

## TAXTALK



### Keep on top of slow payers

Perhaps one of the most unethical and unfair things one can do in business is to not pay the bill when it should be paid.

When you get a bill, you have received the goods or services and you hold the upper hand. There is little your supplier can do to get paid without it costing a lot of money.

Of course some people unexpectedly get into a tight spot financially. The reasonable thing to do is to send a message to the supplier apologising for not being able to pay on time and requesting an arrangement to spread payments. Don't ignore overdue bills.

There is talk of a recession looming. This is, if it occurs, likely to lead to more people having difficulty paying their bills.

get badly hurt when a big customer won't pay. Continuing to supply that customer to keep them going, in the hope their situation improves so they can pay you can be disastrous.

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- Can you get deposits or increase the amount of deposit you ask for up-front?
- Are you spelling out your terms for payment before you take a job and making sure the customer is aware of them?
- If you want to charge interest on overdue accounts, you need to make this clear at the start.
- A customer who has to be constantly followed up for payment is wasting your time. You might be better off without them. It might be better to get rid of them now, while there's still a good chance of replacing them. You could make better use of your time promoting your business.
- Are you keeping in touch with customers? Emails are such a cheap and easy way to communicate. Develop a system for sending messages to your clients and customers regularly. Set yourself specific dates when this has to be done. Think about special offers, tips and suggestions that could be useful to them.
- If you think you might be one of them, consider ordering only what you know you can pay for.
- If you're a supplier, you should be planning now, before it's too late, for how you deal with unpaid invoices.
- If your business has a large number of customers, none of them being of a significant size, you are in a much healthier situation than those depending on one or just a few big clients. If not, can you change things now to get more, smaller customers to spread the risk?
- In tough times small businesses can

# Travelling Expenses Overseas

**The Inland Revenue Department recently proposed updating tax deductibility of overseas travel expenses.**

The cost of meals are excluded if you are self employed. This is because Inland Revenue has separate rules to cover meals.

Roughly, a self-employed person would have to eat anyway so should not be claiming the cost of their meals while away on business. The shareholder employee of a company is in the same situation as any other employee and meal costs while travelling away from home on business are tax deductible.

Here are some examples of how Inland Revenue sees the tax deductibility of travel expenses overseas.

Gertrude travels overseas primarily to go to a 50<sup>th</sup> wedding anniversary. However, she had to go overseas on business anyway so turns part of the trip into a business trip. She spends 11 days out of 42 on business and therefore claims this proportion of her airfares and accommodation.

Fred goes to Australia to buy stock. He is away for three

days, one of which he spends visiting an old friend. He is entitled to claim two thirds of his travel costs.

Oscar buys an airline ticket to go to the United States on holiday. While he is there he takes the opportunity to visit potential clients and promote his business. At the time he bought the ticket his intention was just to have a holiday, so no tax deduction is permitted for the airfare but if he hired a car specifically for the business related activities that would be deductible.

In a 1984 court case, a qualified electrician and his wife were in partnership. They visited a factory in Australia for four days that made the electrical units on which the electrician was doing contract work. The electrician's travel costs were tax-deductible. His wife's costs were of a private nature and therefore not tax deductible.



## Income tax returns - Don't be late



**After Christmas there are only about 10 weeks of work before the deadline to file tax returns.**

If you don't get your tax return in by 31 March, Inland Revenue has an extra year in which to examine your return. Also, you could lose your right to an extension of time for filing the return.

Late tax returns have a number of other disadvantages:

- Provisional tax has to be paid based on the year before last +10%. At times, this figure could be too high.

- If you get your accounts done late, it might not be practical to get them completed by 31 March. Reasons could be:
  - ◊ sickness or staff leaving
  - ◊ too many other people have left their accounting too late – overload.
- You can become liable for Inland Revenue interest without realising it. The longer this is left the bigger the bill from Inland Revenue. The interest rate is shortly going up to 10.39%.
- If there is an opportunity to save tax it's better to know about it early and take full advantage of it. Sometimes opportunities reveal themselves when the financial statements are prepared.

