be worked out and dealt with before it becomes overdue.

GST and online trading

If your online activity is substantial or you expect it to grow a lot, you may need to be registered for GST.

If you're already GST-registered and you're selling goods or services to overseas customers, different rules apply. The product must leave New Zealand or the service must be provided to someone outside New Zealand for it to be considered an export. In these cases GST is zero-rated (charged at 0%) if you're registered, but you can still claim GST on items bought in New Zealand to produce your product or service.

There are also special rules if you're selling secondhand goods that are part of your business. This doesn't include personal items, e.g., an old TV that you no longer use in your home.

Construction firms warned after employment law breaches

The Ministry of Business, Innovation and Employment is warning Canterbury construction firms to make sure they're complying with employment law, following recent action by the Labour Inspectorate.

The Ministry is keeping a close eye on the Christchurch rebuild, with international evidence showing that rebuild operations too often result in underpaid and overworked employees.

The Labour Inspectorate has issued an improvement notice to a construction firm after an investigation found a worker had not received his full wages, annual leave or public holiday entitlements. He and another employee were also not supplied with employment agreements.

The Labour Inspectorate's acting-southern regional manager Steve Watson says the employer has now introduced written employment agreements and outstanding wage and holiday payments are being made.

"The rebuild is creating a variety of work opportunities, particularly for skilled tradespeople such as painters, carpenters and plasterers," says Mr Watson.

"Employers need to make sure they're acting lawfully and each employee is receiving their minimum entitlements."

The rebuild also poses a risk for migrant exploitation, with high numbers of workers in Canterbury coming from outside New Zealand.

"Migrant workers are a particularly vulnerable section of the

workforce and are an increasing focus for the Ministry's enforcement operations," says Mr Watson.

"The Labour Inspectorate is working with Immigration New Zealand to ensure migrant exploitation, such as paying less than the minimum wage or making people work excessive hours, does not occur in Canterbury."

There are financial penalties for not complying with employment laws of up to \$10,000 for individuals and \$20,000 for companies.

The Labour Inspectorate encourages anyone in this situation or who knows of people in this situation to phone our call centre on 0800 20 90 20 where your concerns will be handled in a safe environment.



No change to mileage rate for 2013

The IRD mileage rate has been kept at 77c per Km for the 2013 income year. This rate can be used by a company to reimburse an employee for the use of a private motor vehicle, or as a reasonable estimate of costs as a tax deduction for a small business owner who uses a private vehicle for business purposes. The rate applies up to 5,000km of annual work-related travel, irrespective of the type of vehicle or engine size.



Do you have unclaimed money?

Inland Revenue holds a list of owners of unclaimed money left untouched for six or more years.

The money is usually from deposits left in banks and other financial institutions and includes insurance proceeds, cheques and wages. Unclaimed money isn't refunded income tax or any other unpaid tax refunds.

Currently they have 71,026 names on this list, who are owed a total of \$89,344,000. The sums involved range from just over \$100 to several thousand dollars.

If you think some of that unclaimed money belongs to you, send them your name, address, IRD number and proof of identity, eg, a copy of a birth certificate, driver's licence or passport, and they'll follow it up.

You can email the details to unclaimed.monies@ird.govt.nz or write to:

Unclaimed Money
Inland Revenue
PO Box 38222
Wellington Mail Centre
Lower Hutt 5045

Check the list here: www.ird.govt.nz/unclaimed-money

How to avoid common IT scams

Have you thought about what you would do if your sensitive data was compromised or you were victim to malicious software or scams?

Scams vary in severity, but even a small piece of malware is capable of causing disruption to your business and could incur significant costs to successfully remove from your network.

With scams becoming more sophisticated, it is important for businesses to understand how to safeguard against common cyber-attacks and security threats.

Ransomware

Ransomware is generally targeted at PCs running the Windows operating system and is capable of taking a system and data stored on it hostage in an attempt to extort money.

Businesses affected by the malware have found their systems locked out with all business and customer data encrypted by a hacker and a demand for payment of up to several thousand dollars to unlock the files affected.

The ransomware may make claims that business computers have been spamming or contain illegal files and unless the ransom is paid a report will be made to the Police.

What should you do if you think your business computers are infected?

1. Report the computer system attack.

Make a report to NetSafe's ORB website – NetSafe communicate with the National Cyber Security Centre about recent incidents.

