laydoddpartners
Chartered Accountants & Business Advisors

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2013 Year End Tax Express

Full Steam Ahead............................

We're looking forward to another tax year already!

Here's hoping that we see our economy drive forward, and that we may all share in the resulting prosperity.

2013 YEAR END CHECKLISTS
are available from our website at:
http://www.laydodd.co.nz/accounting-tax-facts/auckland-tax-services/
Please contact us if you would like us to post out your checklists

Year end tax planning strategies

1. **Consider pre-paying certain expenses**
   Some expenses can be pre-paid in March and claimed as a tax deduction in the year to 31 March 2013, regardless of their amount. These include stationery, postage and courier charges, vehicle registration and road user charges, rates, subscriptions for papers or journals.
   Other expenses have limits on the extent to which they can be claimed if pre-paid. These include rent, consumables, insurance premiums, professional or trade subscriptions, travel and accommodation, advertising, periodic charges and other services. The rules surrounding prepayments are quite complex, so if you are planning this type of expenditure, please contact us.

2. **Trading stock**
   Trading stock (excluding livestock) must be valued at the lower of cost or realisable value. General adjustments for obsolete stock are not acceptable to Inland Revenue. It's important therefore to perform a physical stock take at year end and actually dispose of any obsolete lines or alternatively write that stock down to its net realisable value. Clients with an annual turnover of less than $1.3m can value their closing stock at the opening stock value, but only where closing stock can be reliably estimated to be less than $10,000.

3. **Write off any bad debts**
   To claim a deduction for a bad debt you need to physically write the debt off in your debtors' ledger prior to the end of your financial year. There should also be evidence that you have taken reasonable steps to recover the debt prior to writing it off.

4. **Employee expenses**
   Any amounts owing to employees at year end (such as holiday pay, bonuses, long service leave, redundancy payments) can be claimed for tax purposes in the current year as long as they are paid within 63 days of balance date.

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5. **Review last year's fixed asset register**
   The book value of assets can be written off for tax purposes if the asset is no longer in use by the business, the business has no intention of using that asset in the future and the cost of disposing that asset is expected to be greater than the proceeds from its sale. Actually, it's simpler than that. Scan your asset schedule from last year's accounts and you'll probably notice assets that no longer exist (for example, the mobile phone that you dropped in the tide at Christmas time), or simply don't work.

6. **Income**
   Be sure to review any credit notes issued to customers following balance date that can be applied to the previous year, i.e. 31 March 2013. In doing so, you will be entitled to effectively reduce your current year's taxable income.

7. **Imputation credits**
   We have just done a complete review of our clients' imputation credits as the rules have now changed effective 1 April 2013.

Minimising Shareholder Employee ACC Levies

Changes were made in 2010 enabling shareholder employees to be classified under their individual occupation rather than the business activity of their employer company. This change can make quite a difference to the levies you pay. For example, the levy rate for an office manager is much lower than that of a factory supervisor.

We have recently had two practical examples of clients paying far in excess of the correct ACC levies. In one case a saving of over $1,000 was made by our intervention on the client's behalf. You will appreciate that we do not see your ACC invoices or work classification as it is sent direct to you. We therefore ask that if you are in any doubt about your ACC invoices that you contact us. We provide an ongoing ACC administration and advisory service to our clients on an agreed annual fee basis. Let us review your cover structure and premiums, to ensure your cover is appropriate and levies are minimised.

IMPORTANT CHANGES TO NOTE.........

There have been changes to minimum wage, student loans, Kiwisaver contributions, tax codes and tax credits.

Please make sure your payroll software is up-to-date with the changes, or ensure you are using the latest PAYE tables from IRD when calculating salary/wage payments from 1 April 2013.

Minimum wage:
The minimum wage will increase from $13.50 to $13.75 per hour. Training and new entrants' minimum wages will increase from $10.80 to $11.00 per hour.

Student loans and allowances:
The repayment rate for student loan deductions increases from 10 to 12 cents per dollar earned over the current threshold of $19,084 per annum. In addition, the voluntary repayment bonus is removed for extra repayments made after 1 April 2013 on loan obligations for the 2014 tax year onwards.

KiwiSaver:
The minimum contribution rate for employers and employees will rise to 3% from 1 April 2013. Note employer contributions for employees under the age of 18 are not compulsory.

Primary and Secondary School Children:
From 1 April 2013, PAYE must be deducted from payments of salary/wages or schedular payments to school children.

Childcare and under $9,880 rebates:
As part of the changes in the 2012 budget the childcare and housekeeper tax credit and the tax credit for income under $9,880 are no longer available.