

Newsletter

March 2008

DB CHARTERED
ACCOUNTANTS LTD

incorporating
Terry Ward
& Associates

Contents:

- 2008 Provisional Tax
- Motor Vehicles & Log Books
- End of Year
- Cashflow Planning
- KiwiSaver – Is it now compulsory?
- Book Review
- Provisional Tax

In this newsletter we remind you about provisional tax (again!) and cover a change to payment dates. There is a reminder about year end record keeping, vehicle log books and KiwiSaver, a book review and some forward planning ideas.

2008 PROVISIONAL TAX

For March year-end tax payers, Provisional Tax payments, where required, should have been made by 7 March 2008. For May, June and July year-end tax payers, your 3rd Provisional Tax instalment will be due over the next four months.

We would like to remind you, that while you may have paid Provisional Tax based on IRD requirements (increase of 5% on 2007 income tax), this may not be your final tax bill for the 2008 income year if your profit result is better than 5% on 2007. Any remaining "Terminal Tax" will be payable on 7 April 2009.

If you operate as a company or trust, you will be subject to IRD Use Of Money interest charges if Provisional Tax is not enough to cover the tax due for the year. (This also applies to individuals with annual Provisional Tax higher than \$35,000.)

Give us a call if you need to discuss your tax position further.

MOTOR VEHICLES & LOG BOOKS

For sole traders, partnerships and trusts, it is a requirement of the IRD that when claiming a proportion of vehicle running costs as business expenses a log book is kept for a three month period to ascertain the business vs private apportionment of expenses. This log book calculation is valid for three years.

Generally, travel from home to work is regarded as private travel (non-income producing travel). Where your base of work is at home, then travel to clients premises will generally be regarded as business travel.

Cont ... Page 2

"A bank is a place that will lend you money if you can prove that you don't need it."

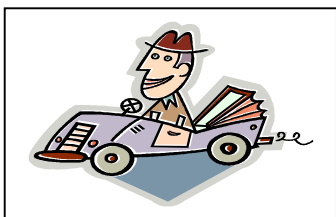
*Bob Hope
(1903 – 2003)*

MOTOR VEHICLES & LOG BOOKS (Cont ...)

Many tax payers believe that if they do not keep a log book, they can claim 25% of vehicle running costs. This is not automatic. In the event of an IRD audit you will still be asked to substantiate and justify the 25% business claim.

What should a log book record? Date of trip, distance travelled, reason for trip. For the 3 month period, record opening odometer reading, the distance of all business trips and the odometer reading at the end of the 3 month period. This will give you a percentage of business travel to total travel.

Is your log book current?



HOW DO I CALCULATE A %?

Business km divided by Total km x 100

$$\text{Eg. } \frac{3,360 \text{ business km}}{4,000 \text{ total km}} \times 100 = 84\% \text{ Business Use}$$

END OF YEAR

For those of you with a March balance date, below is a reminder of some of the things you need to attend to at this time:

1. **Reconcile Bank Account** – whether you use a computerised or manual cash book system, make sure the cash book reconciles to the bank statement as at 31 March 2008.
2. **Accounts Receivable** – ensure your accounts receivable list is accurate as at 31 March 2008. If you have any bad debts, ensure these are written off prior to 31 March.
3. **Accounts Payable** – collate a list of all unpaid invoices dated 31 March and prior. We are able to claim these as expenses in the 2008 income year even though they are not paid until April.
4. **Stock on Hand & Work in Progress** - Complete a stock-take and record stock and/or WIP as at 31 March 2008. If your stock as at 31 March 2008 is \$5,000 or less you do not need to calculate a stock value – we can use last years figure.
5. **Computer Reports** - If you are using an accounting package, print out copies of the general ledger transaction report, trial balance, accounts receivable & accounts payable and bank reconciliation as at 31 March 2008 – and don't forget to do a backup, especially before rolling into a new year.
6. **Other Information to Compile**
 - Bank interest certificates
 - Dividend notices
 - Details of any other income received that has not been banked to your business account
 - Income Protection Insurance details
 - Donation Receipts for your rebate claim
 - Provide any information relevant to child support and family assistance claims

We will send out our annual questionnaire during April.

