

## Welcome to our July update

In this issue our news is focused around taxes, on-line payments and tools for increasing business efficiency. Please contact us if you have any questions regarding the information below and in the meantime we hope you enjoy this winter and are looking forward to a productive spring.



**Paying Tax On-line** – The ease of internet banking encourages many people to pay their taxes on-line and most banks now have a separate tax menu within their on-line banking website. However it is important to ensure you are paying the right tax for the right period.

Enter the period end date for the payment, not the date when you are making the payment. Also its best to check your bank's cut-off time to ensure your payment will be processed in time.

Choose the DED code if you have deducted for an employee's student loan or kiwi saver payments as well as PAYE. Only select the PAYE code if there are no other deductions. If you would like clarification call Brenda on 343 0046 or email [brenda.smith@aingertomlin.co.nz](mailto:brenda.smith@aingertomlin.co.nz)

The next Provisional Tax payment is due on 28 August with code INC. For businesses unable to meet this payment we can set-up a special arrangement with Inland Revenue. Please be aware interest will accrue on the outstanding sum however it will not incur penalties. The code to select for on-line payments under arrangement is ARR.

**Trading on-line tax obligations** – Inland Revenue is now focusing on the on-line trading community. If you sell items, including via on-line sites like Trade Me, you need to declare sales as business income if:

- The goods were acquired for the purpose of on-selling
- The purpose of the activity is to make a profit
- The business involves dealing in these goods

Also note businesses with sales of over \$60,000 a year are required to register for GST.

**GST October increase** – We are waiting until all details of the GST change process are released by Inland Revenue, then we will be putting together recommended procedures and training course options for our clients. These courses will be held late August/early September and will be available to all of our clients.

**Redundancy Tax Credit** – From 1 October 2010 the redundancy tax credit will be removed. Employees may be eligible to receive the redundancy tax credit if their employment ceased because their position was no longer available and they received a redundancy payment.

The tax credit is 6% of the redundancy payment up to a maximum of \$3600 on each redundancy payment. Claims can be backdated on redundancies paid on or after 1 December 2006. You can apply for a tax credit up to four years after a redundancy payment. Eligible employees don't need to wait until the end of the year – the redundancy tax credit can be claimed during that year.

**Hiring a labour-only contractor** – formerly Withholding Tax (WT) was the term used to describe tax deductions businesses were obliged to deduct from contractor payments if they did not supply a Withholding Tax Exempt Certificate from Inland Revenue.

These types of payments are now known as schedular payments. Employers must deduct tax from the schedular payments made to contractors involved in some specified types of work. The back of the Tax code declaration (IR330) form has a list of activities and associated tax rate deductions.

If you're in the building industry and hire an independent contractor for labour-only on a contract-for-service-basis you may need to deduct tax from schedular payments. The activity "Contracts wholly or substantially for labour only in the building industry" includes building contractors such as painters, plasterers, brick layers, roofers and carpet layers.

You won't need to deduct tax from the schedular payments if the contractor has a current Certificate of exemption (IR331), or is a company. If you're not sure if the contractor has given you a current certificate of exemption call Inland Revenue on 0800 377 772 to check or contact Brenda on 343 0046 or email [brenda.smith@aingertomlin.co.nz](mailto:brenda.smith@aingertomlin.co.nz)

**Inland Revenue On-line 'Tool for Business'** – Particularly useful for new business owners is the simplified section on the Inland Revenue website that outlines how to get small business tax issues sorted quickly and simply.

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