

CONGRATULATIONS STEWART YOUNG!

All the team at HC Partners would like to congratulate Stewart Young for achieving the incredible milestone of forty years of service. Starting in 1977 Stew has been a constant presence in the office, offering a smile, laugh or mischievous prank, as well as a hardworking and committed approach to his work.

He still has a few more years left in him, but if you see Stew around, congratulate him and wish him all the best as we have.

Congratulations Stew!



HUBBARD CHURCHER SCHOLARSHIP FUND

In 2004 the late Allan Hubbard and Mrs Hubbard gifted several hundred thousand dollars to establish a scholarship fund for pupils of South Canterbury Secondary Schools who wished to go on for tertiary studies beyond their High School education.

The criteria state this does not have to be used for university study, it can include polytechnic or agricultural courses.

The main criteria is that the applicants have to be in their final year of school within South Canterbury and their parents, and or guardians have to be prepared and able to provide evidence of financial hardship.

Applications for pupils wishing to be considered have to be made through the pupils High School course advisor or school principal in July/August each year.

Depending on the applicant's course of study and success rate scholarships can be granted for up to three years and vary between \$2,000 and \$3,000 per annum so a student may receive assistance of up to \$9,000 over a 3 year study course.

In the past the fund has supported students undertaking Commerce, Law, Medicine and Agricultural Courses, some being for one year up to a maximum of 3 years in total.

If you have children finishing their studies at a High School in South Canterbury and think that your child may qualify for this fund please enquire to the appropriate person at your child's school as every year we make contact with all the local high schools seeking applications.

TAX SIMPLIFICATION — IRD IS MAKING IT EASIER FOR YOU TO MANAGE YOUR TAX

Positive tax changes that we've been signalling for some time are finally taking effect, with key aspects of The Taxation (Business Tax, Exchange of Information, and Remedial Matters) Act and the Taxation (Annual Rates for 2016-17, Closely Held Companies, and Remedial Matters) Act having come into force on 1 April.

Revenue Minister Judith Collins was bullish about the changes, stating, 'This package gives businesses more certainty about their tax payments and more time to focus on growing their business'. While she would say that of course, she's essentially right. Key aspects include provisional tax changes, changes to use of money interest (UOMI) and penalty fee interest, and simplified reporting for businesses. There are also changes to tighten New Zealand's disclosure requirements for foreign trusts.

Will yours be one of the small businesses to benefit from this tax simplification? Almost certainly, because the new accounting

income method, due to take effect in April 2018 and explained below, will take the headaches and guesswork out of paying your provisional tax.

Of course, change – even positive change – can cause anxiety. What do you need to do to take advantage of these changes? Do you need to do anything differently to comply with them? As always, the best course of action if you have any questions is get in touch with your accountant. We're here to help.

Some changes to specific types of companies:

CLOSELY HELD COMPANIES (CHC)

Small Closely Held Companies represent a significant proportion of New Zealand's 400,000 companies. The new rules, which are intended to simplify compliance, cover Resident Withholding Tax, capital gains, and the payment of provisional tax.

LOOK-THROUGH COMPANIES (LTC)

These limited liability companies operate with a tax structure that allows the company to transfer income and expenditure directly to shareholders. Changes to the legislation are designed to ensure LTCs operate as closely controlled companies (as originally intended). The changes are complex, and while the changes include removing the deduction limitation rule for most LTCs, they also affect LTC-owning trusts and their beneficiaries, and the amount of foreign income that can be earned, among other things.

CHANGES TO 'SAFE HARBOUR' RULES

As part of the changes to the provisional tax rules, the Bill increases the current 'safe harbour' threshold at which UOMI applies, from \$50,000 to \$60,000, and extends the safe harbour to companies rather than just individuals.

The safe harbour threshold basically means that if you have paid tax on the standard uplift method of paying provisional tax (last year's tax bill, plus 5%) and your tax bill is less than \$60,000, you won't be hit with interest. UOMI may be applicable only from the third instalment.

Before the third provisional tax payment we can assess your year's trading and work out how much tax you need to pay.

