Mr Leicester Gouwland

William Buck Christmas Gouwland

Mr Clyde Young

William Buck Christmas Gouwland

Friday, August 12, 2016

(Room 1)

17:40 - 18:05 A Refresher on Common Tax Issues

South GP CME General Practice Conference & Medical Exhibition

A Refresher on Common Tax Issues

William Buck Christmas Gouwland

12 August 2016

Clyde Young and Leicester Gouwland

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CHARTERED ACCOUNTANTS & ADVISORS

Introduction

- Only have 30 minutes
- A very broad-brush approach
- Not intended to teach you, but highlight areas where you may need further assistance
- Information aimed at practice managers
- Intended for practices operating either as a sole trader, partnership, trading trust or company

Test time!

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Deductibility of expenses

Revenue Expenses

- day to day expenses for the running of your business, like advertising or wages

Capital Expenses

- assets you purchase, like plant or machinery

To be deductible there must be a nexus between the expenditure and what the business does.

Expenditure of a private or personal nature will not be able to be deducted against business income.

Small value items under $500 can be expensed.

Entertainment

- If you provide entertainment for staff or clients, some of these business entertainment expenses are tax deductible.
- Some examples of fully deductible entertainment expenses are food and drink:
  - while travelling on business
  - at promotions open to the public
  - at certain conferences
  - morning tea
- Some other entertainment expenses are only 50% deductible.
- This is a complicated area – either speak to your accountant or the Inland Revenue has a reference book - *IR268*

Travel and accommodation expenses

- If you spend time travelling as part of your business, you can claim this cost as an expense.
- A good way to prove the business portion of your travel expenses is by keeping a diary of your travel.
- You need to keep receipts and a record of the reason for the travel.

Home office expenses

- If you use an area of your home for your business you can claim a portion of the household expenses such as:

- rates
- power
- house and contents insurance
- mortgage interest (if you own the home), or
- rent (if you are renting the home).
- You must keep invoices for these expenses.

- If you aren't using a separate area for your business you'll need to take into account the amount of time spent on your business activities and the area used. The business percentage of your home office expenses can be claimed as a deduction for income tax.
- If you're GST registered, the GST content on home office expenses can be claimed as they are paid (in each GST return period), or at the end of your tax year.

Employee tax issues

The three main items deducted from an employee's pay will be -

- ✓ PAYE
- ✓ KiwiSaver
- ✓ Student loan payments

If you are using a payroll system these will be automatically calculated for you.

Contractor tax issues

- Most surgeries will probably have doctors who contract to the practice.

- Currently there is not requirement for the practice to deduct any withholding tax from their income as they are not included in schedule requiring withholding tax to be deducted.
- The contractor will be totally responsible for the payment of their own tax.
- However, from the 1 April 2017, contractors will be able to ask the practice to deduct

Fringe Benefit Tax(FBT)

- If you're an employer and you provide benefits to your employees over and above their salary or wage (fringe benefits), you may need to pay FBT.

- FBT is a very complicated area. You should seek professional assistance. They can identify what FBT liability the practice may have and provide assistance in calculation your liability.

GST basics

Here's what you need to know to get a basic understanding of GST.

Taxable activities
Most activities carried on continuously or regularly that supply (or intend to supply) goods and services to others for payment, are taxable activities. You need carry out a taxable activity to register for GST.
Taxable activities don't include:

- ❖ working for salary or wages
- ❖ hobbies or private recreational pursuits
- ❖ selling the occasional domestic or private item
- ❖ making GST-exempt supplies.

You must register for GST
If you carry out a taxable activity and your turnover (gross income) for the last 12 months was $60,000 or more, or if GST is included in your prices, you must register for GST.