Continued on the next page...

Large penalties for price-fixing

On August 22nd Visy Board Pty Ltd was ordered to pay \$3.6 million to the High Court in Auckland for breaching the Commerce Act by being involved in price fixing. The company, a manufacturer of corrugated fibreboard packaging for companies such as Fonterra and Coca-Cola, entered an arrangement with their competitor Amcor Ltd to divide certain major trans-Tasman customers between them. This had allowed them to charge higher prices when Fonterra put out a tender for the supply of its packaging product. This type of arrangement, known as a cartel, is considered anti-competitive and damaging to society.

In May, a Taranaki floor sanding company was issued a warning when its competitor reported to the commerce commission that the company had contacted them proposing a minimum price for floor sanding, and an increase in prices generally.

Business owners should take note that sometimes what may be a smart idea on the surface can have legal repercussions.

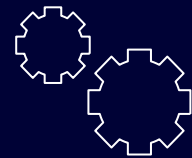
question time >>

Q: Do I have to pay FBT?

A: It depends on your business

As an employer, you have to pay tax on any benefits you give your employees. This is called fringe benefit tax. These benefits are generally not cash and can include:

- Motor vehicles
- Free, subsidized or discounted goods and services
- Low-interest loans



GST SOLUTIONS

Are you finding it a hassle to do your own GST Returns? We have a solution for you. We can save you time and money and a lot of stress by doing your GST returns for you. Our services includes sending you a reminder letter when you GST return is due so that you can get your records to us in time and ensure your GST Return is filed on time in order to have you avoid being charged late penalties. Contact us today for 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

Do you require a CRM system in your business? We have developed our own CRM system called PROHUB CCM. This system is designed around the all important concept of ensuring every sales lead is recorded and then every lead is properly followed up until the sale has been made. Contact us today for more information on how this program could help your business prosper.

How to avoid common IT scams cont.

Continued from previous page...

2. Be prepared to wipe systems and restore from back-ups. IT staff can spend several days dealing with the fallout from ransomware infections.
3. Do not pay the ransom, no matter how convincing it may seem. There is no guarantee that your data will be unlocked by the hacker.

Pro forma invoice scamming

Pro forma invoice scams generally involve individuals contacting a business by phone or mail and falsely claiming that the business agreed to advertise in a particular publication, or pay for specific services.

This is also known as 'false invoicing' or 'false billing' and is a breach of the Fair Trading Act (1999).

Here are some tips to safeguard your business against pro forma scams:

- Always verify suspect invoices with colleagues or staff.
- Ask for specific evidence that the publishing company has been commissioned by an organisation to publish the magazine on their behalf.
- Keep records of telephone conversations discussing advertising, including dates, what was discussed and who it was discussed with.
- Seek legal advice if threatened with legal action.
- Inform the Commerce Commission of all scams.

The Ministry of Business, Innovation and Employment (MBIE) has recently been working with

various agencies to look into a pro forma invoice scam for the renewal of trade marks. A company was offering a renewal service at an inflated price by sending renewal notices and pro forma invoices to unsuspecting businesses. The scam was brought to light by a number of business owners who realised their error in paying the invoice once they found out the true cost of renewing a trade mark, or in a couple of instances the fee they paid the renewal company had not resulted in their trade mark being renewed with the Intellectual Property Office (IPONZ).

Supplier bank account number change scam

Be aware of emails claiming to be from your suppliers advising of a change to their bank account number. If you receive such an email go back to your original contact details for that supplier and ring them to verify the change. It always pays to check! Do not use the contact number on the email as this could potentially be false.

Top 5 tips to protect your business online:

1. Think before you click - it only takes a moment to open an attachment or visit pages containing harmful malware or viruses.
2. Update everything - having the latest updates and patches helps protect your systems.
3. Back up your files regularly - preferably offsite or to a cloud service.
4. Secure your wireless network - safeguarding passwords and using the latest encryption software.
5. Use strong passwords and change passwords regularly - resist the urge to share passwords with staff or colleagues.

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.

PO Box 5161, 74 Bourke Street
Palmerston North 4441
Phone: 06 357 7011 Fax: 06 353 6430
Email: info@stephenlarsenandco.co.nz
Website: www.stephenlarsenandco.co.nz



PROHUB
BUSINESS
MANAGEMENT
SOFTWARE

We care about your Business Prosperity