



## BUT WHAT WILL IT MEAN FOR ME?

The outcome of the consultation phase on tax simplification may still change how or whether some aspects are implemented but it seems certain that the broad outline of the changes will go through.

**Best case scenario for small businesses:** this should reduce complexity and make it easier to pay tax. You'll pay tax more frequently based on your business' actual income. You may end up paying less in tax, penalties, and interest. However paying tax more frequently may require you to keep a closer eye on cashflow to keep money coming in to pay the bills.

**Worst case scenario for small businesses:** you may end up paying more tax if you don't stay aware of your tax obligations and ensure the accuracy of the data input into your business software. We can assist you with regular monitoring and checking your systems are accurate and fit for purpose.



## MILEAGE RATE CHANGES

Inland Revenue announced in May that the Commissioner had reduced the mileage rate from 74c to 72c/km for the 2016 tax year (1 April 2015 to 31 March 2016 for standard balance dates). If you rely on the standard mileage rate when reimbursing your team for travel, make sure your payroll system is updated to reflect the reduced rate.



## TAX CALENDAR

### JULY 28

- 3rd instalment 2016
- Provisional Tax
- (June balance date)

### AUGUST 29

- 1st instalment 2017
- Provisional Tax
- (March balance date)

## CHANGES TO LAND SALES COULD AFFECT YOU

Are you selling residential land? From 1 July 2016, a new withholding tax - residential land withholding tax (RLWT) - may need to be deducted from a property sale/disposal where the property being sold/disposed of is in New Zealand and meets the definition of 'residential land', and the vendor:

- acquired the property on or after 1 October 2015, and
- has owned it for less than two years before selling or disposing of the property, and
- is an offshore RLWT person

Obviously, this affects non-residents. Less obviously, an 'offshore RLWT person' includes New Zealand resident companies who have shareholdings of 25% or greater held by foreign persons, and trusts where more than 25% of the trustees are foreign persons. Just because your business is New Zealand company, it doesn't mean that you will not be caught by these new rules. It is possible for certificates of exemption to be applied for affected taxpayers. Contact us if you think this may affect you.



## KNOW YOUR NUMBERS

## YOU NEED TO KNOW TO GROW

The prolonged down turn has highlights that we need to have two Weapons in our armoury one is having a plan and the other is Knowing Your Numbers. You could be the best farmer in town, and perhaps you are; but without the skills and information needed to run your business, things can go awry. You need something more than farming skills, you need money-management and numbers skills!



## NUMBERS MEAN ANSWERS

Do you need to know your numbers? Think about this - when you know your numbers, you will be able to make better decisions and you'll also be better equipped to protect your assets. More than that, you'll be better placed to make informed decisions about the following issues concerning your business:

- Do we need more finance?
- Do we need more staff and can we afford it?
- What is our cost of production?
- How is it best to grow and how can we fund it?
- Where are the best opportunities?

- Are our personal drawings too high?
- How can we reduce debt?
- Where did all the cash we earned go?
- What are the risks to our business?
- Do we have the correct business structure in place?
- What's our tax plan?
- Have we identified our strengths and weaknesses?
- What are our goals and how will we achieve them?
- When will we be able to retire and hand the business over to the kids?
- Is now a good time to sell?

Knowing your numbers is a crucial skill for you as a small business owner. It allows you to fully understand the directions you can take and the possibilities awaiting your business out there.

The reality today is that too many businesses fail because their owners have no real idea of their numbers. Isn't that a bit too sad? Especially when the key to prevent it is in this guide and all you have to do is read it. Think about knowing your numbers as some sort of investment (because it is!).

Remember, apart from your home, your business will be the biggest asset you will ever own. You need to look after it to the best of your ability.





# TRACK YOUR KPI'S

These days it is getting easier to track and control the real expenses and issues on the farm so that your individual businesses are being managed as efficiently as possible and are producing the maximum return for your business.

You can do this by monitoring some critical KPI's for your business these are the simple measure that are easy to understand and calculate.

Your account will provide you with . . .

## YOU NEED TO REGULARLY MONITOR YOUR RESULTS



Most people place too much emphasis on the numbers in their year-end financial statements. The information in them could potentially be 6 to 9 months out of date. In some scenarios, you could be trading for up to 18 months, before you realise that the business isn't achieving the results you thought it was getting.

They will show you how you went but you will need to regularly review and monitor the budget and cash flow that you have put in place and compare it to your actual results and then potentially adjust your plan going forward.

The more you understand your numbers the better placed you are to negotiate with the financiers and be able prosper in the current environment.



## NEW GST ONLINE FILING

The first steps towards tax simplification lie in the new option for taxpayers for online filing of GST returns. Inland Revenue has been working with two software providers to pilot a service so taxpayers can file their GST returns directly from their business software. At present this can be used for GST only returns or for combined GST and provisional tax returns, although this option is not open to taxpayers who use the ratio option to calculate provisional tax.

To use this service you need two things: you need to be using the software but you also need confidence that your systems are set up to capture your GST position correctly. You want to be sure you won't be exposed to tax penalties for underpayment further on.

If you would like to discuss this further please contact us.

# TAX TALK

## MAKING TAX SIMPLER

In April, the Government announced proposals to simplify business tax, with legislation to be passed in August this year. They asked for feedback by end May on the best way to implement these proposals. The earliest of the changes would take effect from April 2017, with more coming online in 2018. At the moment, this would change the tax landscape to look something like this:

## FROM 1 APRIL 2017

### USE OF MONEY INTEREST

Hundreds of thousands of taxpayers will be better off following the government's proposed revamp of business tax, as they will be removed from Inland Revenue's use of money interest regime, says Tax Management NZ chief executive Chris Cunneiffe.

Taxpayers using the standard uplift method (paying 105% of last year's tax bill) will no longer be charged interest if they underpay at their first and second provisional tax dates, provided they pay the income tax they owe at their last provisional tax date.

Businesses and individuals who have residual income tax below \$60,000 will also not be subjected to interest. It is expected that 67,000 taxpayers will benefit from this.

### PENALTIES

Incremental late payment penalties will be removed from new debt for goods and services tax, income tax and working for families tax credits.

### CREDIT REPORTING OF TAX DEBT

Inland Revenue can disclose significant tax debts to credit reporting agencies, so that other businesses considering extending credit can make more informed commercial decisions.

### INFORMATION SHARING

Inland Revenue can share information with the Registrar of Companies to help enforce company law requirements. This will help weed out non-compliant companies continuing to trade with an unfair commercial advantage over compliant businesses.

### WITHHOLDING TAX AND SCHEDULAR PAYMENTS

Contractors will be able to elect their own withholding tax rate.



Contractors working for labour-hire firms can be covered by withholding tax.

Contractors and their payers can forge voluntary withholding agreements so that contractors can have tax withheld on a payday basis, reducing the impact of provisional tax.

## FROM 1 APRIL 2018

### A NEW WAY TO CALCULATE AND PAY PROVISIONAL TAX

The accounting income method (AIM), which will be available to taxpayers with turnover of \$5 million or less, will allow those who have IRD-approved accounting software to pay income tax on a two-monthly basis. Up to 110,000 taxpayers will be eligible.

Companies can pay tax as agents for shareholder-employees in respect of their shareholder-employee salary. This will reduce the impact of provisional tax for shareholder-employees.

Taxpayers who are forced to use the estimate method due to volatility or seasonality may find tax pooling a useful option to manage income tax payments, as they will be subjected to IRD interest.

Tax pooling would also provide businesses with cashflow constraints greater flexibility around when and how they pay their provisional tax payments.