

## June 2022 Newsletter



In Māori culture, Matariki is both the name of the Pleiades star cluster and the celebration of its first rising in late June or early July. The best time to view the Matariki cluster is early morning, just before dawn. Matariki marks the beginning of the new year in the Māori lunar calendar. Traditionally, Matariki is seen as a time to remember those who have died during the past year, but it is seen more like a happy event – a sign of the cycles of life and death. Usually, by this time of the year, crops had been harvested, and seafood and birds had been gathered so the storehouses were full by the time the Matariki celebrations occur. Matariki becomes a celebration with kai (food), singing and dancing.

This year (2022), the first public holiday to celebrate Matariki was held on Friday 24 June. The date of the public holiday will change every year, but it will always fall on a Friday.

### The difference between profit and cashflow?

We're sometimes asked "Why have I made a profit; got tax to pay; but I have no cash??"

The difference between Profit (taxable income) and Cashflow, (cash) are two different things and do not always align. As a reminder, see an explanation for each:

#### **Profit:**

- the net result of your Income less Expenses received and incurred during the year (always GST exclusive if GST registered). Your focus should always be on your profitability. Profit=margin, A major mistake when input costs are rising rapidly is not to increase your prices to recover increases.
- Income: relates to any product or service that you sell
- Expenses: relates to costs incurred in the sale of those products/services. Does **not** include purchases of long term assets or loan repayments (eg. principal portion of loan payments). The interest portion is deductible though.

#### **Tax:**

- Payable on the taxable profits only.... **Not** the amount of drawings you've taken out to live on

#### **Cashflow:**

- How ALL the money is spent—no matter whether for an asset purchase or to pay bills
- What actually occurred with the cash during the financial period – it lets you 'follow the money'
- Monitor costs to budget if a budget has been prepared (great way to monitor price increases)

Contact your Manager if you require any assistance or advice with cashflow / budget / costing preparations.





### Bank Interest and RWT Certificates

Inland Revenue are now obtaining interest information directly from banks. If your joint bank account only has one IRD number attached to that bank account, then only that IRD number information will be advised to the IRD.

If you want the interest split 50/50 then you will need to advise your bank of your two (or more) individual IRD numbers.



When we prepare your income tax returns, we will be recording the interest income from Inland Revenue advice ONLY as the interest income in your IR3 tax return.

### The Clean Car Discount Scheme

From 1 April 2022 the Clean Car Discount will be based on a vehicle's CO2 emissions. Vehicles with zero or low emissions will qualify for a rebate and those with high emissions will incur a fee.

We require additional information from you when you purchase new vehicles. Either at GST time or with the financial statements, please provide us with a copy of the vehicle purchase tax invoice together with a copy of the Clear Car rebate/fee payable form.

Please note that GST is payable if you are receiving the Clear Car Rebate. Conversely, GST is refundable if paying the Clear Car Fee.

The rebate/fee is offset against the base cost of the asset and should be coded/recorded the same as the new vehicle that was purchased.



Te Kaporeihana Āwhina  
Hunga Whara  
prevention. care. recovery.

### ACC Annual and Statutory holiday obligations

It can be unclear with long-term injuries when your employee will be able to return to their position. However, ACC is considered continuous employment so while receiving compensation an employee's annual leave accrues as if they were still working – under the rules of the Holidays Act.

After 12 months of employment the entitled annual leave is required to be paid at the higher of ordinary weekly pay or average of the last 52 weeks up to the anniversary date. Then accrued annual leave at 8% of earnings since the anniversary date. If an employee passes their annual leave anniversary date while on ACC, they'll become entitled to the full 4 weeks of annual leave. This can be taken on their return, paid out upon termination or, in worst case scenario where they are on ACC for the full year - they'll become entitled without working at all.

This leaves the employer in a difficult position. Leaving the job open while costs accumulate or rather terminate the employee due to their unavailability and the effect on the business.

Dismissing an employee for medical incapacity is relatively rare and should be handled very carefully - the employer must follow the principles of a fair process and consider all other avenues.

If considering the later approach, it is highly recommended to obtain professional advice to minimise the risk of a personal grievance.

For payroll information please email [katya@blackburnegroup.co.nz](mailto:katya@blackburnegroup.co.nz) or phone extn 816



### Company owned Motor Vehicles

A reminder that your company must issue a letter to your employee saying the company owned vehicle is not available for private use. When IRD undertake any form of audit, they may incorporate a FBT audit and they will ask to see these letters.



The company owned vehicle MUST be sign written, the wording/logo must be big enough and visible, watch colours, grey writing on a silver vehicle is not acceptable.

### Budget Announcement—Cost of Living payment

The May 2022 Budget included an announcement that a Cost of Living Payment will be made to eligible people who earned up to \$70,000 during the period from 1 April 2021 to 31 March 2022 and are not eligible for the Winter Energy Payment.

The payment of \$350, paid in three instalments of approximately \$116, (1 August, 1 September, 3 October) will be made by Inland Revenue. There is no application process. Inland Revenue will pay the amount automatically to people's bank accounts.

If you are eligible Diana will contact you to confirm your bank account details so the funds can be paid by Inland Revenue. If you do not advise Inland Revenue of a bank account, they will hold the payment.



### Bank of Mum and Dad

With Banks tightening up on lending, it is becoming more common for the 'the Bank of Mum and Dad' to save the day. But Banks want Mum and Dad on the title. As a result, there have been issues with Brightline 'tax' for any subsequent

transfers of title within the Brightline period. Trustee or Nominee documentation prepared at the time loans are taken out can alleviate this problem. This identifies that Mum and Dad are holding the property as nominee or as bare trustee for their children, and so, any subsequent title transfer is ignored for Brightline purposes.

