

KNOW HOW

Shifting with the times: adapting to the changing legal landscape

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JUNE 2015 ISSUE



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Welcome to the June edition of BDO Know How. There have been lots of changes to the compliance requirements this financial year and we want to make sure you have all the updated information. We also cover the Inland Revenue's intention to simplify the tax administration and their introduction of eDocuments.

If you have any feedback please email editor@bdo.co.nz



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Yours sincerely,

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SHIFTING WITH THE TIMES: ADAPTING TO THE CHANGING LEGAL LANDSCAPE

With the 1st of April now behind us, it is important to make note of the significant changes that have taken place since this new financial year began.

1. The minimum wage rate rose from \$14.25 to \$14.75 an hour. This increase might require you to update your budget forecasts and ensure your payroll system is up to date.
2. The average levy paid by employers and those self-employed fell from 95c to 90c on every \$100 earned. In respect of motor vehicle owners, the Ministry of Business, Innovation & Employment has announced that from the 1st of July, there will be a decrease in the ACC levy paid through licensing and vehicle registration of 41% and a 3c per litre reduction of the petrol levy.
3. For those who would not otherwise work on Saturday or Sunday, Mondayised Anzac and Waitangi Day holidays that fall on a weekend must now be treated as falling on the following Monday. If an employee normally works on a Saturday the employer either has to give them the day off, or pay them the normal rate for working on a public holiday. If on the Monday the employer is closed, they can ask the employee to take a days annual leave as long as they give the employee the required 14 days notice in advance.
4. Due to changes made to the Companies Amendment Act, any new registrants from 1 May 2015 and any company on the Register of Companies from 29 October 2015, will be required to have a director who lives in New Zealand, or alternatively lives in Australia and is also a director of an Australian incorporated company. You now need to supply Directors' dates and places of birth to file an Annual Return.
5. Tea and lunch break laws have grown more negotiable for both employer and employee and from the 6th of March there are no specific rules for how long, or when, a break should be taken.
6. Paid parental leave has increased from 14 to 16 weeks for babies born on or after 1 April 2015 and will rise again to 18 weeks on 1 April 2016. This also applies to those employees who've recently changed jobs, or are employed in casual and/or seasonal work.

► For further advice on the changes addressed above, please contact your local BDO office.

REMINDERS FOR EMPLOYERS

The 2015 Summary of Earnings were issued in May, while Personal Tax Summaries will be issued in June. Make sure all your Employer monthly schedule (IR348) and Employer deductions (IR345) forms have been filed for the year ended 31 March 2015. This will ensure you receive the correct ACC invoices and your employees receive the correct summaries of earnings.

If you hire contractors and deduct schedular payments, their tax code should be recorded as WT. Include the gross schedular payment details in the "Gross earnings and/or schedular payments" and "Earnings and/or schedular payments not liable for ACC earners' levy" columns in your IR348 each month. This will ensure you don't get charged ACC earners' levy on the schedular payments made.

If you agree to cash-in an employee's annual leave, the payment they receive is considered a "lump sum", for which PAYE is worked out as a flat rate. This flat rate of PAYE changes depending on the employee's grossed-up annual income.

► For further advice on the changes addressed above, please contact your local BDO office.



eDOCUMENTS ARE HERE

Inland Revenue have recently begun replacing paper statements, notices and letters with eDocuments, made available via your myIR Secure Online Services account.

eDocuments means:

- ▶ All your Inland Revenue documents are in one place
- ▶ You can view, print or save
- ▶ Accessible anywhere, anytime with internet access
- ▶ No more paper in the mail

All you need to utilise this service is an activated myIR account, and have a current email and postal address saved in myIR. An email will be sent when a new eDocument is available in your myIR account.