The amendments also add three requirements to tighten application of safe harbour rules. These will 1.) require a taxpayer to actually make the three instalments required under the standard method to enable them to use the safe harbour; 2.) prohibit a taxpayer who has a provisional tax interest avoidance arrangement from using the safe harbour and 3.) prohibit a taxpayer who has paid the first two instalments under the standard method from changing to the estimation method.

Even with the recent changes, all these can represent complex areas of tax law. Call us to discuss if you think you may be affected, or are unsure.

THE ACCOUNTING INCOME METHOD

Many business owners find calculating and paying provisional tax one of the most difficult areas of compliance. So any opportunity to simplify this has to be welcome.

The accounting income method is a grand name for a simple but smart change. It allows you to use your accounting software to calculate and pay your provisional tax, taking the guesswork out of the process. If that sounds a lot like how you calculate PAYE, that's because it is. Although these changes don't take effect until April 2018, now is a good time to start planning for them. We'll look deeper into this in future issues, so watch this space. Other business-friendly measures include reducing or removing UOMI for the vast majority of business taxpayers. In the past UOMI has been seen as unfair, because even if a business paid the correct amount of provisional tax during the year it could still incur the interest. As of April 1 this year, this charge is considerably reduced through the extension of the safe harbour rules.

In addition, there are new rates for UOMI. As from 8 May, they have changed to:

- Underpayments - 8.22% (down from 8.27%). That's what you pay on money you owe to IRD.
- Overpayments - 1.02% (down from 1.62%). That's what IRD pays you on money it owes to you.

The rates are reviewed regularly to reflect market interest rates.

The combination of the accounting income method and the other provisional tax changes will reduce the impact UOMI has on small businesses. The changes also remove the one per cent incremental late payment penalty for new GST, income tax, and overpaid Working for Families tax credits.

If you'd like more information about these changes, or how they could benefit you, get in touch with us and we'll be happy to walk you through them.

SAVE COSTS WITH SMART CLOUD-BASED ACCOUNTING SOFTWARE



Concurrent with the new Acts, IRD is also making more and more taxation reporting and payment options available online. For some small businesses, especially those that tried it when it was first available and gave up on it, that may be an intimidating prospect. However, IRD has made their online sites more user friendly over time.

We encourage the use of widely available accounting software packages, to take advantage of changes brought in by the new Act. Using the online option will make your business easier to run. But it won't just be in relation to IRD reporting.

Switching to online accounting software like MYOB, Xero or others removes a lot of stress for you in terms of compliance and reporting. What's more, we often find that a time consuming part of doing end of year work for some clients is first tidying up the bookkeeping. That then becomes a cost to you – and an avoidable one at that.

Cloud-based accounting software packages for small business can cover everything from revenue management to salesforce records, your billing system, bank reconciliation, inventory management, HR, customer records and a whole lot more.

Here are the biggest benefits of using cloud-based accounting software

- You'll save time.
- You won't lose data if your computer crashes.
- Well-established software companies have a history with IRD and keep up to the minute with tax changes and developments.
- The best companies offer technical support as part of their package.

By reducing time spent on bookkeeping, you'll free up time for gaining customers, extending your reach and expanding your profile in the market.

Switching to a new bookkeeping system can be daunting at the best of times, and it's certainly not a panacea for poor record keeping. If you're interested in making the move, contact us to discuss your options and to plan a methodical transitional process along with any training needed for you and your employees. Time spent doing this will likely repay you many times over!

EMAILING INVOICES & TAX NOTICES:

We have upgraded our computer system at HC Partners and are now able to email directly your invoices and tax notices, instead of relying on paper copies.

In order to start getting this process set in place we will need to confirm the email addresses you would like to use.

You can use a different address for invoices or tax notices, or if you would like them to be emailed to two addresses, this will also be possible.

You can of course opt to keep receiving paper copies so there is no pressure to swap or create an email if you don't have one.

Therefore we ask that you please advise us what option suits you best. Please contact us at hcmail@hcpartners.co.nz or give us a call on 03 687 9222.



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