footprint
an occasional newsletter
footes limited chartered accountants 30 church street timaru new zealand
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Paying your tax on time –

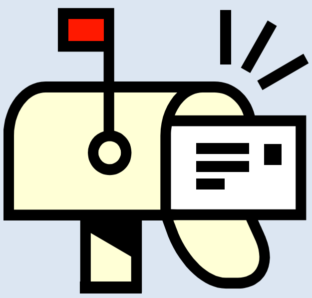
Be aware of changes to IR practice!

People paying tax by cheque will need to be extra vigilant to avoid running foul of new rules introduced by Inland Revenue. Inland Revenue's current practice is to accept payment as being made on time if a cheque is mailed and postmarked on the due date.

Where a due date falls on a weekend or public holiday, an extension is given until the next working day. Provincial anniversary days (such as South Canterbury Anniversary Day) are currently treated as public holidays.

Inland Revenue is changing its practice to the cheque payments being required to be received by the due date. Provincial holidays will no longer be treated as public holidays, under new Inland Revenue rules.

From 1 October 2014 customers will no longer be able to make cheque payments or drop off returns or forms at a Westpac branch. They will be able to continue making cash and eftpos payments at Westpac. Customers can post cheque payments, returns and forms directly to the IRD so these services at Westpac are being removed. Customers can continue to make payments using online banking, credit and debit cards and international money transfers.



Recent changes to New Zealand Post delivery times means payment will need to be posted well in advance of the due date to have any certainty of arriving at Inland Revenue "on time". Inland Revenue has indicated it will try to not present post-dated cheques until the due date. However, it will also not be responsible for any dishonour costs if cheques are presented early and funds are not available.

Anyone who pays by cheque will need to be careful they have sufficient funds available at the time they post the cheque.

"Penalties will be charged the day after the due date. Failing to meet the deadlines will come at a cost." The only way to make payment by cheque on the due date will be to physically deliver it to an Inland Revenue office, which are not located in smaller towns.

Changes regarding payments by post will apply from 1 October 2014.

MINIMUM WAGE INCREASED

The new minimum wage rates came into effect on 1 April 2014. The adult minimum wage has risen from $13.75 to $14.25 an hour.

The Starting Out and training minimum wage increased from $11.00 an hour to $11.40 an hour, which is 80 percent of the adult minimum wage.

GST – Timing errors do matter

In mid-May Inland Revenue updated its annual statistics for the year ended June 2013. The revenue statistics show that, once again, GST leads the way in terms of percentage increase in revenue collection for the department.

The IRD are focusing on five key areas where GST is being treated incorrectly, one of which is accounting for GST later than required. This issue is relevant when businesses proactively identify and correct GST errors in relation to underpayments of GST.

There is a common misconception that where such errors are identified, they can be corrected in the next GST return rather than requesting a re-assessment of the original GST period in question. However, future corrections can only be made where they are classed as 'minor', ie total discrepancy that is caused by the error is $500 or less. In practical terms, this means that most errors identified should be corrected by a voluntary disclosure.

There have been a number of cases where businesses have made corrections of underpaid output tax or over-claimed input tax in the next GST return they file. Whilst the correct amount of GST has ultimately been accounted for, the proper process was not followed. The IRD expect a voluntary disclosure to be submitted and they are becoming increasingly focused on timing differences. Where businesses take the approach of making corrections in future GST returns, they run the risk of shortfall penalties which can usually be avoided completely if a voluntary disclosure is made.

The key messages here are firstly that the IRD does care about timing errors, especially for GST, and that while businesses may see correcting the most recent GST return as sufficient this is unlikely to satisfy Inland Revenue.

Parental Leave Payments to increase in July 2014

Families with new born babies can expect an increase in parental leave payments from 1 July this year.

The maximum amount of parental leave payment for eligible employees will increase from $488.17 to $504.10 a week. The minimum amount of parental leave payment for self-employed persons will also increase, from $137.50 to $142.50 a week.

Under the Parental Leave and Employment Protection Act 1987, parents eligible for the scheme are entitled to up to 14 weeks paid leave at a rate calculated on the basis of their average weekly earnings.

Please also note that the following changes to parental leave were announced in Budget 2014:

- ✓ Paid parental leave will be extended from 14 weeks to 16 weeks from 1 April 2015, and then to 18 weeks on 1 April 2016.
- ✓ The Parental Tax Credit will be increased from a maximum of $150 per week for 8 weeks to a maximum of $220 per week for 10 weeks from 1 April 2015.
- ✓ The eligibility for paid parental leave will also be extended from 1 April 2016 to people in less regular jobs and workers with more than one employer and to "Home for Life" caregivers and people with similar permanent care arrangements

Disclaimer

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.

footes limited chartered accountants
30 Church Street, Timaru.
Ph: (03) 687 2036
Fax (03) 684 8032
Email: admin@footes.co.nz
Web: www.footes.co.nz