

ON *balance*

December 2017



Sara Gibbon, whose profile we featured in the last newsletter, and Alex Horsman.

MEET THE TEAM: ALEX HORSMAN

We know how important it is to put a name to a face. In this edition of On Balance we'd like to introduce Alex Horsman.

Alex joined Neil's team at Russell Turner in March this year. She grew up in Kerikeri where she worked as a junior accountant for a sole proprietor for two years.

Alex is studying towards a Bachelor of Accounting through Massey University, and in the gaps between work and study she enjoys scrapbooking, baking, keeping fit at the gym and spending time with family and friends.

HAPPY HOLIDAYS

HOLIDAY HOURS + JANUARY TAX

The Russell Turner office will close from 3pm on Thursday December 21st and reopen 8.30am Wednesday, January 17th 2018.

GST and provisional tax payments are due for some of you during this time: please check the back page of the newsletter for key dates.

You may get an early tax reminder from us, so please mark the due date in your calendar. You can pre-load payments if you use internet banking.

From our work family to yours, we wish you a happy and safe Christmas and New Year!

TWO LITTLE ONES ARE NEARLY ONE!

David and Arna-Lise Harris welcomed Norah-Grace to their family in January.

Big sister Lily (8) and brothers Aiden (6), Ezekiel (5) and Sam (2) love having a little sister to run around after, and David reports that Norah's favourite game at the moment is opening cupboards and pulling everything out.

Another busy bub who loves "tidying" the cupboards is Adam and Lauren Clark's first baby Neve, 10 months. Neve also likes reading to herself: "Shelly the Sheep" is her current favourite.

SCAM ALERT

Beware of email scams which claim to be from the IRD or your bank. On the right is an example of a current email scam doing the rounds – should you receive one of these forward it to phishing@ird.govt.nz then delete it.

Remember your bank, IRD or similar organisations don't usually send a link for you to log in.

Also look for strange spelling or punctuation in the message header, and a sender email address that doesn't look right. **If in doubt – delete!**

From: "support@ird.govt.nz" <service@onestream.com.au>
Date: Thursday, 26 October 2017 at 12:51 PM
To: xxxxxx@xxx.xx.xx
Subject: Return available

IR3 individual income tax return 2016/17 * from August to October 2017 *

Your last calculations of your fiscal activity determined that you are still eligible to receive a tax refund of \$275.55 NZD.

Please submit the tax refund request and allow us 1-5 days in order to process it.

- [Log in to myIR account](#) to complete your refund online.

Note: Make sure all your income, benefits and family details are up to date in myIR, this will help make sure you're getting the right entitlements.

This email has been sent to - xxxxxx@xxx.xx.xx - as a part of your myIR account.

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BUSINESS CULTURE TIED TO BUSINESS PERFORMANCE



A strong company culture doesn't guarantee business results, but it does provide a foundation for them. Conversely, a poor culture can actually damage your business.

While it's easy to think of business culture as a bit soft compared with, say, achieving sales, in fact it's anything but. A 2014 study reported that public companies named in a "Best Places to Work" list in

2009 outperformed the S&P 500 by 115 percent in the following five years.

The Glassdoor study suggests that a culture that engages and motivates employees helps the bottom line. But the reverse isn't true: A company's success isn't enough to produce a positive culture, and companies that succeed without a positive culture are likely to see performance decline.

So if your business is performing well, great. But if it's doing so at the expense of employee satisfaction and happiness, chances are that your current success is unsustainable – especially in economically tougher times.

Make your business an attractive place to work by providing opportunities for employees, having a unified vision and nurturing ideas.

GET THE BEST FROM YOUR STAFF YOUNG AND OLD

A positive, age-diverse work climate is linked to higher company performance.

The number of millennials – the generation reaching young adulthood in the early 21st century – recently surpassed any other generational group.

They often value a better work environment over salary. Don't waste their talent or your bottom line: build your business culture to aim to keep millennials emotionally engaged and loving their jobs.

Creating a discrimination-free culture (including age, gender, culture, sexual orientation and religion) is worth time and effort.

GET FLEXIBLE AND GET THE BEST FROM EVERYONE

Flexible working conditions are becoming more and more important – and it's not just all about working parents.

High performers may want the freedom to work as they see fit, rather than be constricted by unnecessarily prescriptive work hours, for example.

Mention flexible working options in your job ads to attract top talent.

DO YOUR STAFF THINK LIKE OWNERS? FREE UP YOUR TIME

A key to a strong internal culture is having staff think and behave like owners.