## Selling a loss-maker

**Until recently, when the shares in a company were transferred to another owner, which resulted in a change of ownership of more than 51% of the shareholding, the new owners could not use the losses incurred before the ownership change.**

Not long ago, the law was changed. If the new owners carried on the business in the same way as the old owners they could use up the company losses as long as they didn't relate to prior to 31 March 2014.

While there's a benefit by being able to pass on company losses, there's also a downside for the buyer of the company shares. Any undisclosed company debts, including if Inland Revenue discovers the company has not accounted for all its

profits, will continue to be debts of the company. This includes any penalties or interest Inland Revenue cares to come up with.

Many potential buyers will prefer to buy the business and not its shares. So while this is useful in some situations eg passing a family business to the next generation it may not be as attractive to arms-length buyers.



# Court Case for your Interest ...

## Trapped arm a sombre warning on imported machinery

A multinational company has been sentenced after a worker's arm got caught in a bark-stripping machine which did not have the appropriate safeguards for New Zealand use.

The company is a forest management and export company. Its parent company, exports logs from New Zealand to China.

The worker was troubleshooting on the debarking machine when its rollers closed and trapped his wrist. He required surgery and plates put in for a broken arm and a dislocated wrist.

WorkSafe opened an investigation into the June 2021 incident, which found significant safety modifications were made to the debarker before it was put into use. However, the company did not ensure the debarker met New Zealand safeguarding standards before operation. Nor did the company bring in a qualified expert to assess the safeguarding of the machine before it was used.

"It is vital that any business bringing new machinery into the country does its due diligence to bring the equipment into line with New Zealand safety standards. Get the right experts and advice to ensure none of your workers are exposed to the type of danger seen in this incident," says WorkSafe's area investigation manager, Danielle Henry.

"About 80 percent of acute work-related injuries involve machinery and equipment. Protecting people from machines is a priority for WorkSafe, and we are increasing our focus and enforcement activity in this area."

### Background

- The company was sentenced at Whangārei District Court on 19 May 2023
- A fine of \$180,000 was imposed and further reparations of \$10,000
- The company was charged under sections 36(1)(b), 48(1) and 48(2)(c) of the Health and Safety at Work Act 2015

## Meatworks' oversights led to horrific injury

Poor training and supervision contributed to a worker having his hand seriously injured on unsafe machinery at a Hawke's Bay meatworks, which has now been sentenced.

The incident occurred on the lamb brisket cutter at a Meatworks in Hastings in October 2020. The injured worker was 17 at the time and was two weeks into the job – having just left high school.

The worker was trained to use the machine by a co-worker who started on the same day as him. The co-worker demonstrated how to use the machine with one hand. When the worker followed this method, his right hand was struck by the brisket cutter blades. This partially amputated his thumb, index finger, middle finger and ring finger.

Following a trial in December 2022, Judge Geoff Rea found the Meatworks guilty of health and safety failures. His decision noted the "training was completely inadequate and... positively dangerous".

Supervisors, senior management, and the company owners were unaware of the brisket cutter being used single-handedly and, until this incident, did not believe it could be used in such a way.

"He was at the very start of his working life when this awful injury was inflicted. It's unfair for him to have been robbed of the full function of his hand," says WorkSafe's area investigation manager, Paul Budd.

"I echo the Judge's view that proper training must always be given and the safety aspects explained when workers deal with potentially dangerous equipment such as this."

### Background

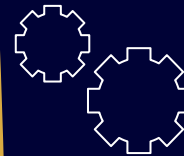
- The company was sentenced at Hastings District Court on 18 May 2023
- A fine of \$280,000 was imposed and reparations of \$48,000

The company was charged under sections 36(1)(a), 48(1) and 48(2)(c) of the Health and Safety at Work Act 2015



## WAGE SOLUTIONS

The adult minimum wage is now \$22.70 per hour, effective 1 April 2023. The training and starting-out minimum wages have also increased to \$18.16 from the previous rate of \$16.96 per hour, which is 80% of the adult minimum wage.



## TAX SOLUTIONS

### Rules change again on tax payment dates

Inland Revenue has modified the rules, again, on tax payment dates.

