

Chapmans Business Bulletin

Autumn 2016



Welcome to the Autumn edition of our newsletter.

Chapmans Team Update

Welcome on board to Margaret Krietich, Shirley Thomas and Tuyana Dowler who have joined our team of accountants. Congratulations also go to Toni and Luke Hill on the birth of their beautiful daughter Lauren.

Companies Office Requirements

A reminder to clients that company Directors now have to provide their date and place of birth as part of the company formation or annual return filing. Any ultimate holding company details also need to be provided.

In addition, if you reside in Australia and are a Director of an Australian company, those details also have to be provided.

General

We have included an article for your information on "Top tips to avoid being caught by fraudsters". We hope you will find this helpful.

A reminder to let us have any change of address details, so we can update our records. This also applies to telephone numbers and change of email address. As annual questionnaire checklists will be sent out during March, it is important to have current contact details for all clients.

For those clients who have not yet brought in their end of year information for 2015, please let us have this as soon as possible as the accounts need to be finalised.

If you would like to pop in and chat to one of the accountants regarding your accounts, don't hesitate to call us on 831 0205 to make an appointment. Also, visit our website at www.chapmans.co.nz to see all the different services we offer to clients.

We hope that for all those on our direct debit payment system all is running smoothly. Any problems, please contact us.

You learn more from defeat than you do from victory—Anon.

You always pass failure on the way to success—Anon.

What is the difference between ignorance and apathy? I don't know and I don't care.

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Targeting the cash economy

Inland Revenue's crackdown on 'cashies' continues with their focus on undeclared cash in the construction and hospitality sectors. Last year, the Auckland region saw the most activity. Inland Revenue are now widening their reach. They've been trying to change attitudes among tradies and subcontracting businesses and their efforts seem to be getting results.

Inland Revenue acknowledge people trying to cheat on tax are in the minority but stress that they're a very expensive minority. The so-called 'hidden economy' is a cost to all New Zealand taxpayers, who carry more than their fair share because of it. There's another hidden cost too, as business owners who are meeting their tax obligations find it hard to compete with operators who can undercut on quotes because they don't pay tax.

What's this have to do with you, you may ask. Because we're sure you're up to date with your tax obligations. In which case: sweet.

However, if you are in the situation of having under-reported – or unreported – income, now is a great time to straighten it all out. We want to help you make sure your returns are accurate and timely and, as far as possible, help you avoid penalties and use of money interest on any tax owing.

If you think you might have got yourself into a mess with your tax, declaring it early and taking action to correct it goes a long way toward setting you apart from deliberate tax evaders. You may have made a mistake or filed an incorrect tax return, left out some income from your return or incorrectly claimed expenses. We can help you make a voluntary disclosure which may reduce shortfall penalties by up to 100% and protect you from prosecution.

Setting the record straight

Inland Revenue have signalled they will be looking at businesses' record keeping systems. Key targets will be that all jobs and all income are being recorded and that GST is being handled properly. Recent prosecutions indicate that PAYE records are another hot topic, along with the corresponding employment records. If sketchy records are a quick way to set off the IRD alarm bells, this could be a great time to do a sense check on your records and systems.

As a business owner you're required by law to keep certain records. Poor record keeping lets you down just in terms of the penalties that apply for record keeping failures (up to \$12,000). Inadequate systems also make it harder for you to keep track of what you owe, how much you have already paid, to whom and what for and who owes what to you. You lose track of things, miss key deadlines and your costs increase in proportion to how much of a nightmare it is to straighten it out.

With the advances in online systems of recent years, many businesses have overhauled their systems and are in good shape to pull out regular management reports that detail their position clearly. However, there may still be areas where things fall through the cracks.

This applies particularly in industries such as construction where large amounts stay on the table as retentions until the job is completed and it is difficult to keep track potentially across several tax years. At the other end of the scale, the high volume and high speed cash transactions of the hospitality sector can also punch holes in the records.

If you are still making do with the basic systems you started out with, it is possible that your business has outgrown them and they now constitute a business risk. We can help you to look at this and do something about it, if necessary.





Mileage rates -

If you're self-employed you can use the Inland Revenue mileage rate to calculate the cost of using your motor vehicle for business purposes. Last year the commissioner reviewed the mileage rate for the 2015 tax year and decreased it from 77 to 74 cents per kilometre.

Timely Reminders

Note: these dates apply to those clients for whom we prepare tax returns. Different dates will apply for those clients for whom we don't prepare returns. Please ask us if you'd like more information.

Tax Type	Who / What	When it's due
PAYE	large employers return and payment	7 March (due to 5th falling on a weekend) 5 April 5 May
	large and small employers return and payment	21 March (due to 20th falling on a weekend) 20 April 20 May
GST	return and payment	29 March (due to 28th falling on Easter Monday) 30 May (due to 28th falling on a weekend)
	quarterly return and payment (if you pay it quarterly)	31 May
FBT	return and payment (if you pay it on an income year basis under the close company option) and you have a:	
	February balance date	7 March
	balance date between 1 March and 30 September	7 April
	annual return and payment (if you pay it annually)	31 May

Provisional and Terminal Tax

I pay provisional tax...	And my balance date is...	So my provisional tax is due next...
2 monthly (6 times a year)	February, April, June, August, October or December	29 March (due to 28th falling on Easter Monday) AND 30 May (due to 28th falling on a weekend)
	January, March, May, July, September or November	9 May (due to 7th falling on a weekend)
4 monthly (3 times a year)	February, June or October	29 March (due to 28th falling on Easter Monday)
	March, July or November	9 May (due to 7th falling on a weekend)
	April, August or December	30 May (due to 28th falling on a weekend)
6 monthly (twice a year)	February or August	29 March (due to 28th falling on Easter Monday)
	March or September	9 May (due to 7th falling on a weekend)
	April or October	30 May (due to 28th falling on a weekend)
Terminal tax	between 1 March and 30 September	Terminal tax payment due 7 April

Paid parental leave

From 1 April 2016, there are further changes to paid parental leave. The amount of paid parental leave that eligible people can take will be extended from 16 weeks to 18 weeks. Parental leave payments will also apply to more workers. Eligibility will be extended to people in less-regular jobs, in particular to people who have recently changed jobs, seasonal and casual workers, and workers with more than one employer. 'Home for Life' caregivers and people with similar permanent care arrangements will also be eligible.



