

"WHERE SUCCESS
BUILDS SUCCESS"

Newsletter for Cleland Hancox Limited

KO TO KOUTOU HOA | ROTO I NGA MAHI ● YOUR FRIENDS IN BUSINESS

Spring 2015

IRD Targeting Cash Jobs

You may have read recently in the news about the Inland Revenue's campaign to encourage tradespeople to comply with their tax obligations by declaring and paying tax on all their income. This doesn't just apply to tradespeople, however - all cash income you receive is taxable if you are in business.

If you are in an industry where cash jobs are common, remember to record all the income you receive and ensure you advise us when it's time for us to prepare your tax returns. The most effective way of recording your income is to have a policy of banking all of your business income regardless of whether it is received in cash or cheques.

If you realise that you have not declared all cash income received, you can lodge a voluntary disclosure with Inland Revenue to correct this. The advantages of making a voluntary disclosure before you are notified of an audit are that:

- You will not be prosecuted, and
- Any shortfall penalties will be reduced

If you are notified of an audit before making a disclosure you may be prosecuted and penalties may not be reduced. Contact us if you think you need to make a voluntary disclosure, and we will assist you with this process.

NZ Post Changes

The IRD have recently issued reminders about delays in the postal system and payments not getting to them on time. Changes made by NZ Post which came into effect on 1 July 2015 means that mail is only getting delivered to the IRD three times a week, so please take this into account when sending payments by post. The postal address to use when making payments or sending in any return is:

PO Box 39050, Wellington Mail Centre, Lower Hutt 5045.

Any payments that are received late, no matter the cause of the delay, can be subject to late payment penalties and interest charges.

Alternatively you can file returns and make payments through the myIR secure online services accessed through the IRD website. You can also use this online account service to review past returns that have been filed, check when payments are due and register to receive email alerts of upcoming filing dates so you don't miss any.

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New Health and Safety at Work Act

If you are self employed or a non-PAYE shareholder, ACC CoverPlus Extra may be a useful option for you.

The Act is part of “Working Safer: a blueprint for health and safety at work” and reforms New Zealand’s health and safety system following the recommendations of the independent Taskforce on Workplace Health and Safety.

Working Safer is aimed at reducing New Zealand’s workplace injury and death toll by 25 per cent by 2020. The new Act comes into force in April 2016.

It will require leadership and action from business, workers and Government to achieve this goal. The Act’s key emphasis is on everyone in the workplace being responsible for health and safety.

The Act works to focus effort on what matters, based on business risk, control and size:

- It reinforces proportionality - what a business needs to do depends on its level of risk and what it can control
- It shifts from hazard spotting to managing critical risks - actions that reduce workplace harm rather than trivial hazards
- It introduces the “reasonably practicable” concept - focusing attention on what is reasonable for a business to do
- It changes the focus from the physical workplace to the conduct of work – what the business actually does and so what it can control

- It supports more effective worker engagement and participation – promoting flexibility to suit business size and need.

The Health and Safety at Work Act will replace the Health and Safety in Employment Act 1992. The new law will be supported by regulations that are being developed in time for April 2016.

- A series of regulations are being developed to support the new Act. This includes:
- General risk and workplace management
- Major Hazard Facilities
- Asbestos
- Engagement, worker participation and representation (available shortly for public consultation)

The regulations will start to become available in 2016.

Until the new Act comes into effect in April 2016, the current Health and Safety in Employment Act 1992 remains in force.

Source MBIE

ACC Cover Plus Extra

We remind clients of this useful option offered by ACC.

CoverPlus Extra is available only to the self-employed and to non-PAYE shareholder employees; it is available only by application in which you nominate the amount of weekly cover required. If you are injured and have to take time off work, you will receive the pre-agreed level of weekly compensation. Proof of earnings is not required. Self-employed people typically return to work as soon as possible; but if you return to work gradually, the compensation remains at 100% the agreed amount until you are back to capacity. There is no need to prove loss of earnings; the business can continue to generate income while you are injured.

Another purpose of this very flexible ACC scheme is that it allows the self-employed to choose the minimum legal ACC cover of \$23,000pa and insure privately instead. Cover bought from an ordinary insurer can of course include sickness as well as accidents.

The levy is usually only a little bit higher than the standard CoverPlus; sometimes as little as 3% higher.

There are a few caveats on CoverPlus Extra, eg pre-existing conditions; but we

encourage clients who have not looked at this option to do so.

IRD Computer Models of Business Cash Sales

The Inland Revenue have adopted a line of attack on the cash economy that does not require the actual detection of undisclosed cash receipts of a business. They group together businesses which they regard as similar in nature, and then plot the cash bankings of each as a percentage of total bankings on a chart. Any of the group for which the graph line plots significantly below the average is then targeted for further investigation.

IRD statistically analyse firms and sectors in an attempt to discern more of the hidden economy. For example modelling the extent to which low value transactions (sales) are more likely than average value transactions to be cash. This is particularly relevant to hospitality sectors. Taxpayers may have to face the prospect of defending themselves in court against allegations based on statistical analysis, not specific detections of undisclosed income.

Should a Small Service Business Register for GST?

If a business turns over less than \$60,000pa, then it is not obliged to register for GST.

A small business which provides personal or property services to consumers is selling mainly labour, not goods.

Now that GST is 15%, a small business which does

not have to register for and charge GST, can have a competitive advantage over a larger business which does. The smaller firm's inability to claim GST on expenses counts for little when expenses are so small; given the high proportion of labour.

Worth bearing in mind.

"Partnering clients with local expertise and global knowledge..."



...was the theme of the evening at a function held by Cleland Hancox Limited on Friday 18 September 2015.

The guest speaker was Stephen Roger, founding Chairman and current Executive Director of Walker Wayland Australasia Limited. Walker Wayland Australasia was formed in 1990 and has Chartered Accountant offices throughout Australia and New Zealand.

Many of the firms in the network are also members of BKR International, a global association of independent accounting and business advisory firms representing the expertise of more than 135 member firms with over 300 offices in over 70 countries around the world. Stephen highlighted the benefits Cleland Hancox Limited receives as a member of the Walker Wayland Australasia network.

"As members of the network Cleland Hancox Limited can offer clients a creative and practical service by combining technical knowledge, depth of experience and professional understanding". Stephen also advised that the Walker Wayland network can offer a Trans-Tasman and international network of expertise, that provides solutions and opportunities for clients doing business globally.

Cleland
Hancox
Limited

welcomes

guest speaker

Stephen Roger