Previously, if the due date for payment was at a weekend or fell on a public holiday such as an anniversary day, you were entitled to pay on the next working day. However, if you usually pay your tax electronically, the banking system still operates and therefore the time is not extended to the next working day.

If you pay physically at Westpac bank, you still get allowed that extra day.

Note April 7 is on Good Friday. Be sure to follow the new rules.



## DEBT SOLUTIONS

### Disclosures for big businesses

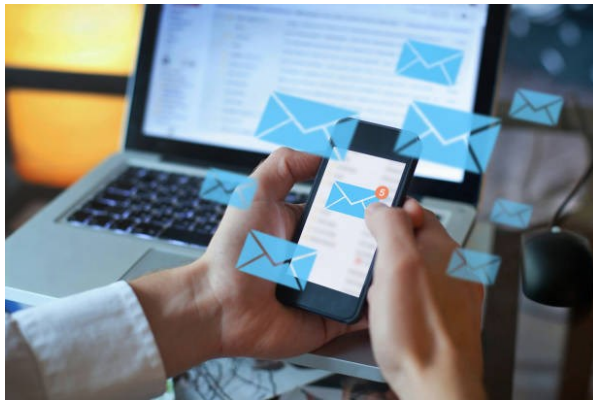
Some small businesses will be pleased to learn there is to be public disclosure of information on the payment practices (particularly late payments) of businesses with a turnover of \$33 million or more a year. A bill passed its first reading on 8 November and has been referred to a committee which is to report back by 27 April 2023.



## Schedule emails

You want to send an email at a later time, but you're going to be busy then.

What you can do is schedule sending an email at a given time and date. Most email programs allow you to do this, even on your cell phone. Here's how with the main programs (other programs will be similar).



**Gmail:** When you go to hit send, click the small down arrow. A menu for delaying that email will open. Choose one of the suggested times or set your own.

**Outlook:** Look for the Tag Menu on the email message ribbon **and** click the small down arrow in the right-hand corner. The menu allows you to schedule the email send.

**Mac Mail:** Click the pop-up menu next to the Send button, then choose an option. Emails you choose to send later appear in the Send Later mailbox in the sidebar.

**Android phone or tablet:** After composing your Gmail, tap More at the top right, tap Schedule.

**iPhone:** Tap and hold the Send button to see your scheduling options. You can see scheduled emails in the Send Later mailbox.

You can also delay sending all emails by creating a Rule to defer delivery by x number of minutes. It has several steps, so Google "email schedule rules".

### Quick Quote

Creative without strategy is called art. Creative with strategy is called advertising." – Jeff I. Richards

## Interest pitfalls if you had a big year

If you are expecting an annual income of more than around \$200,000 from your business and you're not paying PAYE on any salary from the business, beware of Use of Money Interest, which has now been set at 9.21%.

If your income exceeds \$204,820, your tax is going to exceed \$60,000, which is the threshold at which Use of Money Interest is applied.

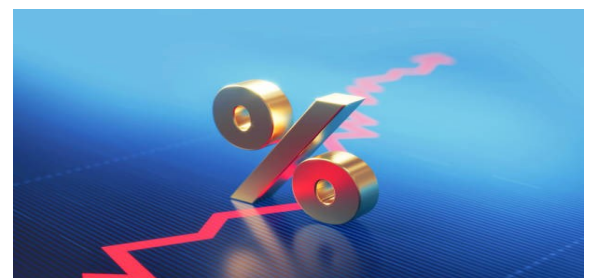
Inland Revenue expects you to know your income for the year ended 31 March 2023 by 7 May 2023.

This is not particularly realistic for small businesses. However, if you haven't paid enough tax by that date, you must top up the tax or face Use of Money Interest charges on short-paid tax.

What to do?

Try to estimate your taxable income for the financial year. Work out your tax for the year, which is \$60,000 +39% on every dollar of income in excess of \$204,820. Deduct the first and second instalments of provisional tax you have already paid and pay Inland Revenue the difference.

Similarly there is a threshold for companies which is \$214,285.



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