News from ACC No more residual levies

From April, employers, earners, and motor vehicle owners no longer have to pay residual ACC levies. However it won't mean reductions across the board.

The residual levy rate calculation was based on old injury rates which have become out-dated, going back 10 years or more. The residual levies themselves were a kind of catch up to make sure there were enough funds set aside to pay for ongoing claims predating 1999. Now, all businesses will have their levies calculated on the most recent data around injuries and the likelihood of injury in their particular industries. Hence, while most will pay less, some will pay more. The removal of residual levies alone would have seen decreases in their ACC contributions for around 53 per cent of Kiwi businesses, while 47 per cent would be paying more.

However, with other levy reductions (see above), the number of businesses paying more may come down to around 21 per cent. We'll keep you updated.

Levy reductions

The Government has agreed to the following changes to levies in 2016/17:

- 11% reduction to the average work levy taking it to 80 cents per \$100 of liable earnings
- 4% reduction to earners' levy, taking it to \$1.21 per \$100 of liable earnings
- 33% reduction to combined average motor vehicle levies (the petrol levy and annual licence levy), from an average of \$194.25 currently, to \$130.26 per vehicle



Requesting ACC Adjustments

Do you receive PAYE or Shareholder Remuneration that exceeds the maximum earnings liable for ACC; or are your earnings sourced from one or more companies? If so, we can request that ACC reassess your liability and make a Multiple Employer Adjustment. This may affect how much you pay in ACC levies. ACC cannot identify eligible customers from the information Inland Revenue provides, so levies are charged on all income. ACC rely on customers and tax agents advising that they need to reassess your liability so that you do not overpay. They then complete a Multiple Employer Adjustment. Let us know if you think this applies to you and we can contact ACC on your behalf.

Noticed anything?

You might have noticed we've changed the logo relating to our professional membership. Some time ago, the New Zealand and Australian institutes of Chartered Accountants amalgamated to become Chartered Accountants Australia and New Zealand. There's a new logo to go with it which you may see on our website and in future communications from us. While our professional ethics and high standards remain the same, we feel the combining of the Institutes creates a stronger organisation with greater resources and more opportunities. We're committed to maintaining (and where possible, improving) the high quality of our service to you.



Disclaimer

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.





Top tips to avoid being caught by fraudsters

Online scammers and fraudsters use all kinds of tricks to steal from businesses. By taking sensible precautions you and your business can avoid becoming victims.

Last year, almost \$800,000 was lost from 35 small businesses that were the victims of cybercrime, according to NetSafe. That's an average of \$22,521 for each victim.

Small businesses reported 309 incidents so far this year, compared with 106 during the same period during 2014.

Ahead of Fraud Awareness Week, here are some top tips to prevent being caught out by scammers.

1. Check it out

Don't assume a company is based in New Zealand just because the website address ends .co.nz or .nz. Check to see if a company is registered in New Zealand on the [Companies Office website](#).

Check that payment pages look secure. Look for a padlock symbol and make sure the website address begins with "https" (the "s" stands for secure).

2. Find out more

Type the company's name into a search engine, followed by the word "scam". If the company is fake, you may uncover stories from people who've been caught out by the same scam.

Always check out a trader's contact details, especially if it's just a mobile number or an email. Ring a landline if they provide one - and if you can't get through or it goes to an overseas call centre, it may be a scam.

Get more advice about scams on the [Consumer Protection's Scamwatch website](#).

3. Stop

Don't respond if you have any doubts that the company or product is fake.

Don't open suspicious or unsolicited emails or letters.

Don't click on any links in a spam email or open any files attached to them.

Never reply to a spam email or letter.

If you receive a call with an offer that sounds too good to be true, it probably is - so hang up.

Call your bank immediately if you have sent your credit details or paid some money to a suspicious trader.

4. Report

Report a scam and warn your friends and trading partners. Advice on how to report an incident is available at [The Orb website](#) and on the [Internal Affairs website](#).

[Steps to lock down your systems and processes at work](#)

Be aware of these five current threats to small businesses.

- Email scams: Hackers intercept a business' emails, and then send false invoices to clients, asking for payment to be made to an alternative bank account.
- Ransomware: The infection of small business systems, impacting on business continuity and frequent need to pay a Bitcoin ransom due to poor or non-existent backups.
- Spear phishing: Targeted emails requesting the payment/bank transfer of company funds to offshore accounts. This can involve the creation of almost duplicate domain names to increase the chance of success.
- Invoice fraud: The sending of fake or dubious invoices to trick companies into renewing intellectual property registrations or enter online directories. The most significant this year has been the Corporate Portal scam - read the [Commerce Commission's warning](#).
- Funding scams: The NZ Funding Grants website has tricked many small firms into paying fees to find grants are non-existent. [New Zealand Trade and Enterprise](#) and the Commerce Commission have warned about this company. Check out Business.govt.nz's free information on government grants for small businesses.

Fraud Awareness Week, 15 - 21 November, is run by the Ministry of Business, Innovation and Employment's Consumer Protection team. Find out more on the [Consumer Protection website](#).