

## If you cannot pay tax

Tax law is changing very rapidly at the moment. If you cannot pay your tax, please read this message received from the Inland Revenue Department.

UOMI means Use Of Money Interest – the interest Inland Revenue charges.

### **When the Commissioner will remit penalties and UOMI**

To be eligible for remittance of penalties and UOMI, the taxpayer must meet the following criteria.:

1. The taxpayer has tax that is due on or after 14 February 2020
2. The taxpayer's ability to pay by the due date, either physically or financially, has been significantly affected by COVID-19
3. The taxpayer will be expected to contact the Commissioner as soon as practicable to request relief and will also be required to pay the outstanding tax as soon as practicable

It is the Commissioner's view that the taxpayer has been significantly affected by COVID-19 financially where the customer's income or revenue has reduced as a consequence of COVID-19 and that as a result of that reduction in income or revenue is unable to pay their taxes in full and on time.

"As soon as practicable" will be determined on the facts of each case.

For guidance, the Commissioner considers the term means that so long as the taxpayer applies for the relief at the earliest opportunity and agrees to an arrangement that will see the outstanding tax paid at the earliest opportunity, or will be paid over the most reasonable period given the taxpayer's specific circumstances, the test will have been met.

Those customers who require further assistance at a later date, such as having to renegotiate the terms of an arrangement, should contact us at the earliest opportunity after determining they will have difficulty in paying the tax as agreed. So long as the taxpayer completes an arrangement (which may have been amended at the taxpayer's request during the period of the arrangement), the Commissioner will accept that by entering into and completing that arrangement, the test for "as soon as practicable" in respect of paying the tax will have been met.

Interest and penalties will continue to accrue for those taxpayers who enter into arrangements. However, when the arrangement is completed and we have already established the taxpayer meets the criteria for remission, that interest will be automatically cancelled without the need for the taxpayer to apply to have it remitted.

The interest will be charged on those taxpayers who do not complete an arrangement from the time they stop complying with the arrangement.

### **Information to be provided when requesting relief**

We will be trying to minimise the information we would ask to be provided during these unusual times. By continuing to file GST and other returns we will have a lot of the information we would normally ask to be provided. However, customers should be able to provide, if asked, at least three months banks statements and credit card statement; any management accounting information; a list of aged creditors and debtors. We will not ask for that information in every case, but the information should be available if we do ask for it. For businesses, we'll be looking to understand the taxpayer's plan to sustain their business. We understand you might not be able to get all this information at this time given the COVID-19 lockdown. We will work with you based on what you know and are able to access at this time and will continue to do so as more information becomes available.

### **Types of relief available**

#### **New debt due to COVID-19**

- Instalment arrangement
- Instalment arrangement - deferred payment start date
- Partial write-off due to serious hardship and payment of the remaining tax by instalment or a lump sum
- Partial payment and write-off the balance under maximising recovery of outstanding tax
- Write-off due to serious hardship

#### **Pre-existing debt prior to COVID-19**

Customers who may already be in an arrangement but consider they may not be continue with the current terms due to being significantly affected by COVID-19 may ask to renegotiate the instalment arrangement. Any of the above options may be appropriate and each case will be considered on its own facts. Customers are encouraged to contact us as soon as they believe they will have difficulty in meeting their current arrangement.

Customers who do not have their debt under an arrangement should contact us as soon as possible to discuss what options may best suit their circumstances

#### **Filing of returns**

We accept that customers will have difficulty paying all their taxes in full and on time. However, it is important that they continue to file their returns on time. The information in those returns will allow us to have a more complete picture of a customer's financial position when considering the various options for relief, so may reduce the amount of information we would require to consider whether or not to agree to the request for relief, and the extent of that relief.

In addition, the information in those returns provides important information to the government – at the present time to be able to monitor the effects of COVID-19 on New Zealand's economy.

## TAX TIPS, TRAPS &amp; TROUBLES

## Tax changes worth noting

There have been several tax changes recently. Some of the important ones are listed here:

- Any asset you buy from 17 March 2020 until 17 March 2021 can be treated as an expense up to a total cost, excluding GST, of \$5000. For some small businesses, this could even mean buying a car and treating it as an expense. After 17 March 2021, this threshold for writing off assets as expenses is going to drop to \$1000 permanently. You should keep a record of these assets because if you sell them or take them privately their value will be added back as income.
- The owners of commercial buildings will be able to claim depreciation again at 2% DV. No such luck for residential. Air B&B, for this purpose, is deemed to be residential.
- At the moment, once your year-end tax works out to be more than \$2500, you have to pay provisional tax. This threshold is to be raised to \$5000 for the year ending 31 March 2021 or equivalent balance date.
- If you qualify for research and development tax credits, some law changes might benefit you.
- If you qualify for the right to a six months mortgage repayment holiday, remember the interest will still accumulate.
- The threshold for qualifying for the business finance guarantee scheme is a minimum turnover of \$250,000 and a maximum of \$500,000. Also, the maximum duration of the guarantee is three years. This is money your bank could lend you knowing the Government would repay up to 80 percent of the debt if you defaulted.



Support local businesses, and ditch the loyalty card.

### Find an excuse to spend again

Kick-starting the economy – what a cliché! Here are some thoughts about ways we can all help:

- Buy from small businesses whenever possible. Go out of your way to do this. Try to maintain the habit.
- Bring forward projects you have been thinking about.
- Look at your small-business suppliers and see if you can place an order earlier than you might otherwise have done.
- Put away your loyalty cards when you go to cafés and restaurants. They are going to be desperate for cash flow.
- In a nutshell, find an excuse to spend, if you can afford to do so.

