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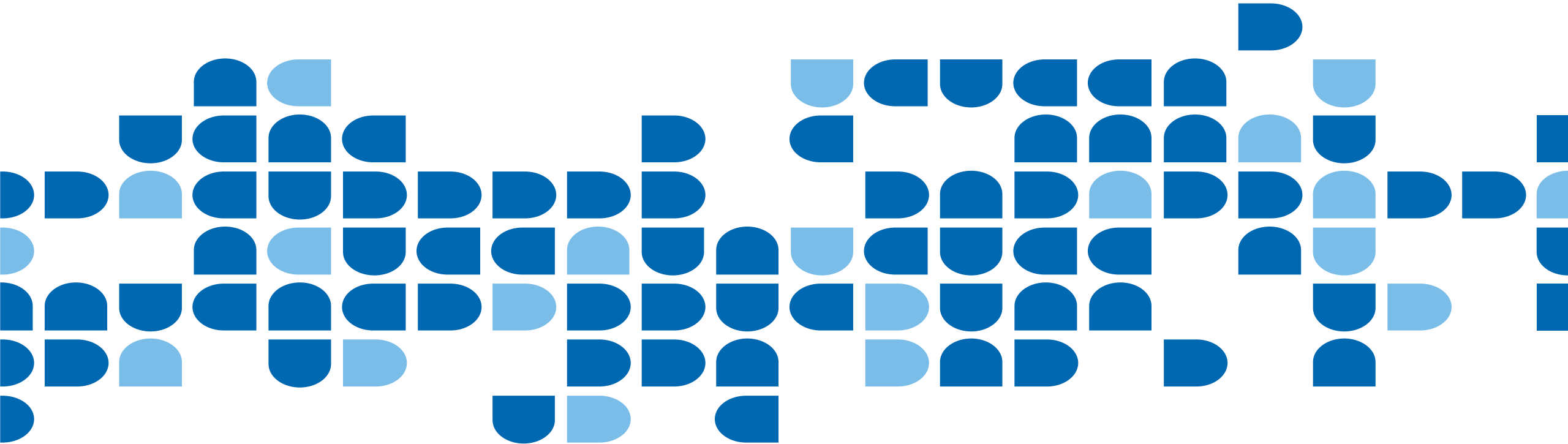
Friday, June 9, 2017

9:30 - 10:00 A Refresher on Common Tax Issues

A Refresher on Common Tax Issues

9 June 2017

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Clyde Young, Leicester Gouwland and Kieran Bird

*Changing
Lives.*

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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

Question time!



Questions

1. The lowest tax band for individuals is:
 - (a) 0 - \$10,000 income, tax rate 10.5%
 - (b) 0 - \$15,000 income, tax rate 10.5%
 - (c) 0 - \$14,000 income, tax rate 10.5%
 - (d) 0 - \$5,000 income, tax rate 10%

2. In the budget they announced some changes to the individual tax rates, the lowest band will then be:
 - (a) 0 - \$20,000 income, tax rate 10.5%
 - (b) 0 - \$21,000 income, tax rate 10.5%
 - (c) 0 - \$22,000 income, tax rate 10.5%
 - (d) 0 - \$23,000 income, tax rate 10%

3. The new tax rates will commence from:
 - (a) 1 October 2017
 - (b) 1 January 2018
 - (c) 1 April 2018
 - (d) 1 April 2019

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 withholding tax from their income.



New contractor rules

If you're a contractor (including a company) and the payments you're receiving aren't already:

salary or wages, or

schedular payments

you can request to have tax deducted from the payments being made to you. In order to do this the person paying you must agree to treat your payments as voluntary schedular payments and you must both agree to this in writing.

The contractor can decide the rate of deduction, as long as it is 10% or higher.

This will mean slightly more work for the practice contracting the doctor or other health professional.



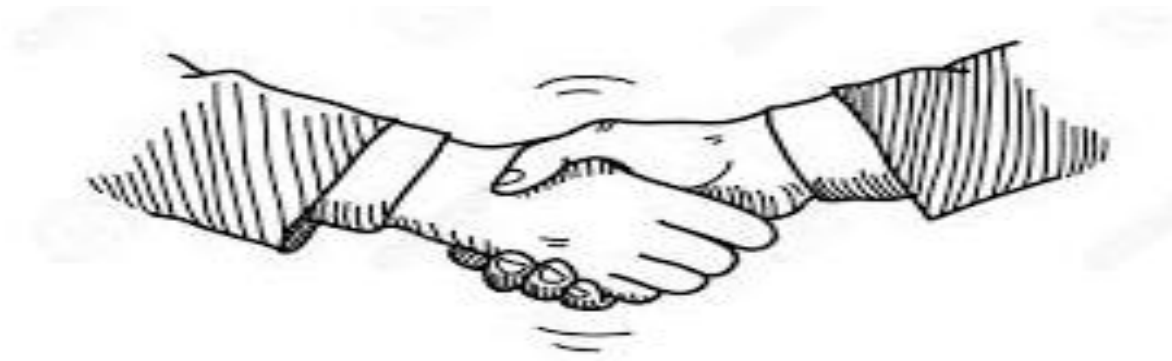
Agreement requirements

If an agreement is entered into, your payments will be treated as schedular payments and your payer will be required to deduct tax from payments made to you.