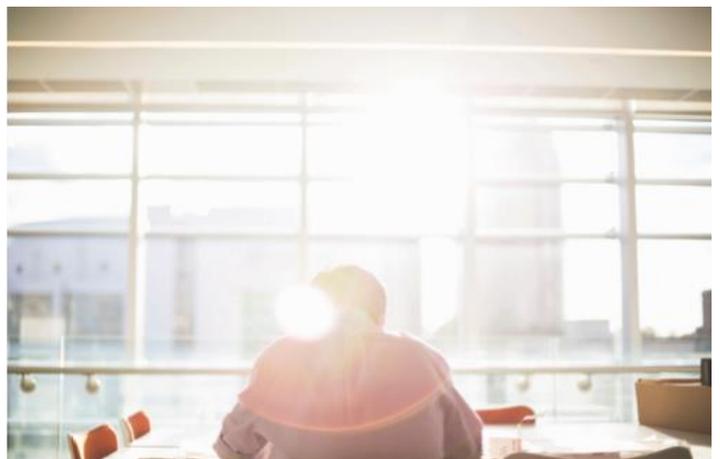
Give your staff the autonomy to put customers first. If you're in retail, trust staff to make quick decisions about refunding unsatisfied customers or replacing goods. Devolve all but the most complex decisions to whoever has the most customer contact – and watch issues get sorted more quickly and effectively.

Your own time will get freed up, your staff will feel valued and your customers will be happier!



If you think your company's culture could do with some tweaking, we have staff with experience in turning around all sorts of businesses, including trade, sales and retail.

Get in touch if you would like to discuss practical steps to increase productivity and foster a positive work culture.



WHY DO WE NEED A COMMON REPORTING STANDARD?

Tax authorities around the world are increasingly working together to flush out tax evaders from their overseas hiding places. Our increasingly interconnected world makes it easier than ever for people to hide money overseas – and evade tax.

New Zealand is one of around 100 nations working together to get rid of hiding places, by operating to the Common Reporting Standard (CRS), which came into effect in New Zealand in July this year.

It means any new interest-bearing deposits held at the ASB bank through our Russell Turner Trust Account will need additional ID, information and forms filled out.

WHAT CRS REQUIRES

New Zealand financial institutions now must:

- Review their accounts and identify those held by or for people who live overseas
- Collect particular information about those people or organisations
- Report information to the IRD for exchange with other countries that have relevant agreements with NZ.

Information about your account may be reported to the IRD, and the financial institution may ask you to supply documentation about your account.

If New Zealand has a relevant agreement with the country you live in, IRD may pass your information on to your home authorities – and those authorities may do likewise with Kiwis living in their country.

In some circumstances, family trusts which engage providers to manage their investments may have reporting obligations under CRS. It's best to talk to us if you have any questions.



IRD BLESS AMERICA

CRS is a bit like the US Foreign Account Tax Compliance Act (FATCA), but it's an international initiative. FATCA requires US citizens and tax residents to report their worldwide income to the Internal Revenue Service (IRS), regardless of where they live.

It also compels foreigners with accounts in the US to pay the tax they're supposed to. All non-exempt foreign financial institutions must register with the IRS. Rigorous stuff.

Although all foreign financial institutions had to register with the IRS almost three years ago, there was uncertainty about whether, and how, FATCA applies to New Zealand family trusts without an obvious US connection. Which leads to our next question . . .

DOES A FAMILY TRUST HAVE U.S. OBLIGATIONS?

A trust will have obligations under FATCA if it is a foreign

financial institution. There are four categories of such institutions, but the most relevant one for family trusts is Investment Entities.

The Inter-Governmental Agreement between the US and New Zealand defines what these are.

That said, most family trusts don't meet the Investment Entity criteria because they do not have "customers" or are not "in business".

WHAT DOES IT MEAN FOR YOU?

CRS has due diligence and reporting obligations, especially about:

- Tax residency and account certification
- Persons connected to a trust, if you manage trusts and trust accounts
- Acting as a corporate trustee for NZ trusts or NZ foreign trusts.

We are required to collect and report information to banks. Please don't be offended when we ask for additional information for any new interest-bearing deposits held on trust by Russell Turner.

This will apply to company directors and any shareholders with a holding of 25% or more. For family trusts it applies to the settlor, all trustees and any beneficiaries receiving distributions. We will need a copy of photo identification, verified residential address and a signed tax residency self-certification form for all parties we supply.

If you are contemplating depositing or making changes to funds held at the ASB bank through our Russell Turner Trust Account please contact us as soon as possible so we can assist you with the paperwork.

