

Tool helps track KiwiSaver

The Financial Markets Authority is expressing some concern about fees charged for KiwiSaver.

The authority has produced a tracker tool to help members compare and contrast fees and returns more easily. Just type "FMA KiwiSaver Tracker" into your search engine and you will get a wealth of information, provided yours is one of the many funds listed.

Quotes from the report include:

"The tracker shows that there is no clear link between higher fees and higher returns, apart from a couple of standout funds."

"The average investment management fee paid by members over the 2018 reporting year was \$117, almost 20% more than a year ago"

"This year we ran a campaign calling on KiwiSaver members to check their annual statements.

"All KiwiSaver members were due to receive their annual statement in May and, for the first time, all KiwiSaver providers were required to tell members exactly how much they have been paying in fees in dollars."

"We used influencers ... to encourage KiwiSaver members to check our new Health Checker page in the hope they would take a few simple steps which could make a big difference in the long-term.

"Throughout the coming year, we will be conducting further work on the unreasonable fees test, as defined in the KiwiSaver Act.

"We regard active choices as important as they are a good indication that the provider's financial literacy efforts have resulted in a member making a meaningful, informed choice in their own interest."

Five key features of KiwiSaver changes

The following changes to KiwiSaver are proposed to be effective from 1 April 2019.

- Additional KiwiSaver contribution rates of 6% and 10%
- Maximum contribution holiday to be reduced to one year
- Contributions holiday to be called "savings suspension"
- Over 65-year-olds to be allowed to opt in to KiwiSaver

The following change is proposed to be effective from 1 July 2019

- Removing the lock-in period, which currently affects members who join between the ages of 60 and 65. The lock -in period is to be removed because the kickstart \$1000 contribution has gone. Those who have already joined KiwiSaver over the age of 60, will remain locked in.

Scam warnings

Meanwhile, the Financial Markets Authority has listed a number of suspected scam schemes. If you wish to check the list, type into your search engine: FMA warnings and alerts.

Capital gains tax

A capital gains tax, before the end of this Government's term, is starting to look like a real possibility. The current indication from the Tax Working Group is for the entire profit from a capital gain, such as the sale of a farm, business, shares in a company, rental

property et cetera to be treated as income and added into your tax return. This would seem particularly harsh when compared with the Australian system which takes half of the profit and puts it in your tax return. Gains are likely to be measured from a date such as the

date when the law becomes operative. This would mean assets are going to need to be valued as at that date. You can take some comfort that this is only a preliminary report and it is likely there will be a number of changes before the proposed law is finalised.

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Make the most of internet banking

Are you using internet banking yet? Devices such as BNZ's Netguard are making it increasing more difficult for anyone to hack into an account.

There are several advantages of internet banking. They include:

- Save time writing cheques and posting them
- Save postage and stationery
- Save bank fees and your time writing up bankings by having customers pay directly into your account. Also fewer trips to the bank.
- Have tighter control over cash flow by knowing your on-going bank balance and payment commitments.

- You will often be paid more quickly.

To make the most of internet banking:

- Put your bank account details on your invoice with a note inviting your customer to pay directly into your account.
- Set up your payments as the bills come in. You can put in any payment date you choose.
- Set up your tax payments in advance so you don't forget them.
- Some expenses are partly business and partly private. Use Internet banking and make two payments, one from your business account and the other from your personal account, to avoid having to split up those costs later.

TAX TIPS, TRAPS & TROUBLES

Modernising individual's income tax

Inland Revenue is proposing to get more involved with taxing individuals in the following ways:

- Helping them to use the most appropriate tax rates and codes
- Tailored tax codes to improve the way secondary and irregular income is taxed
- Year-end tax obligations for individuals will be simplified
- Tax refunds will become automatic
- The administration of donation tax credits will be improved
- All your income like interest, dividends and salaries will automatically appear in your tax return.

Binding rulings for small businesses

The current Tax Bill proposes to make it easier for small businesses to get binding rulings.

Smallness is measured by gross income below \$5 million and a question involving tax of less than \$1 million.

The advantage of a binding ruling is that it gives certainty as to how Inland Revenue is going to respond to your tax decision.

There are often situations where there is some doubt about the correct tax approach.

Inland Revenue will be charging an application fee and a rate per hour for their service.

If you have an uncertain tax situation involving a reasonable sum of money, a binding ruling could be just what you need.

Are you making good use of your business cards?

Take every opportunity to hand out your business cards. An excellent time to do this is when you present your bill. If you don't hand out a card, how is the customer going to remember who you are next time they want your service? Turning your card into a fridge magnet could also be useful.

There are occasions when it is better to hand out a number of cards rather than just one. If someone has commented on how much they like your service, why not give them several cards to pass on their friends. Don't hesitate to ask them to do this.

Noise remediation

The law is to be amended, effective for the 2019 tax year and subsequent years, to make noise remediation expenditure tax-deductible on the same basis as other pollution remediation expenditure.

Be systematic when setting up a business

You need a systematic approach if you are setting up a new business.

Jack had been made redundant and decided to have a go by himself but wasn't sure where to start.