It's recommended the written agreement include:

- your name and the name of your payer
- an agreement that all payments made to you will be treated as voluntary schedular payments
- the period this applies to, and
- the signature of both you and your payer.

The agreement can be in the form of a memo, letter, formal contract or emails.



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.
- ❑ Types of benefits
 - motor vehicle
 - health insurance
 - low interest loans
 - overseas travel – private portion
- ❑ 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.



Late Filing Penalties

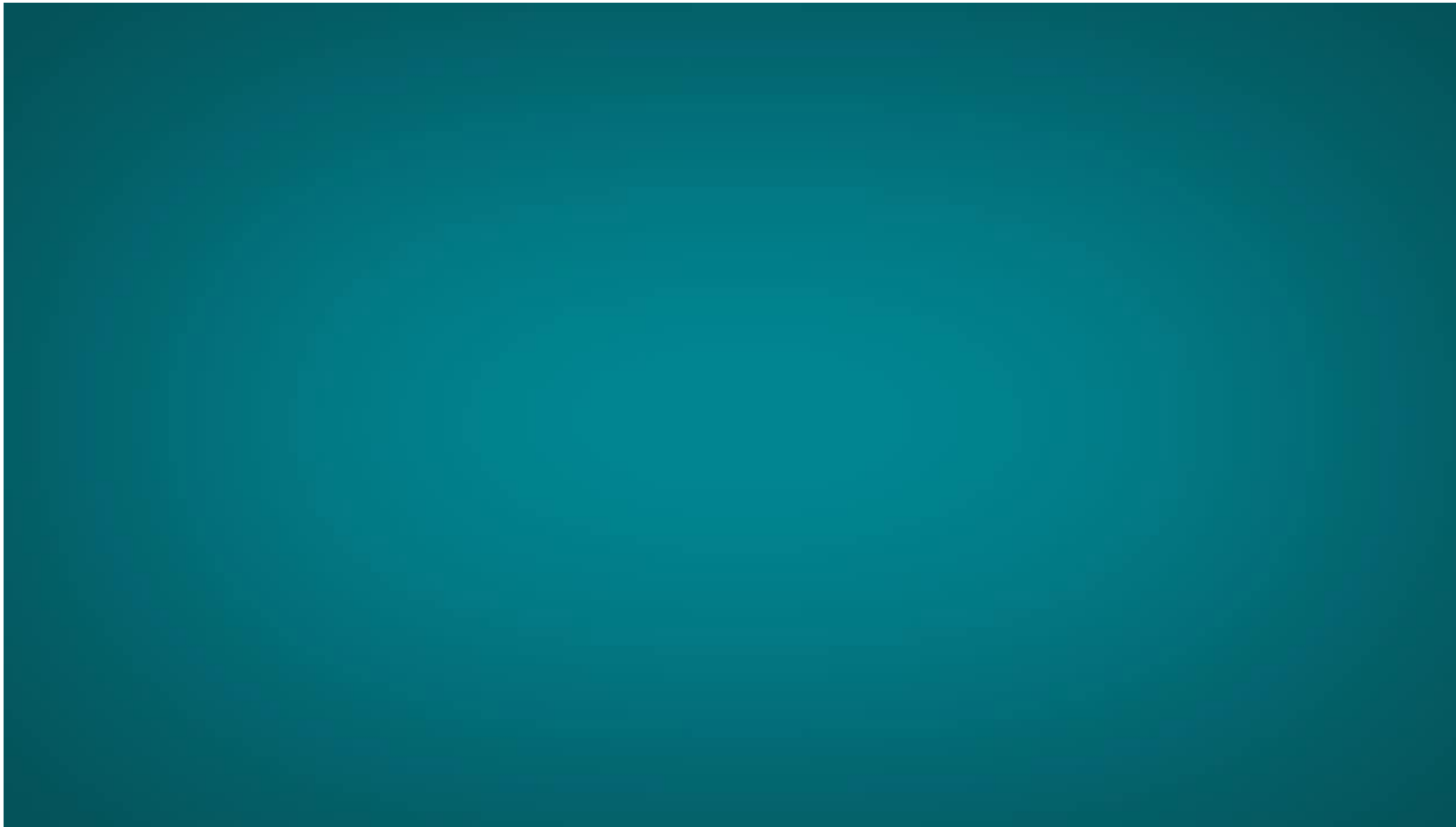
Late filing of Income Tax returns

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

