

# Highlights

- \*Personal IRD numbers
- \*Deferring tax payments
- \*Benchmarking
- \*Low value assets



# CBR Update

September 2009

**S**pring has arrived along with new growth and new challenges.

Here at Cuff Booth-Ross we're constantly striving for better results and looking for ways to help you improve the weaker areas of your business.

We are increasingly using benchmarking as a tool to identify areas where businesses can be improved. Matching your results against other businesses or farms can be worth the effort, as you may find areas that need working on.

A challenge for some businesses recently has been cashflow. If you're struggling to pay your tax on time, read on to discover some of the options available to you.

Finally, we are always looking to improve our own business. If we do a good job for you, why not let some of your friends or family in business know.

**Happy Reading ...**  
**Peter**



## Student Loan Voluntary Repayment Bonus



The government has announced that student loan borrowers will qualify for a voluntary repayment bonus whether they are based in NZ or overseas. Whilst the legislation has not yet been passed, it is expected to be passed by the end of 2009.

If a borrower makes a voluntary repayment of \$500 or more, after 1 April 2009, then they will be entitled to the 10% bonus. The bonus will be credited to the Student Loan Account after the end of the tax year that the payment was made in.

If the borrower makes smaller voluntary repayments during the tax year, as long as the voluntary repayments total more than \$500 by the end of the tax year, they will be entitled to the bonus.

ATTORNEY: She had three children, right?

WITNESS: Yes.

ATTORNEY: How many were boys?

WITNESS: None.

ATTORNEY: Were there any girls?

WITNESS: Your Honor, I think I need a different attorney. Can I get a new attorney?



## FeeSmart

If cashflow is tight, FeeSmart is a payment option which allows you to pay off your account over 6 or 12 months (please note this option is only available if your bill is over \$1,000).



FeeSmart is operated by a financial services company that is not related to us. This is how it works:

- For 6 monthly instalments you pay your bill + 6.5% interest + \$50 admin fee
- For 12 monthly instalments you pay your bill + 10% interest + \$50 admin fee

Once you sign an agreement with FeeSmart agreeing to their terms and conditions, they will pay us and then direct debit the monthly instalments from your bank account.

Please contact Tina if you'd like more information or to sign up with FeeSmart.

# Benchmarking

Have you ever benchmarked your business against other similar businesses? Lots of us do informal benchmarking by talking to other business people and similar businesses that we meet at trainings or conferences. But how many of us do it formally by matching our key figures with other businesses?

I do both for my own business. For our clients we have software that allows your business results to be formally benchmarked against others in your industry.

Benchmarking can help us answer questions like

- Are you spending enough on advertising?
- Are your staff costs too high?
- Is your Gross Profit percentage (a result of markup) adequate?

It will usually highlight a couple of areas where improvements can be made.

For Dairy Farmers, we run benchmarks using Dairy NZ's Dairybase package. Valuable information can come from this when you compare what you are doing, with farms achieving in the top quartile.

We highly recommend benchmarking for most businesses. Give us a call, or e-mail, if you would like benchmarking stats completed for your business.



**A**pplying for individual IRD numbers In order to get a personal IRD number for yourself or a child in your care, you now need to apply in person at an Automobile Association (AA) Driver Licensing Agent, PostShop or selected New Zealand Post retail outlets (Hokitika is one of these).

You must complete an IRD number application form (IR 595) and provide two original identity documents (one from Category A and one from Category B, as detailed below), and also provide photocopies of these.

## Category A

- New Zealand full birth certificate (issued on or after 1 January 1998)
- New Zealand Passport
- Overseas Passport
- New Zealand firearm or dealer's licence
- New Zealand certificate of identity or citizenship certificate



## Category B

- New Zealand driver licence
- New Zealand 18+ card
- New Zealand student photo ID
- A letter confirming registration as a student in New Zealand
- An "offer of employment" letter from your employer, on company letterhead
- International Drivers' Permit or an overseas drivers licence



These documents are then verified and the photocopies are forwarded to IRD. IRD will then process the application and advise you of your IRD number within 10 working days.

The same application form is now used if you are applying for an IRD number for a child in your care. However, as well as full proof of your own identity, you must also provide a Category A or B document for the child and a document indicating the nature of the relationship between you and the child.

These rules do not apply for IRD numbers for non-individual taxpayers, such as companies, partnerships and trusts where paperwork can be sent directly to Inland Revenue.

## "Husband & Wife"

A woman's husband had been slipping in and out of a coma for several months, yet she had stayed by his bedside every single day. One day, when he came to, he motioned for her to come nearer. As she sat by him, he whispered, eyes full of tears, "You know what? You have been with me all through the bad times. When I got fired, you were there to support me. When my business failed, you were there. When I got shot, you were by my side. When we lost the house, you stayed right here. When my health started failing, you were still by my side. You know what?"

"What dear?" she asked gently, smiling as her heart began to fill with warmth.

He whispered softly to her "I think you're bad luck."

