

# BUSINESS Snapshot

DECEMBER 2014

**gardiner.  
knobloch.**

ACCOUNTANCY + ADVICE



## Our fresh new look

We have rebranded the firm after over 40 years in business.

### Have you been to see us recently?

We have new signage and the building has been repainted with our new colours.

**We think it looks great!**

We've just added some of the brand to our reception with a piece of art based on our new logo.

If you haven't had a look yet, go and see the new website with information about all of our services, team profiles and our latest news.

On top of all that we'll have fresh new regular newsletters packed with information about all the latest in accounting, taxation, software and a bit about us. If you aren't getting these by email sign up on our website.

## Our office fundraising

The Gardiner Knobloch team are dedicated to charity fundraising. We have two major fundraisers each year.

### Birthright Hawke's Bay Child & Family Care Trust

We have collected presents donated by our staff for Birthright's Christmas Appeal, including presents for children, cash donations and Christmas nibbles.

### Relay for Life

Relay for Life is on the 28<sup>th</sup> February 2015. Our fundraising will begin shortly so keep an eye out in emails, on our website and correspondence. There will be a few ways you can support and participate this year.



Wishing you a safe and happy holiday from all of us here at Gardiner Knobloch. Our office will close on Tuesday 23rd December 2014 and reopen in the New Year on Monday 12th January 2015.

## Will your payment be on time?

### IRD have changed their policy on when payments will be considered to have been received on time.

Payments made by post are now treated as made on the day Inland Revenue receives them; the date of posting is irrelevant. It's therefore up to you to make sure you post your cheques in good time to reach IRD on time. There's no guarantee that a payment posted on the 18th will reach Inland Revenue by the 20th.

If you're sending a post-dated cheque, Inland Revenue will not bank it until the date specified. So even though it's physically received before the due date, it will still be treated as received late if the specified date is after the due date.



You can also make payments in person. Westpac branches accept payments by credit card, eftpos or cash. You can also drop your returns and payments off directly to the Inland Revenue office as long as you do so before close of business on the due date. Remember that you can make your payments online, visit our website to find out how – there is a link on the home page to the instructions.



### 'Tis the season to be... on call

Do you have situations where some employees will be on call during a public holiday? If so, they are usually entitled to a contractual on call payment as well as at least time and a half rates if they are called out. Whether or not they are also entitled to an alternative holiday depends on whether the public holiday falls on what would normally be a working day:

If the public holiday falls on a day the employee would normally work	
If the employee is on call...	He or she is entitled to...
... and is called out	at least time and a half for the actual hours worked, (your employment agreement may provide for more) plus an alternative holiday as well as any contractual on call payment.
... and is not called out but the restrictions of being on call mean the employee has not enjoyed a full holiday (for example, if the employee is required to stay at home all day)	an alternative holiday as well as any contractual on call payment
... and is not called out but the employee's freedom is NOT restricted – for example, he or she can choose not to accept the call-out	any contractual on call payment but he or she would only be entitled to an alternative holiday if he or she accepts a call-out
If the public holiday does NOT fall on a day the employee would normally work	
If the employee is on call...	He or she is entitled to...
... and is called out	at least time and a half for the actual hours worked, (your employment agreement may provide for more) plus an alternative holiday as well as any contractual on call payment.
... and is not called out	any contractual on call payment

## A way to solve Christmas cashflow issues

The period after Christmas can be tough for many small and medium sized businesses. According to more than half the respondents to a poll conducted by the Employers and Manufacturers Association, January to March is when they tend to experience cashflow constraints.

It's hardly surprising, really. The period after Christmas is traditionally slow business-wise. Consumers are either enjoying their holidays or getting their finances in order following their festive season spending. Earnings will be down if businesses shut during the break. Others may also feel the pinch if they paid staff bonuses prior to the holiday season.

It is, therefore, understandable how having to make a provisional tax payment on 15 January might be a bit problematic for some.

Still, it does not change the fact that Inland Revenue (IRD) expects this payment to be made on time and will charge taxpayers late payment penalties of up to 20% per annum and use of money interest (UOMI) of 8.4% if the tax is not received on the due date.

However, those who wish to free up cash at a time when they need it most have an option. Tax pooling is IRD approved and can be used to defer provisional tax payments to a time that suits them – without incurring late payment penalties and UOMI. This method is cheaper than using many other traditional forms of finance – rates at Tax Management NZ (TMNZ) start from below 6% - and does not affect existing lines of credit. No credit check or security is required.

The full amount of finance does not need to be paid back if less tax is owed than first thought. The finance arrangement can be easily extended as well.



### How it works

Say you wish to defer a \$5,000 provisional tax payment for six months.

You would pay TMNZ a one-off, tax-deductible interest amount and TMNZ would arrange the \$5,000 provisional tax payment on your behalf. The interest amount is based on the amount of tax financed and the period of maturity, so in this instance would be \$145.

The provisional tax payment is held in an IRD account administered by the Guardian Trust. Guardian Trust instructs the IRD to transfer the tax into your IRD account when you repay the \$5,000 principal in six months' time.

IRD treats the \$5,000 provisional tax as being paid on time once the transfer is processed.

Phone us if you would like to know more

### Party Party Party!

Are you planning a Christmas function for special clients and/or suppliers and business contacts? Be aware that this will come under the entertainment regime for purpose of tax deductibility. Any expenditure on food and drink that your business provides off your business premises will be 50% deductible. This extends to any incidental expenditure on things like hireage of crockery, glassware or utensils, waiting staff, and music or other entertainment provided for the function you are planning.

If you're thinking of a more public event to promote the business during the festive season, expenditure on food, drink and all the necessary incidentals could be fully deductible, however, be aware that the event can't cater for your VIPs alone. It must be open to the public on the same footing as clients or business contacts. Its primary purpose must be as a marketing event for the business.

If you're planning an event and you're not sure which tax regime it will fall under, please contact us for information.

### Staff gifts

**Cash bonuses at Christmas time:** Cash bonuses are taxable income to your employees and need to have PAYE deducted from them. There is a special calculation that needs to be done to work out the tax, give us a call and we can help you with this. You are able to fully deduct cash bonuses for tax purposes.

**Christmas Hampers (non-cash gifts):** Beware of FBT (Fringe Benefit Tax). These gifts may need FBT paid on them if they are more than \$300 per employee for the quarter and more than \$22,500 for all employees for the year. If you are not sure please give us a quick call to discuss it.