

# Newsletter

June 2018

DB CHARTERED  
ACCOUNTANTS LTD

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In this newsletter we have various updates including a heads-up on IRD's focus on Cash Jobs, Parental leave and Employer changes as well as a reminder on Trustee obligations and tax dates.

## CASHIE CRACKDOWN – THE SYSTEM JUST GOT SMARTER

Inland Revenue are warning taxpayer's that the new transformation project will significantly increase the risk of detecting cash jobs, under-reported income or deduction over-claims.



It could also mean an increase in the compliance costs for small and medium-sized businesses.

A large portion of Inland Revenue's \$1.9 billion budget will be spent on improved computer technology. They are expecting a good return from this level of investment. As part of the project, staff numbers will be cut significantly and this gap will be filled by smart technology, analytics of new data-lakes of taxpayer information and analytics of comparable taxpayers. **Continued on Page 2**

## IRD TAX LETTERS

Sometimes Inland Revenue unsystematically sends out tax notices direct to clients. The tax notices we send out prior to a tax payments date are up-to-date so please pay based on these. If you also receive an income tax letter from Inland Revenue please just call our office to check. We have had some clients unnecessarily paying tax based on IRD letters.

## DO YOU USE ONLINE XERO OR MYOB ACCOUNTING SOFTWARE?

If you are using online software that we can access and need assistance please let us know. This includes using the 'Discuss' tab in Xero.

We do not regularly monitor your software for transactions, coding or reports unless you have requested this.

We are happy to check this on a regular basis if you would like us to. We can also check your management reports such as profit & loss or cash flow reports on a regular (usually monthly basis) to check in on your business progress for the current year. If we do not do this for you, we highly recommend that you review the reports monthly.



**Please call us to discuss this further if you are not sure.**

*"We are what we repeatedly do. Excellence, then, is not an act, but a habit."*

**CASHIE CRACKDOWN – THE SYSTEM JUST GOT SMARTER***Continued from Page 1*

Inland Revenue now has greater powers to obtain larger quantities of information about taxpayers and better tools to use that data.

The new computer system compares individual taxpayers with their peers in the same industry and location to help identify those who stand out. For example, if most builders in similar circumstances have a 40 per cent profit margin on all sales, Inland Revenue can identify any atypical business or person with a questionably low profit margin. Taxpayers are no longer being compared only with its own trading history and circumstances but also to its peers, and asked to explain any discrepancy.



This type of analysis will soon be able to go even further; for example, it could compare a taxpayer's purchase of standard business items with its peers. So if most similar bakeries produce and sell 40 loaves from each bag of flour, why is this particular bakery returning the sale of only 30 loaves? Or if most builders can earn \$10,000 for each 1,000 nails they purchase, why is this particular builder returning only \$8,000?

Audits will increasingly be identified not by Inland Revenue investigators scrutinizing taxpayer accounts but by artificial intelligence. A bill is currently before Parliament to extend the power of Inland Revenue to collect lakes of data from all areas of the economy from which it can mine relevant data. This may pose risks for all taxpayers, innocent and guilty. Inland Revenue will have no obligation to disclose the source of its data or the identity of the businesses against which a taxpayer is now being compared.

Unfortunately, even though they may be completely innocent, taxpayers will often lack the records to explain any departure from what Inland Revenue declare is the industry norm. For example, the bakery owner who returns only 30 loaves per bag of flour may simply be less efficient, or provide free samples, or reward with discounts, or be the victim of employee theft. Any or all these options would explain the discrepancy.

This provides a timely reminder that businesses need to keep relevant records to confirm their business transactions.

*As a side note recent IRD cases have seen tradesmen being jailed or receiving home detention as a result of not correctly returning and paying GST, PAYE and Income Tax.*

**IMPORTANT NOTE for ALL EMPLOYERS - Mandatory pay day filing 1 April 2019**

Proposals that would require employers to report PAYE information to Inland Revenue every payday are currently moving through the parliamentary process.

From April 2019, employers would no longer file an employer monthly schedule, instead they'll file **every payday**. Employers would have a few days to provide the information. The number of days varies depending on the size of the payroll.



The Government is not proposing to require all employers to use payroll software but it is proposing to reduce the electronic filing threshold from \$100,000 of PAYE and Employer Superannuation Contribution Tax (ESCT) a year to \$50,000 a year.

