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Newsletter

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No public interest in public accountability?

One of the mysteries surrounding the proposed new financial reporting standards for not-for-profits (NFP) is where the impetus came from. Charities services say this is about better public accountability of not-for-profits, but the public is remarkably silent about wanting small not-for-profits to be more accountable. Where NFP accountability was discussed in public the issue was always about how much of the public's donation dollars go to the purpose they were donated for – an issue almost exclusive to the larger charities only, such as the Red Cross or CureKids, not the small entities being targeted at the moment. Ironically, it is the small entities who will be asked to provide a service report in future, but not the large ones.

One of my concerns is that it will be NFPs operating in the more socially disadvantaged areas of town that are least likely to have the in-house skills to comply with these standards. While the accountants who designed them tout them as 'simplified' standards, many of our clients don't find them simple at all. People will no longer be able to just have a shot at providing a financial report in the way they understand them, and they will have to buy the expertise from accountants. For very small groups, or groups that are dormant for a while, these compliance costs may make them unsustainable, and for new groups they may present a big barrier to establishment in the first place. Very small groups often have very large impact in the communities they operate in – communities that may be short of accountants, lawyers or other professionals who do find such bureaucracy simple. I am not convinced that ‘accountability’ in this environment is furthered by requiring more and bigger reports and accounting accuracy. It is more important that those who NFPs are directly accountable to understand the information presented to them.

Harald

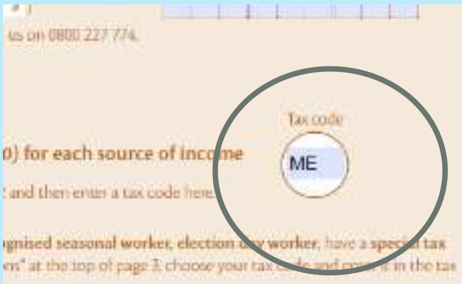
Workload Update

As expected we’ve now cleared the backlog that had accumulated largely over the months of July and August, and everything is being dealt with in a reasonable timeframe. If you’ve been waiting for a job to be completed, and haven’t heard from us, let us know.

We welcomed some new organisations to our service again as well, and there especially seems to be growing awareness of our service in the smaller north Canterbury towns.

Tax Code ME

As a good employer you probably want to make your staff aware of the option of using tax code ME (or ME SL) instead of M (or M SL). Unlike the ‘M’ codes, ‘ME’ takes into account an obscure tax credit called the Independent Earner Tax Credit, which is a flat amount of $10 per week for everyone in regular work who earns between $24,000 and $48,000 before tax per year ($462 - $923 per week), abating after $44,000 by 13%. If in doubt, use it – the tax tables and the IRD tax calculator do not apply the tax credits if earnings are not within that range.



Many staff do not use the flow chart that comes with the tax code declaration form and just put ‘M’ because that has always been the most advantageous tax code. This has not been the case for a few years now.

Another change to tax codes that happened at around the same time has also not very well known. The uniform ‘S’ tax code was joined by several new ones (such as SB or SH) which take into account an employee’s total annual earnings from all jobs. It pays to use the flow chart.

Unfortunately the tax system is structured in a way that earners of low to medium incomes tend to be overtaxed at the source. Both, increase or decreases in hours, even if only temporary, are likely to lead to over-taxation, and for casual work with fluctuating hours week by week this can be almost guaranteed.

Because the likelihood of under-taxation is very small we recommend to all employees to request Personal Tax Summaries from IRD. This can be done at any time of the year, and also for previous years. Employees using IRD’s personal online facility are also able to check whether they are owed a refund and, if it turns out to be a tax bill, do not have to send it off.

Fruit and Vege Co-ops

Fruit and Vege co-ops are popular, as they are easy to set up and everybody wins: the consumers through lower food prices, the suppliers through having a reliable market, and the people running it as money tends to be left over that can be applied to other purposes.

Usually, members of the co-op pay a fixed weekly amount for which they get a certain amount of varying produce. This is a commercial activity and as a stand-alone initiative would not get registered with Charities

Services. Sometimes community organisations help set them up, and then take a hands-off approach to them. There are two things to take note of.

First, the same issues arise as for all umbrella arrangements, most notably that the parent organisation may be liable if anything goes wrong – and there are some pretty big things that can go wrong if food is involved (Umbrellas were covered in our July newsletter, see here).

Secondly, an auditor cannot ignore the co-op if it must be considered part of the organisation's activities, and that means all the paperwork that goes with it.

In your accounting system, the co-op's purchases should be set up as a 'Cost of Sales' account ('Direct Expenses' in Xero). This makes sure the account is listed separately and not as part of your overall expenses.