

Spring • 2023



**LYNCH & PARTNERS**  
CHARTERED ACCOUNTANTS

OUR NEWSLETTER FOR GROWING BUSINESSES

# THE Client Link

## Four tech tools to digitize your farm



Apps and digital tools aren't just for desk workers. There are plenty out there to help streamline your farming processes, saving you time and money.

### **Xero**

When you're out and about on the farm, it's helpful to manage accounts on the move. [Xero](#) enables you to invoice and reconcile accounts on your phone and keep track of key financial information in a simple format.

### **PaySauce**

Simplify business calculations and let employees file their timesheets digitally. [PaySauce](#) also helps with record keeping and automates staff payments.

### **Minda**

[Minda](#) allows you to record and view events anywhere, whether you're connected to the internet or not. Farmers can keep tabs on livestock anytime, anywhere.

### **Figured**

[Figured](#) can help farmers navigate crucial tasks such as forecasting, financial management, wage budgeting, repairs, and maintenance.

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### What's the difference between employees and contractors?

Does your business use both employees and contractors? It's important to distinguish between them as they are paid and taxed differently.

Despite what you may call the individual concerned, that description is not definitive. If the status of the worker is questioned in the Employment Court or Employment Relations Authority, for example, the Employment Relations Act 2000 requires a consideration of the 'real nature of the relationship'. Common law tests assist in determining what that is. They include:

- the control test, ie how much control the hirer has over the worker
- the integration (or organisation) test, ie whether the worker is independent or instead an integral part of the business organisation of the person who engaged them
- the economic reality (or fundamental) test, ie is the worker performing services as a person in business on their own account?

These tests, which can involve many considerations, and the law that has developed in the employment jurisdiction, also assist Inland Revenue when it's investigating the status of a worker.

#### Key payment differences

When paying employees, businesses should deduct PAYE, ACC, Student Loan Repayments, Child Support, and KiwiSaver/Superannuation.

Inland Revenue takes a tough stance on employers who ignore their PAYE obligations by treating employees as contractors. Companies that breach the rules can be prosecuted and fined.

#### The bottom line:

As an employer, you need to keep good records and be clear on your obligations concerning the taxation of your workers' earnings.

### Working out use of employee's telecom tools

How do you work out how much to pay an employee for their use of their home phone and internet plan?

Bear in mind you are not supposed to reimburse for costs the employee would incur anyway. To make it easier for everyone, Inland Revenue has come up with what it calls "De Minimis Options":

*Employee works from home but does not use their own telecommunications tools and/or plans:*

You can reimburse up to \$20 per week.

*Employee works from home and uses their own telecommunications tools and/or plans:*

**Option 1:** Up to \$27 per week irrespective of level of business use or,

**Option 2:** Up to \$20 per week plus either up to 75% (principally business use) or up to 25% (principally private use) of the total usage plan and depreciation using the same applicable percentage.

*Employee does not work from home, but uses their own telecommunications tools and/or plans:*

**Option 1:** Up to \$7 per week irrespective of business use.

**Option 2:** either a maximum of 75% (principally business use) or 25% (principally private use) of the total usage plan and depreciation using the same applicable percentage. If your client uses prepay, Inland Revenue will accept a reasonable estimate of the likely expenditure.

### Uber court case

Last October, four New Zealand Uber drivers won a landmark case against the ridesharing app, which recognised them as employees, not contractors.

The decision enables these workers to claim rights and protections as Uber employees.

The ruling has broader implications for Kiwi businesses and how staff are categorised.

Employment status entitles workers to minimum employment rights under New Zealand law, including the minimum wage, leave entitlements, and access to union membership and collective bargaining.

While the ruling was only made for the four drivers, legal experts believe the case could lead to more action against businesses over employment status. Uber has been granted the right to appeal the Employment Court decision.



### Backdated payments from ACC

From 1 April 2024 a fairer system of taxing back-dated lump sum payments is to be introduced. The amount will be taxed using the recipient's average tax rate for the four years prior to the year they receive the money.

### Interest deduction on rental property

For those who owned property before 27 March 2021, the interest deduction for the year ended 31 March 2023 is reduced to 75 percent. If the law is not changed, next year it is going to be 50 percent. Generally, if you have bought your residential rental property more recently, you can no longer claim a deduction for any interest.

