



## June 2012 Newsletter

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**Getting more organised** – We're talking about ourselves here.

**Kiwisaver Kaos** – Are you running up a tax bill without knowing?

**Tax Returns** – Should you use a tax refund service?

**Earthquake grants/help for small businesses.**

### Coming Up

**4 September: Financial Governance Workshop**—1-3pm.

Register through Community Law Centre 0508 CANLAW, [susan@canlaw.org.nz](mailto:susan@canlaw.org.nz)

Details on Facebook.

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Harald: [harald@commaccounting.co.nz](mailto:harald@commaccounting.co.nz); Rhys: [rhys@commaccounting.co.nz](mailto:rhys@commaccounting.co.nz).

## Getting more organised (us, that is)

We now have a basic web site and our emails have also changed, although the old gmail ones will continue to work. We want to develop the web site as an information hub for non-profit accounting matters and over time we hope to publish simple 'How To' guides for specific issues such as working out depreciation, accounting for Petty Cash, end-of-year adjustments or accounting for fixed assets. We will also upload our spreadsheet templates here. These are becoming quite popular and are being used by about a dozen organisations so far.

New organisations are signing up with us each week, and it is absolutely great to meet so many new people involved with community work. So far we're staying on top of it, but we are expecting a bit of a bottleneck next months as we will be helping some of the slightly larger organisations to prepare their annual financial statements as well as many smaller ones who have already booked their annual audits with us, but it is all well in hand.

There are a couple of funding applications on the way for us as well, but it is too early to say how well funders will support this initiative (Lottery, for one, has declined us). Most of the organisations we work with do not employ any staff and while they have small turnovers they account for a lot of working hours for the benefit of communities. I believe it is important that these organisations especially have access to free accounting services. - Harald

## Kiwisaver Kaos

We have come across a number of organisations that have simply ignored the changes to Kiwisaver and are filling in their PAYE returns as before. The forms have not changed at all, which suggested to employers that everything is still the same.

To recap: the employer's contribution of Kiwisaver now must be taxed. Before 1 April 2012 taxation only applied to employer contributions of 3% or above, but since that date all contributions to all superannuation schemes have to have tax deducted. Confusingly, one of the two forms required in your PAYE return (the IR 345 – Employer Deductions) has a field for the ESCT tax, but the other (IR 348 – Employer Monthly Schedule) does not.

The graphic below explains what to put into the various Kiwisaver fields on both forms. Note that the Kiwisaver employer contribution fields (Box 7 on both forms) ask for the **net** amount, **after** tax has been deducted. This is the amount that IRD pays directly into your staff's Kiwisaver account.

The image shows a portion of the IR345 form with several fields and callouts:

- Box 3:** PAYE (incl. tax on scheduled payments)
- Box 4:** Child support deductions
- Box 5:** Student loan deductions
- Box 6:** Kiwisaver deductions
- Box 7:** Kiwisaver employer contributions
- Box 8:** ESCT deductions
- Box 9:** Add Boxes 3, 4, 5, 6, 7 and 8. This is the amount you need to pay

Callout boxes provide the following explanations:

- Box 6:** is the Kiwisaver contribution that is deducted from your employee's pay.
- Box 7:** is the NET (after tax) contribution that the employer makes on top of the employee's pay.
- Box 8:** is the tax on the employer's Kiwisaver contribution (ESCT). If you've put something in box 7 but not 8 you've made a mistake! It is now compulsory to deduct tax from any Kiwisaver employer contribution.

If you put an amount in Box 7 you *must* put a tax amount in Box 8. The tax is *additional* to the amount in Box 7, and therefore if you leave this field empty you are underpaying tax. IRD is likely to estimate this at the non-declaration rate, 33%, and may even charge late payment penalties and interest.

As this is a new change, the error seems to be quite widespread and the amounts are quite small we do not know yet how IRD will handle this. Any grace periods are likely to disappear over time, however, and especially when the Kiwisaver employer contribution rises next year.



- The employee uses the wrong tax code(s), especially if they have more than one job.
- Employers calculate PAYE wrongly, especially if there are bonus payments, holiday pay, overtime or other payments in addition to an employee's 'normal' rate.
- An employee's pay fluctuated widely during the year.

Salary and wage earners generally do not have to file a tax return, but that doesn't mean they can't. If you do it online, you can't lose: IRD lets you calculate whether you are owed a refund or if you have tax to pay before you send the return, and quite openly advises not to send the return if you owe money.

In fact, you can call IRD to make an appointment to get help with your tax return – for free. Give it a try – they're not as scary as people think....

## **Accounting and other help for small businesses affected by earthquake**

Recover Canterbury is a collaboration between various business, national and local government agencies to help small businesses (less than 10 employees) with the effects of the earthquake. There is some direct financial support available as well as mentoring and other services.

For businesses needing accounting or other professional help there is a \$750 grant available to pay for this. The assistance is not available to non-profits.

If you have any clients with small businesses who would benefit from this let us know. All applications have to go through Recover Canterbury, [www.recovercanterbury.co.nz](http://www.recovercanterbury.co.nz), ph 0800 50 50 96, who will assess the business's other needs as well.