The bank will not permit us to open any trust account at the bank without the supporting documents, which are required just once for entities and/or individuals.

GST MADE EASY

Do you hate it when GST return time rolls around? If so, you're in good company. For many business owners, the pain isn't so much having to hand money over to IRD, but having to prepare and file a return.

But that pain is easy to avoid. Here's how:

- If we complete your returns, of course everything will be done for you
- If you still file your returns manually – register for a myIR account at www.ird.govt.nz
- If you are GST registered and we don't prepare your returns for you, you may need to check your bank account details. The easiest way to do this is via your myIR account.

The section inside your myIR account called "My GST" lets you:

- Pay your GST when you file your return
- Set up email or text reminders
- Propose a GST instalment plan if you can't pay in full by the due date
- Ask for amendments to previously filed returns
- Check statements, and breakdowns of transactions
- Upload files with your GST return.

Don't have GST drag you or your business down. If you struggle with any part of it, or are unsure about anything, contact us.

GOVT PONDERES TAXATION ERROR CORRECTION SOLUTIONS

Outgoing Revenue Minister Judith Collins recently said that correcting simple tax errors and sending that information to Inland Revenue was still largely manual and may be costing business.

Here's some good news. Inland Revenue proposes integrating PAYE into normal business activity. For example, by allowing employers to use payroll software to make corrections to returns.

Another idea is to allow employers to report the employer superannuation contribution tax (ESCT) withheld, at an employee level.

These are small but useful changes that could simplify your life. Here's another: a law change so that overpaid PAYE income that is not repaid still remains taxable as PAYE income.

Finally, if a business allows an employee to repay overpaid income, the law is about to be clarified so that this does not create a liability for FBT.

Tax law is complex and probably always will be. Small changes like these all add up, and we welcome their lightening of the load on business owners.

THE BACK Paddock

BETTER CONTROL OVER HAZARDOUS SUBSTANCES

Regulations governing the handling and use of all hazardous substances have changed.

If work brings you or your staff into contact with hazardous substances, from 1 December you'll have to follow the new hazardous substance rules under the Health and Safety at Work Act. The Environmental Protection Authority (EPA) will also have a new enforcement responsibility in relation to importers and manufacturers.

WHAT YOU WILL NEED TO DO DIFFERENTLY

You will still work with the EPA to apply for new hazardous substances approvals. The EPA will still manage applications for new approvals – whether for new substances, or for particular persons – but the safety rules move from the EPA into the Health and Safety at Work Act that will be implemented by WorkSafe. WorkSafe will then decide if the requirements in the HSW HS regulations will manage the risks to people in workplaces.

Under the new regulations, fewer substances will require certified handlers. However, there will be specific requirements around information, instruction, supervision and training, amongst other things.

When the new regime comes in to effect, all currently approved hazardous substances will remain approved. They will also retain the same approval number.

Check out <http://www.worksafe.govt.nz/worksafe/information-guidance/guidance-by-industry/hsno/hazardous-substances-regulations> for more details.

FBT: GOOD AND BAD NEWS FROM IRD

You may provide company vehicles to some employees. In some cases, the vehicle is a work tool – for example, a farm ute. In other cases, it is part of a salary package.

Whatever the reason, Inland Revenue has good news and bad news.

The good news is that they have consolidated all their published statements on motor vehicle FBT into one 57-page document with a logical flow, making the topic easier for you to understand. Although that doesn't necessarily mean it's easy!

The bad news is that IRD's views on how FBT applies may, in some circumstances, be a bit contentious.

The new document, according to IRD, should give taxpayers increased certainty in understanding their FBT obligations in relation to motor vehicles, and lead to better compliance.

There is potential for uncertainty over interpretation of some matters – give us a call if you are unsure about how this may apply to you.

KEY TAX DATES

DECEMBER 2017 + JANUARY / FEBRUARY 2018

| DATE | CATEGORY | DESCRIPTION |
|--------------------------|-----------------|--|
| 20 Dec / 20 Jan / 20 Feb | PAYE | Small employers returns and payment |
| 15 Jan / 28 Jan / 28 Feb | GST | GST return and payment due for returns ending November / December / January |
| 15 Jan / 28 Feb | Provisional tax | Payment due for certain balance dates (you should receive notification if this applies to you) |
| 20 January | FBT | Quarterly payment and return |

All information in this newsletter is to the best of the authors' knowledge true and accurate. No liability is assumed by the authors or publisher for any losses suffered by any person relying directly or indirectly upon this newsletter. It is recommended clients consult us before acting on this information.

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