### Suppliers as important as customers

Good builders know the value of having a reliable team of subcontractors, who they'll often use year after year. Top-quality suppliers are important to your business and perhaps you should show them as much, if not more, affection than you do for your best customers. Some firms send Christmas gifts to their best customers. Should they also send them to their best suppliers?

### Payment to childcare centres

Provided a childcare centre is a donee organisation, a payment is five dollars or more and the parent makes the payment voluntarily and does not get any significant benefit in return for the payment, it is a donation for tax purposes and qualifies for the donations rebate.



## Company Power of Attorney

Accountants often encourage their clients to nominate a power of attorney for their personal affairs. However, it is less commonplace, but just as important, for company directors to have a company power of attorney.

In the same way an individual power of attorney authorises a person to take care of your personal and financial matters, a company power of authority authorises a person to act on behalf of a company, with the authority to sign company documents. This ability allows a company to keep running, even when a company director is unavailable due to absence, incapacity or illness. This is especially important for sole traders or companies with only two or three directors.

It is necessary to distinguish, a person may have been given personal power of attorney, however this does not extend to their company. So an individual with personal power of attorney cannot act on their behalf and sign documents as a director of the company.

### Scope of power

When granting a company power of attorney, you need to consider the scope of the power: when the power applies, for what decisions and in which situations.

Three examples in considering the scope of the power are:

- Limited power, for routine transactions**  
A person could be granted a limited power of attorney for routine transactions only.
- For specific purposes**  
A company may grant power of attorney to execute and complete documents pertaining to a specific transaction. This strategy allows flexibility for a director who may be overseas during a complex transaction.
- General powers**  
A company power of attorney may be useful in case of unexpected contingencies, for instance if a director passes away, or loses capacity due to illness or accident. This allows businesses to continue operating in stressful situations, until a succession plan can be implemented.

It is important to remember that a director will remain liable for an attorney's actions, and the decisions and acts of that person will be binding on your company. For that reason, it is essential to pick someone trustworthy and responsible, who will act in the company's best interests at all times.





### Claire Williams

It is with deep regret that we advise all clients of the recent passing of Claire Williams a few weeks ago. Claire worked for Lynch & Partners for more than 20 years and would have had contact with many of you as clients during that time.

Claire was a very valued member of our staff and contributed greatly to the care of client affairs. Claire was also famous amongst the staff here for her cooking and baking skills. Rest in peace, Claire.



### Beth Hallett

Recently Beth Hallett has completed the last of her CAANZ papers and exams to become a Chartered Accountant. We would like to congratulate Beth on all her dedication and hard work that she has put in to achieve some fantastic results in all of her papers. Beth was also recognised late last year by the Institute of Chartered Accountants on achieving a Certificate of Merit in Tax (NZ) portion of the CA Program. Certificates of Merit are awarded to candidates who finish in the top 5% of each subject, so this is an excellent achievement. Beth is continuing to work through her practical experience requirements for the CAANZ program and we look forward to celebrating the completion of your CA program.

## Make Sure You are Really Ready to Retire



This is a conversation between a recently retired gentleman and one of his friends:

"Hi Joe, How is retirement? Are you enjoying yourself?"

"I'm playing some bowls but I wish I was still in business. I miss all the people."

If you are contemplating retirement, plan what you're going to do next. Some people are fortunate enough to have a business as a way of life they enjoy. If you are one of them, don't throw this away until you're sure you have something to replace it with. Scaling down your business might be a better option. The extra income might also be useful, particularly in times of inflation.

## TAX CALENDAR – SPRING 2023

Date	Category	Description
28 August	Provisional Tax	First instalment of 2024 Provisional Tax for taxpayers with 31 March balance date, who pay provisional tax three times per year.
28 September	Provisional Tax	Second instalment of 2024 Provisional Tax (December balance dates)
28 October	Provisional Tax	First instalment of 2024 Provisional Tax for farmers with 31 May balance dates
28 November	Provisional Tax	First instalment of 2024 Provisional Tax for those with June balance dates