

TAXTALK



Crowd Funding

What is crowd funding?

Crowd funding is about obtaining funds in small amounts from a large number of individuals to finance a new business venture or invest in an existing business.

A business can raise up to \$2 million through crowd funding each year without having to issue a prospectus or an investment statement.

It can be an excellent way to boost capital of an existing or a start-up business looking to grow quickly.

Why use it?

As it uses social media websites or online crowd funding platforms which are easily accessible, it makes it easier to engage with investors from outside the more traditional networks. Consequently, it has the benefit of expanding the potential pool of investors quickly.

The Government recently launched a series of improvements as part of the Financial Markets Conduct Act (FMC) that make it easier for all businesses to raise capital through crowd funding. The changes are part of a wider

Government focus on making it easier for businesses to grow by reducing barriers to investment. It's a key component of the Government's Business Growth Agenda to build capital markets and drive business growth, exports and jobs.

Peer-to-peer lending, which allows businesses to borrow funds from the public online, will also be covered by the new scheme.

How does it work?

Businesses seeking crowd funding investment will need to apply to be licensed by the Financial Markets Authority (FMA). Once they are licensed, these facilities will be able to advertise the services they offer. The FMA has already received around a dozen "expressions of interest" for these licenses.

All licensed crowd funding service providers will have to meet and maintain certain minimum standards set out by the FMA.

For more information on the Financial Markets Conduct Act and associated changes visit the FMA website www.fma.govt.nz

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IRD payment options are changing

Do you or your clients pay Inland Revenue by cheque? You need to be aware of changes happening later in the year.

Limited services at Westpac

Westpac will continue to accept cash or eftpos payments over the counter after 1 October 2014 but they'll no longer accept any cheque payments, returns or other documents. (These will need to be either filed online or posted to Inland Revenue).

Posted cheques must be received on time

From 1 October 2014, cheque payments posted to Inland Revenue must arrive on or before the due date to avoid late payment penalties & interest.

There's never been a better time to go online

Although payment by cheque is one of many payment options available to you & your clients, have you considered going online? The IRD's online channels are secure, easy to use & accessible 24/7. Last year, over 70% of payments to the IRD were made online.

For example, you can use your bank's tax payment service if your bank offers it. You can make

payments right up to the due date & your payment will show up on your bank statement straight away (depending on the bank's transfer times). If they don't offer a "pay tax" feature, you could make a one-off payment. Or you can pay on the IRD website by credit/debit card (Visa & MasterCard accepted).

You can find information about all payment options or download the *Making payments (IR584)* factsheet.

Are your clients expecting a tax refund this year?

Receiving a refund by direct credit is the fastest way to get a refund. The IRD just need your clients' bank account details, which they supply through their "myIR Secure Online Services" account. If they don't already have a "myIR" account, encourage them to sign up now. Or they can fill out the *Faster refunds (IR587)* form (to authorise a direct credit) & post it to the IRD - the address is shown on the form.

Once a refund has been processed they should receive it in two working days. Cheque refunds can take up to 10 working days.

Working with key participants in the Canterbury rebuild

Government has listed the Canterbury rebuild as one of its top four priorities.

To give the New Zealand Government and public assurance about the integrity of the Canterbury rebuild the IRD is working with insurance companies, funding distributors, primary contractors and project management organisations.

In this collaborative approach the IRD aim to identify any tax risk issues, gain assurance around integrity of systems and processes about tax compliance, promote positive compliance messaging to their joint customers, and provide assistance and education to make tax compliance easy and accurate.

By working with the IRD, key participants in the Canterbury rebuild will be helping to promote assurance of tax compliance and the integrity of the rebuild environment, and maintain a positive reputation and community profile.

New Paid Parental Leave

The paid parental leave (PPL) weekly maximum entitlement rate has increased from \$488.17 to \$504.10 (before tax). This rate applies to employee and self-employed PPL recipients entitled to receive the maximum PPL rate.