We suggest this sequence:

1. Make a list of all the products or services you could sell and then prioritise them. There's not much point in starting to look for customers if you haven't a clear idea of what you want to sell.
2. You now need to work out who your potential customers are (your target markets). Are they builders, diners at a restaurant, people who need their computer fixed or what?
3. You will find you can group your potential customers. In the case of a person supplying the building industry, they might be builders, architects, developers and individuals altering or building their own homes.
4. Knowing who your potential customers are, you now need to work out how to make contact with them. Where would you find them? Is there a trade organisation they might belong to? Maybe some of them belong to a yacht club, golf club or the local chamber of commerce, which is a great resource for networking. Networking is about getting known and that's what you need. Prioritise the ways in which you would be making contact with them.
5. Finally, you need action plans. The four elements are:
 - What are you going to do?
 - How much are you going to do?
 - Who will have the responsibility for doing this?
 - By when will it be done?

We suggest you set the plan for a week and at the weekend you

do two things:

- Review the past week to see how well you did.
- Set your plan for the coming week

More tips:

- Get your partner or spouse involved, particularly with the weekly review and setting of next week's plan. This will help make you accountable.
- Put important work ahead of urgent work, which is not necessarily important. For example, it is going to be much more important to work on developing your sales than working out what your letterhead is going to look like. Leave the latter to be done outside normal working hours.
- It is no good waiting for sales to come to you. You must go out and get them. You might wish to go and see your most important potential customers face-to-face. This is the most expensive way of marketing, assuming you put a reasonable value on your time. If you ring for an appointment, don't ask them if you can come and see them because you could get a no answer. Say "when would it be convenient for me to come and see you"?
- One contact is never enough. Devise ways of keeping in touch, particularly with those people who look like being good for your business. One point of contact would be to send a follow-up email or letter thanking them for seeing you. A newsletter, however brief, is a great way to keep in touch. Make sure you put something of value in it for the reader. There is no reason why you shouldn't send very regular newsletters. One every two weeks would be fine.
- When you have ideas, write them down immediately.

BRIEFLY

Second tier patents

A Bill is before Parliament called the Patents (Advanced Patents) Amendment Bill. The object is to provide patent protection without the fear of being copied. It will be more accessible, quicker and cost-effective than obtaining a full patent.

Updating your will

Recently, the *Dominion Post* newspaper (9 June 2018) wrote an article about Gary Wendt, who had not updated his will. A row broke out between his closest friends and a former lover. Circumstances change. Whenever they do, you need to consider whether you should be updating your will. If you remarry, your previous will becomes automatically revoked.

Non-profit business

Some charities also run businesses. It is now proposed that where such a business buys a piece of equipment or property and claims GST, it must pay Output Tax when it later comes to sell it. Any purchases before 15 May 2018 will not be affected by the new rules.

Crypto wages

No decision has yet been made as to the correct tax treatment of wages paid in crypto-currency. Inland Revenue is calling for comments but has said it favours applying PAYE.

Card fees

Fees charged to customers for using credit and debit cards take on the character of the goods or services being supplied. You should not break these out and treat them as financial transactions, when preparing your GST return.

Train your email filter to block unwanted messages

Everyone gets spam these days. It's the stuff you really don't want that sneaks into your email inbox or is filtered to another folder.

Here's a useful tip to reduce the number of spam emails you receive.

Train your filter. You'll most likely have a 'Junk' or 'Spam' email folder. This is where your email client puts filtered messages it thinks are spam.

However, a message from someone you've never corresponded with before will also most likely end up there, because the filters think it's spam. So you need to check this folder regularly.

While you're there, train the filters by letting them know when they worked or made a mistake. This helps to improve their performance.

For example, when you open a Gmail message, you'll see a 'Report Spam' button (it looks like an exclamation mark) at the top of the page. Click this when you see a message that managed



to sneak past Google's spam filters.

But if you find an email you want, open it and click the 'Not Spam' button.

In Outlook, mark a message as spam by right-clicking it in your inbox and choosing Junk, then Block Sender, from the menu that pops up. When you're browsing the Junk Email folder, restore a flagged message to your inbox by right-clicking it and choosing Junk, then Not Junk.

If you want to set your own level of spam filter aggression, visit the Home tab of the ribbon menu, click Junk, and select Junk Email Options.

Most email clients include options such as these. Look at the settings or review the buttons that appear on the page.



TAX CALENDAR

November 28

First instalment of 2019 Provisional Tax (June balance date)

January 15

Second instalment of 2019 Provisional Tax (March balance date except for those who pay Provisional Tax twice a year) Pay GST for period ended 30 November 2018

April 8

Terminal tax for 2018 (March, April, May and June balance dates) For all clients except those who have lost their extension of time privilege

Tax on crypto-currencies

Inland Revenue is giving a lot of thought to taxation issues, which affect crypto-currencies.

They see these as property and not currency. Therefore, capital gains and losses from fluctuations in value would not apply.

However, if the currency is bought for the purpose of disposal, the profits made from selling it would be taxable.

What if you made a loss, would you be able to claim this? You would need to be able to prove you really did buy the currency for the purpose of selling it at a profit. A series of short-term transactions would suggest this, particularly if you had already declared profits to the tax department.

More on scammers

Beware scammers posing as Inland Revenue. Often the sender's email address looks as though it has originated at the IRD. The department is not going to provide you with a link to click on. If you see this in an "IRD email" it is a very sure sign you are looking at a scam. Don't click on it.

How much should you be charging per hour?

The Ministry of Business, Innovation and Employment has created a calculator which helps work out how much you should charge per hour to achieve your desired income.

Go to www.business.govt.nz and type charge-out-rate-calculator.

The best way to identify your overheads is by referring to your last set of financial statements.

Don't underestimate your non-chargeable time. If you were to keep a diary of what you do every day and how long you take, you would soon discover how much time is not being charged.

The calculator could be better as it works in whole number of hours per day, only.