This means if your PAYE + ESCT are more than \$50,000 a year you will not be able to file a manual return and will need to file online.

If you are an employer it would be a good idea to start thinking ahead now about how this will effect you. Give us a call if you would like to discuss your situation and best options.

## **PARENTAL (MATERNITY/ PATERNITY) LEAVE**

Paid parental leave will extend to 22 weeks in July 2018 and to 26 weeks from July 2020.

Partners are entitled to one or two weeks of unpaid leave depending on how long they have worked for you.

As an employer it is important to ensure you get this correct. You can check employee eligibility and find out what your obligations are, on the website below.

There is very helpful information on the site.

If you have any queries in regards to employer obligations please contact us.

<https://www.employment.govt.nz/leave-and-holidays/parental-leave/>

## **TRUSTEE OBLIGATIONS – WILL YOU COMPLY?**

Currently the government is proposing to replace the Trustee Act (1956) to try to simplify core Trust principles and essential obligations for trustees.

Duties include knowing the terms of the Trust Deed, acting in accordance with the terms of the Trust, to act honestly and in good faith and for the benefit of the beneficiaries.

There is also an obligation for Trustees to be responsible to keep core documents including the Trust Deed and variations, records of trust property held and Trust records must be kept for the duration of the Trust.

We often find that clients have a Trust set up but are unsure exactly what the Trust means, what it owns, or what records are to be kept. Moving forward the new Act will require Trustees to have a better understanding of the terms of the Trust and their obligations.

## **ARE YOUR GST RETURNS FILED ON TIME?**

Remember as part of our service we are able to attend to the completion of GST Returns on your behalf. We can also file the GST return directly with IRD so there are no late mail deliveries.

If getting GST done is a chore we can assist with this to avoid any \$250 IRD late filing penalties. Contact us if you need further information.

### **JOKE #1**

A cheapskate and his wife walked past a swanky new restaurant.

“Did you smell that food?” she asked. “It smells absolutely incredible!”

Being a ‘kind-hearted cheapskate’, he thought, “What the hell..., I’ll treat her!”

So, they walked past it again!



## **WHAT ABOUT YOUR PERSONAL TAX?**

It is a good time, now that the new tax year is well under way, to turn your mind to your personal tax.

### **KIWISAVER**

Will you have contributed at least \$1,042 of your personal money to KiwiSaver by June 30, to get the full government contribution (\$521)? If not, you can make extra payments before 30 June if you wish to receive the full government contribution.

### **IETC – INDEPENDENT EARNER TAX CREDIT**

Are you entitled to the IETC tax credit but have not claimed it?

If you are earning between \$24,000 and \$48,000 a year and are not getting any other form of government assistance, you can get up to \$10 a week or \$520 a year. People who have a ME or MESL tax code automatically have the credit calculated in their pay but other workers need to file an income tax return to receive it.

***If we prepare your individual tax return, you do not need to do anything as we automatically check and apply this tax credit.***

If you are an employer of staff within the \$24,000 – \$48,000 earnings range you may want to let your employees know about this tax credit, and ensure they are on the correct tax code.

## **IMPORTANT TAX DATES**

- |                                |  |
|--------------------------------|--|
| 28 June                        | Third Instalment 2018 Provisional Tax due (May Balance Date) and 2 monthly GST Returns due.  |
| 28 August                      | First Instalment 2019 Provisional Tax due (March Balance Date) - we will forward reminder notices from the beginning of August, and 2 monthly GST Returns due. |
| 20 <sup>th</sup> of Each month | PAYE Payment and Schedules due   |



### **BOUND PAPER FINANCIAL STATEMENTS**

We are finding more often that clients prefer to receive their signed financial statements electronically (pdf) instead of receiving bound hard-copies.

If you would prefer an electronic/ PDF copy, instead of a bound paper copy just let us know.

### **EMAILING INVOICES**

We are now emailing most of our invoices to clients. If this is an inconvenience for you please let us know and we will continue to mail a paper copy of the invoice out to you.

### **JOKE #2**

At an art gallery, a woman and her ten-year-old son were having a tough time choosing between one of my paintings and another artist's work. They finally went with mine.

"I guess you decided you prefer an autumn scene to a floral," I said.

"No," said the boy. "Your painting's wider, so it'll cover three holes in our wall."

If you would like to discuss anything mentioned in our newsletter please contact us at:

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