The minimum self-employed rate has also increased to \$142.50 per week. The new rates are effective from 1 July 2014.



We care about your Business Prosperity

Consumer law changes

There are some key consumer law changes affecting businesses that took effect from 17 June 2014. These include:

- New criteria for business-to-business contracting out in both the Consumer Guarantees Act (CGA) and the Fair Trading Act;
- New delivery guarantee—if you arrange to deliver goods to your customers by mail or courier, the guarantee of acceptable quality will start from when your customer receives the goods (you will have to provide a remedy if goods arrive damaged or don't arrive on time)
- Extended warranties—you will need to explain any extra guarantees over and above the CGA when selling these warranties;
- Unsolicited goods and services—you will not be able to demand payment for any goods or services your customer has not requested;
- The CGA will apply to all transactions be it goods sold at auction or by competitive tender;
- Online selling—you will need to identify yourself online as a trader when your business sells online.

Bad debt deductions

The current rules are somewhat unfair to some taxpayers due to the “timely” write-off requirement rules. When can a taxpayer claim a deduction on bad debts? In order to claim a deduction for income tax & GST purposes, the following conditions apply:

- a debt owing to the taxpayer exists; and
- a reasonably prudent commercial person would conclude that there is no reasonable likelihood that the debt will be paid. The company must have sufficient information or evidence to support the fact that the debt has become bad; and
- The bad debt must be written off from the taxpayer's in-house accounting system on or before the end of that income year.

For example, if a debtor goes into liquidation or bankruptcy, the creditor (debt holder) can take a bad debt deduction only if the debt was written off as bad in the same year, & before the liquidation or bankruptcy took place.” This makes it onerous for some creditors as it means they would need up-to-date knowledge of their customers' financial state.

PROPOSED CHANGES. Two changes to the current system have been proposed. The first change allows creditors to take bad debt deductions where the debt has been remitted by law ie where the debtor is liquidated/bankrupted or where a debtor company has entered into a composition with the creditors. The second change prohibits taxpayers who want to take advantage of the current system. It limits the deductions to the extent of the true economic loss suffered. This change applies for bad debts from 2008-09 and later income years.

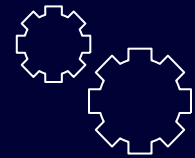
question time >>

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



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.

Fees paid to directors and board members

The Goods and Services Tax Act 1985 has recently changed in relation to persons engaged as directors, chairpersons or members of local authorities or statutory boards, councils, committees or similar bodies. Two changes have been made:

1. When a person is engaged by a third party, such as a board to be a director, board member, or a similar position, and the person is required to remit any payments received from the third party to their employer, the employer will be treated as supplying services to the third party. Therefore, the employer will return GST and the third party will be able to claim input tax on the payments.
2. When a person, in carrying on a taxable activity, accepts an office (ie, engagement) such as a director or board member who sits on a board, the person is required to account for the GST on any payments for their services to the board.

The changes apply from 30 June 2014.

More information is given on page 123 of the [commentary to the Taxation \(Annual Rates, Employee Allowances, and Remedial Matters\) Bill](#) on the Tax Policy website, and in the [Tax Information Bulletin, Vol 26, No 7 \(August 2014\)](#).

With regard to withholding tax, work or services performed by statutory and non-statutory chairpersons or board members continue to be "schedular payments" and so are subject to withholding tax (at 0.33 tax rate) - unless that person holds a valid certificate of exemption (COE) or special tax code certificate (STC). In some instances the person may be under a fiduciary obligation to pass fees on to their employer, partnership or trust. Where this occurs the fees are considered to be earned by the employer, partnership or trust and if they hold a valid COE, STC or are otherwise exempt from the withholding regulations (for example, the employer is a company), the COE, STC or exemption will apply to that fee.

Quick Quote

An idea not coupled with action will never get any bigger than the brain cell it occupied. ~Arnold Glasow



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