## New telco rules for business, private use

**Inland Revenue has come up with some new rules on telecommunications.**

Telcos now offer all sorts of plans, including ones which include use of your television and your internet. It's now difficult to split out the cost of your telephone as a separate item.

The department has come up with the solution.

If you have "telecommunications tools and usage" mostly for business, you claim 75 percent of the cost. If the costs are mostly private, claim 25 percent of the cost.

Sometimes you might wish to reimburse an employee for use of their telephone, on a casual basis. You are allowed \$5 a week per employee for this with a maximum of \$265 in any year per employee. This is to cover situations where the employer needs to use the employee's telephone. An employer might wish to be able to get hold of the employee by ringing their cellphone, for example.

Inland Revenue has expanded these rules to encompass computers as well.

Compliance with the above is voluntary. If you can work out the actual cost you can use that. If you could show the usage was entirely for business, you could claim 100 percent of the cost.

The onus is on you to prove you're right. Good luck if you can do it!

## Wage subsidy is not part of sales

**If you've received a wage subsidy, don't treat it as being part of sales.**

It's not taxable income and not subject to GST. You are required to forward the money on to the employee and deduct PAYE when you pay it.

When you pay wages to your staff the subsidy portion will not be tax deductible. We will adjust for this.

Although the wages subsidy received for employees is not taxable, it becomes taxable income for the self employed and will need to be included in their tax returns.

Similarly, a shareholder-employee not receiving a PAYE salary needs to treat the subsidy as taxable income.

## BRIEFLY

### Buying real estate

Not all property is insurable, particularly in areas seen as at high risk of earthquake. When you buy a property, make sure you can get insurance before you proceed. One way you might be able to do this is to negotiate to take over the seller's insurance policy. Insurance companies are becoming choosy about their risks.

## Keep in touch with customers

In our last newsletter we warned you to prepare for a change of business environment. It's come on quicker than expected.

Now is the time to focus on keeping in touch with customers or past customers and networking.

Networking? Yes, with a bit of ingenuity you could organise this by means of internet meetings using Zoom and similar. Have an internet drink with your mates!

Do you always get the email address of your customers so you can send them offers?

Cafés and restaurants are going to be badly hurt by the shutdown. If they could be sending email information about new menus planned for after this shutdown, could this tempt more people to come in?

### New Staff Member

Katelyn Bishop has joined our team. She is studying part-time at WITT and juggling learning the ropes here.

Say Hi next time you drop in

## Offer guarantees with confidence

**If you are going to give a guarantee, make it worthwhile and real. No vague statements.**

A guarantee takes the risk away from the buyer so you carry it yourself. This will help you sell your product or service.

Guarantee with confidence. If you have painted a house, for example, you would expect the paint to be good for more than five years. Would it matter if your guarantee was for one year

or three years? There shouldn't be any harm in being generous.

A painting contractor offered "if anything goes wrong with the paint within the next two years, we will come back and fix it without charge".

In the post-Covid-19 environment, your guarantee might be the difference between getting a contract and missing it.

Just a reminder we now have a facebook page which we are trying to keep upto date:

Balanced Accounting  
Taranaki Ltd



OFFICE PHONE NUMBER: **06-927-3173**





## Do what you're good at

**If you know someone who is starting in business, you might wish to pass on this message.**

The starting point in any business is to exploit something you're good at. You need to have an edge over your competitors – something you can do better than most of them.

It's generally wise to steer clear of any industry you're not familiar with.

When planning for a business, don't pluck hopeful figures out of the air. If you're considering your prospective sales – and why wouldn't you – make sure you're looking at repeat business and have a reasonable basis to support your forecast income.

The business will not usually come to you, particularly after the initial honeymoon period. You have to go out and chase it.

Learn how this is done, quickly. There's a lot to learn.

**BOOST STAFF MORALE:** Think of your business from your staff viewpoint. They get regular instructions and the good ones go out of their way to do their best for your firm. But they're not often noticed. Surprise your staff by noticing when they do the right thing, tell them how pleased you are and thank them. See how it lifts their spirits and their willingness to keep doing well.

## Binding rulings for small businesses

**Inland Revenue has recognised the system of binding rulings doesn't work for small businesses because it's too expensive.**

It can be very useful putting the facts of a case to Inland Revenue and getting agreement on the tax situation, in advance.

Inland Revenue has introduced a new scheme for small businesses in which it will commit itself on issues relating to tax, duty or any levy for which Inland Revenue is responsible. You will also be pleased to know there's a fixed cost for this which is \$2000 including GST.

The department will tell the client how the tax law applies to the situation and what conditions apply.



### TAX CALENDAR

#### 7 May 2020

3rd instalment of 2020  
Provisional Tax  
(March balance date)  
GST for March 2020

#### 1 June 2020

Deadline for Fringe  
Benefits Tax returns

#### 30 June 2020

Last day to apply for  
annual FBT returns  
for those who qualify

#### 28 July 2020

3rd instalment 2020  
Provisional Tax  
(June balance date)

## A lesson in more listening, less talking

**A travel agency had given excellent service until one of the agents messed up badly.**

The customer, James, went elsewhere, but two or three years later reflected on how well he had previously been treated by the firm.

James and his wife decided they should give the firm another chance, but made it clear they did not want to deal with the person who had caused them to go elsewhere. So the owner and the clients went out for a cup of coffee.

Unfortunately, the owner talked non-stop for almost the entire time, leaving his former customers frustrated. They never returned.

You learn more by listening than you do by talking.