Contact your manager before signing any agreements.

### Staff Changes



Craig has left the building!

Some of you will be aware that Craig Munro who has been with Blackburne Group since 2008, has taken a new career path, we thank Craig for his years of service and wish him all the best in his new endeavours.

### We welcome to the team :



**Tania Harris** Tania and her husband have left the big city of Auckland and relocated to Taupo. Tania started with us during April and has been assisting Logan with his workload.

[tania@blackburnegroup.co.nz](mailto:tania@blackburnegroup.co.nz) extn 819



**Paul Thomas** We have been fortunate to employ a very experienced senior accountant, Paul Thomas, who commenced with us on 13 June. Paul will be taking over Craig's client base as a manager.

[paul@blackburnegroup.co.nz](mailto:paul@blackburnegroup.co.nz) extn 807



### Requesting GST under arrangement and avoiding that further 4% late payment penalty

When placing a GST assessment under arrangement with IRD the 1% late payment penalty is applied as a matter of course but to avoid the additional 4%, which can translate into a hefty amount if a high assessment to pay, the submission to IRD needs to be BEFORE the due date.

On or after the due date will automatically add the additional 4% to your arrangement.

Example: If your GST assessment is \$60,000 to pay, this translates into an additional \$2,400 on the total.

If you anticipate needing a payment arrangement, get your information back to us as soon as possible to allow time to process the return, file with IRD for assessment and make contact with IRD to propose the terms of the arrangement BEFORE the due date.

This principal applies to all tax types.

The 1% and 4% penalties are over and above the use of money interest of 7.28% charged by the IRD. Interestingly the IRD rate of 0% is what they pay you if the IRD owe you money!

Something else to remember is -when setting up an instalment arrangement, unless you specifically request that no future credits be offset, this will automatically happen.

If completing an instalment arrangement request in your myIR account ALSO send a web message asking that no future credits be offset, as currently this is not an option within the myIR web request.

Diana, our tax support, is more than happy to take care of any arrangement proposal for IRD debt so please call her on ext 811 to discuss or request her assistance.

### IRD requesting MORE information from Family Trusts

In our previous newsletter we advised the types of information that Inland Revenue are now collecting for Trusts includes both financial and non-financial.

With these changes and the additional complexity we are dealing with there is scope for increased Inland Revenue review of Trusts.

We'd like to remind you of Audit Shield which is an insurance solution that covers our professional fees to help you respond to an official audit, enquiry, investigation or review of returns lodged with Inland Revenue.

If you'd like to know more about Audit Shield, please contact Dru on extn 809 for a premium quote.



[www.blackburnegroup.co.nz](http://www.blackburnegroup.co.nz)



## Price Rises

The **Consumer Price Index (CPI)** is a measure of the average change overtime in the prices paid by urban consumers for a market basket of consumer goods and services.

In the March 2022 quarter compared with the March 2021 quarter, the CPI inflation rate was **6.9 percent**. We all know costs have increased significantly! You will see this in your business—fuel, labour, parts, utilities etc..... All gone up

Yes, even accountants are affected! Our largest cost is wages, we value our team and need to pay them in line with market rates which, unfortunately reflects in increased charges.

We welcome a phone call if you want to enter into a payment plan if you require time to pay your account with us. Phone Joanne on extn 822



### Xero Central—Learning

Learning | Xero Central Support topics – Xero Central

Xero provide learning and support to any xero user. We are always here to support you during work hours—xero support is free and 24/7!

Within xero learning you can choose a topic you want to know more about, view xero articles, webinar recordings and participate in community discussions.

Jolene is always available to help on extn 810

Xero have advised from 15 September 2022 the monthly retail price of xero starter, standard and premium plans will be increasing. If you have a Direct Debit (DD) in place to pay your xero fees, we will contact you nearer the time and advise you of the increase to the monthly DD authority. We will continue to pass on the 20% discount we receive from xero to you.

### eSignatures

We at Blackburne Group are moving towards electronic signing of your annual financial accounts and tax returns.

Basically you will receive a link to open the document on an internet-enabled device (like a mobile phone, tablet or computer). Tabs and simple instructions will guide you through the signing process, even adapting an electronic signature. You just need to click finish and then the signed document is sent back to us.

This will reduce the amount of time delays from courier packages and post. Reduce your stress in receiving an email and having to print, sign then scan the signed document back to us.

We hope to have this in place shortly.



### Small Business Cashflow Loan and myIR correspondence

Now that the Small Business Cashflow Loans are up for repayment (the 2 year interest free period has lapsed) Inland Revenue are issuing letters showing the start, finish dates and monthly amounts of your repayment plan.

Your start date will be 2 years after you received the loan. Some do not start until July 2022.

Consider repaying this loan over 3 year's as at 3% interest rate—this is cheap money with no security or equity requirements! And no finding a lump sum payment from cashflow.

Notification from Inland Revenue will be via an email to advise you to log into your myIR account to view correspondence. Remember to check regularly your myIR as this is one of Inland Revenue's primary methods of contacting you.

If you have an office administrator that checks myIR, ensure that they have access to this tax type—Small Business Loan, otherwise they won't be aware of ,or be able to view any SBC correspondence .

To give your admin team access - this is granted through the director's myIR account under 'Manage my profile'.

Please note that some loan repayments have already been missed and IRD are advising by correspondence, again via your myIR account, allowing 5 working days from the dated letter to make the payment or legal action may be taken.

If paying by internet banking, use the tax type SBC to make sure your payments go to the right place. Better still, set up a regular AP to ensure you don't miss the monthly payment.

Give Diana a call on extn 811 for assistance



### Disclaimer

***This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.***