# Deferring **TAX** Payments

From time to time you may find that you are struggling to get the funds together to pay your taxes. If you do find yourself in this position Inland Revenue has a range of options available that could help you. Options for payment include:

An instalment arrangement where you pay the tax over an agreed period of time

- o Payments can be either weekly, fortnightly or monthly
- o First payment must be made within 3 months of the original due date
- o With a maximum of 2 years to pay

An agreement to pay a lump sum within 3 months of the original due date

- o This option may be worthwhile if you are expecting a big cash injection

Writing off some/all of the taxes due if Inland Revenue believes that paying them would cause you serious hardship.

- o This requires providing Inland Revenue with detailed financial information about your situation

Or a Combination of the above

If you think that you will not be able to pay your taxes then Inland Revenue needs to be contacted before the due date in order to make a formal arrangement. One of the benefits of making such an arrangement is that you will only be charged one late payment penalty of 1% plus interest.

If you make an arrangement when the due date has already passed then the late payment penalties already imposed will still stand, however no further penalties will be imposed. Again interest will still be charged.

Extra penalties may be imposed if you fail to meet your payment obligations under the arrangement. If you are having cashflow problems, the best thing you can do is communicate early with Inland Revenue. We are also happy to negotiate on your behalf.



*A bear, a lion and a pig meet.*  
Bear says: "if I roar in the forest, the entire forest is shivering with fear."  
Lion says: "if I roar in the jungle, the entire jungle is afraid of me."  
Pig says: "big deal....I only have to sneeze, and the entire planet panics."

## Donations

Changes to the donation rebate have now been in effect since the start of the 2008/09 tax year.

To refresh, the donation rebate for individuals is no longer capped at \$630. Now an individual will receive a tax rebate for one-third of all donations made, provided the amount of donations made is less than their taxable income for the year.

Companies are now also entitled to claim donations as an income tax deduction, limited to the amount of the company's net income.



## 2010 ACCOUNTING APPRENTICESHIP

We will be searching for an apprentice in 2010 to join our highly skilled team. Could this be you? Do you know of a friend or relative who would be interested in studying and learning on the job? We're looking for someone who is quick to learn, self-motivated, enthusiastic and a team player.

This is a great opportunity to learn while you earn and obtain a much sought after accounting qualification. If you or someone you know is interested please give Sally a call on (03) 755 8913.

# Mileage

There are three methods available to calculate business use of a motor vehicle – actual records of costs and mileage, a 3 month logbook every 3 years, or using a mileage rate. Inland Revenue have set a new mileage rate of 70 cents per km, taking effect from the start of the 2008/09 tax year. This is an increase from the old rates of 62 cents per km for the first 3,000 kms and 19 cents per km over 3,000 kms.



For self-employed people, mileage claims are capped at 5,000 kms. There is however, no cap on mileage for employees or shareholder employees. As trustees and beneficiaries are generally not employees of a trust, we expect that the 5,000 km cap would also apply to them.

## Low Value Assets

Assets with a useful life of more than one year are normally capitalised and depreciated using rates prescribed by the Inland Revenue Department.

However, there is an "exception to the rule" in regards to assets with low values. Assets costing \$500 or less (GST excl if you are registered for GST or GST inclusive if you are not) are fully deductible in the year they are purchased as long as they meet the following criteria:

- \* They are not purchased from the same supplier at the same time as other assets that have the same depreciation rate (unless the entire purchase is under \$500). You may need to check with us whether items would have the same depreciation rate.
- \* They are separate assets and will not be integrated into a larger asset (for example, the purchase of bull bars for a ute)

If you have a cashbook, you can now put assets that meet these criteria directly to Repairs and Maintenance (code 4350 for those of you on Computer Cashbooks).



## Redundancy

Just a reminder that if you receive a redundancy payment, you can apply for a redundancy rebate.

The redundancy payment is based on a flat rate of six cents per dollar and has been available from the 1st April 2008. You don't have to wait till the end of the financial year, you can apply for the rebate at any time.

If you would like more information on the redundancy rebate don't hesitate to contact our team.

See example of redundancy payment below:

<i>If your redundancy payment is....</i>	<i>then your rebate will be</i>
Less than \$60,000	your redundancy payment x \$0.06
\$60,000 or more	\$3,600 (the maximum rebate allowed)

## Paint Job

A blonde, wanting to earn some extra money decided to hire herself out as a handywoman and started canvassing the neighbourhoods. She went to the front door of the first house and asked the owner if he had any odd jobs for her to do. "Well I guess I could use somebody to paint my porch," he said. "How much will you charge me?" The blonde quickly responded, "How about \$50?". The man agreed and told her that the paint and everything she would need was in the garage. The man's wife, hearing the conversation, said to her husband, "Does she realise that our porch goes all the way around the house?". He responded, "That's a bit cynical, isn't it?". The wife replied, "You're right. I guess I'm starting to believe all those dumb blonde jokes."



A short time later, the blonde handywoman came to the door to collect her money. "You finished already?" the husband asked. "Yes," the blonde replied, "and I had paint leftover, so I gave it two coats – no extra charge." Impressed the man reached into his pocket for the \$50 and handed it to her. "And by the way," the blonde added.... "It's not a Porch - it's a Lexus".

### IMPORTANT:

This is not advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not constitute or convey advice per se. Also, changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. Our newsletter is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.