CASHFLOW PLANNING

Being in business means more than just making a profit.

It's also about having enough money to pay wages, purchases of stock, rent, ACC and other overheads. Then there is Provisional Tax, Terminal Tax, GST, PAYE and FBT. After this you have to make loan repayments and purchase capital plant and equipment. The owner/s of the business require drawings, salaries and/or dividends.



If you want to better assess what your cashflow requirements are throughout the year, we are able to provide you with a 12 month plan on what your income and expenses are and what the cashflows in and out are likely to be on a month to month basis.

This provides a good planning tool to assist you in running your business and be aware of the timing of payments required so you can better plan your cash movements and better manage your cash position.

Joke 1

There was once a small boy who banged a drum all day and loved every moment of it. He would not be quiet, no matter what anyone else said or did. Various attempts were made to do something about the child.

One person told the boy that he would, if he continued to make such a noise, perforate his eardrums. This reasoning was too advanced for the child, who was neither a scientist nor a scholar.

A second person told him that drum beating was a sacred activity and should be carried out only on special occasions. The third person offered the neighbours plugs for their ears; a fourth gave the boy a book; a fifth gave the neighbours books that described a method of controlling anger through biofeedback. None of these attempts worked.

Eventually, a wise person came along with an effective motivation. He looked at the situation, handed the child a hammer and chisel, and asked, "I wonder what's inside the drum?"

KIWISAVER – IS IT NOW COMPULSORY?

If you are an employer, you will have received all the information from IRD regarding KiwiSaver. Hopefully you have managed to get your head around it all.

Remember that from 1 April 2008 employers are required to contribute 1% of the employees salary towards KiwiSaver – only if the employee is enrolled in KiwiSaver.

This is done through a new look PAYE form (IR 345). Your payroll system will need to be able to handle this.

The Government (i.e. taxpayer, i.e. you) is providing up to \$20 per week to offset the 1% contribution being made by the employer. This means in the first year this initiative will not cost most employers.

The 1% contribution is only required to be made if the employee is on KiwiSaver, which is entirely voluntary to the employee. If staff are not on KiwiSaver no additional payment is required.

BOOK REVIEW

“FINANCIAL SECRETS – THE NEW ZEALAND EVERYTHING GUIDE TO EVERYDAY FINANCES” – Martin Hawes (2007)

This book covers a range of topics, specifically relating to NZ, including budgeting, borrowing, relationships, real estate, banking, investing, wills, government assistance, consumer law and tax.



It is a useful reference book that provides good general information on these topics, to be referred to when required.

Joke #2

Tom had this problem of getting up late in the morning and was always late for work. His boss threatened to fire him if he didn't do something about it. So Tom went to his doctor who gave him a pill and told him to take it before he went to bed. Tom slept well, and in fact, beat the alarm in the morning. He had a leisurely breakfast and drove cheerfully to work.

“Boss”, he said “The pill actually worked!”

“That's all fine” said the boss, “But where were you yesterday?”

PROVISIONAL TAX

For the 2008/2009 income year Provisional Tax payment dates have been aligned to the GST payment dates. The IRD plan is that GST and tax are to be paid at the same time. The result is, it cuts down on their paper work and gives the taxpayer a few extra days to pay tax.

The payment dates are to be amended as follows:

March Balance Date

<i>Old Date</i>	<i>New Payment Date</i>
7 July 2008	28 August 2008
7 November 2008	15 January 2009
7 March 2009	7 May 2009

May Balance Date

<i>Old Date</i>	<i>New Payment Date</i>
7 September 2008	28 October 2008
7 January 2009	28 February 2009
7 May 2009	28 June 2009

Terminal Tax for 2008/2009 year will still be payable by 7 April 2010. If you opt for the GST ratio method (see our December newsletter) Provisional Tax will be paid every two months at the same time as GST.

GIVE US YOUR FEEDBACK

Remember to let us know what topics you would like covered in the future, and if you need to discuss anything mentioned in the newsletter, give us a call.

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