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Late Filing Penalties

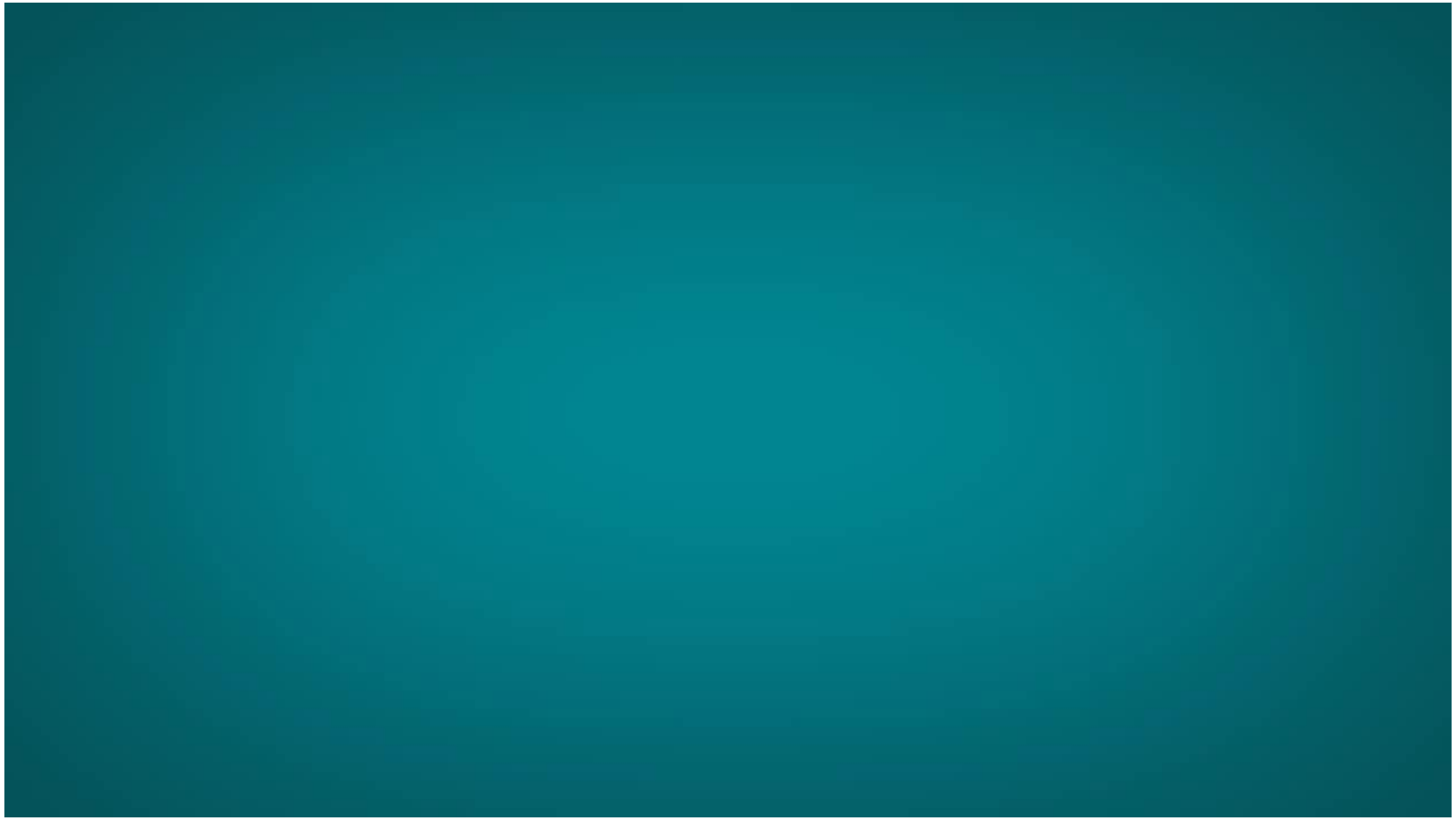
Late filing of Income Tax returns

If your net income is...	then the penalty is ...
less than $100,000	$50
$100,000 to $1 million	$250
more than $1 million	$500

Late filing of GST returns

If your accounting basis is ...	then the penalty is ...
payments	$50
hybrid	$250
invoice	$250

Provisional and terminal tax



Other issues

- Dividend payments
  - 5% withholding tax top-up
- Overdrawn shareholders loan account
  - charge interest
- Payment of interest on loans to company by shareholder
  - charge interest and deduct withholding tax
  - unless hold a exemption certificate