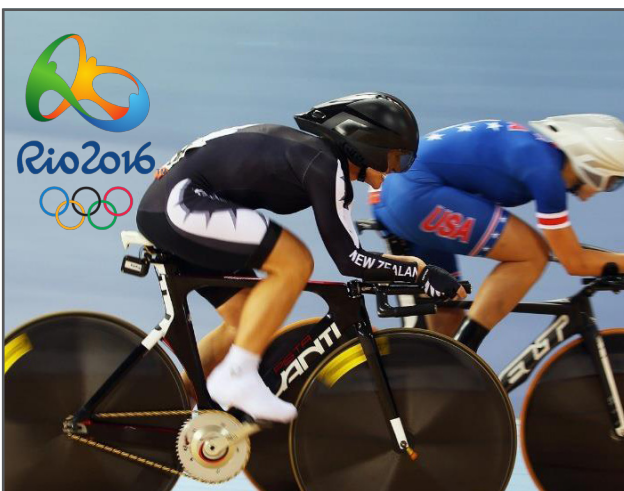
To register for myIR today, visit the IRD website (www.ird.govt.nz).

MAKING TAX SIMPLER

The Government has recently set up a consultation to hear views on how the tax administration system can be simplified and modernised. Interactions with Inland Revenue cost the tax payer time and money, so it benefits everyone if the system is as efficient and simple as possible.

Making Tax Simpler (www.makingtaxsimpler.ird.govt.nz) will be used over the next few years to present Inland Revenue's proposals for how it could change, and invites you to make your own views heard and read the comments that others have made.

The consultation process on a particular proposal closes within an agreed timeframe, and once closed Ministers will consider the feedback submitted. Consultations have recently closed on "Better Digital Services", focusing on modernising the tax system by greater use of electronic and internet technology, and "Green Paper", which concentrates on simplifying PAYE and provisional tax, and pre-populating returns to lower compliance costs. All comments are still available for viewing after the consultation has closed, so visit the website and see what others are saying.



BACKING PARALYMPIAN FIONA SOUTHERN ON HER MEDAL QUEST FOR RIO 2016

BDO is proud to support Fiona Southern, London 2012 Paralympics bronze medallist. Fiona has been a strong ambassador to BDO and has ridden for BDO in the 4 day BDO Tour of Northland and 7 day BDO Wellington to Auckland Cycle Challenge.

Fiona has now qualified for the Duathlon World Championships in Adelaide in October and is in a strong position to qualify for the Paralympics in Rio de Janeiro in 2016. Please join BDO in backing Fiona to get there by donating to Fiona's givealittle page:

<https://givealittle.co.nz/cause/helpfionatorio>





GOOGLE PUSHES MOBILE-FRIENDLY SITES.

Does your website have a high amount of mobile phone traffic? If so, Google's new search algorithm could impact your business. On 21 April Google rolled out an algorithm update that began to de-rank sites that are not mobile-friendly. This means that if your website suffers from small text size, the need to zoom in to view content or the link spacing is so small that the wrong link is often selected, it is less likely to be shown in the search results as similar mobile-friendly websites.

Although this algorithm won't affect your website's search results on a desktop, it is a timely reminder of the importance of an up-to-date website. This change is likely to give SMEs an initial advantage over larger companies where flexibility of website development can be quickly implemented. To help check if your website is considered mobile-friendly, Google has a mobile-friendly test which you can enter your website address into and see how it fares at www.google.com/webmasters/tools/mobile-friendly/. If mobile search traffic is important to your business, start thinking about putting a plan into place to upgrade to a responsive website.



CHANGES TO BENEFIT ALLOWANCES

As at 1 April 2015, changes came into effect regarding the tax treatment of accommodation and meal allowances that you may provide for your employee(s). If you do provide allowances, the changes will make it easier to work out what your PAYE tax obligations are and how to comply with them.

If an employer provides either accommodation or accommodation payments, these may be tax exempt in the case of out-of-town secondments, capital projects or in connection with Canterbury earthquake reconstruction projects. You will need to prove the value of the accommodation, and there is a time limit on how long the allowances for some accommodation will be non-taxable. Additionally, if an employee is required to work in multiple locations on an ongoing basis or to stay overnight to attend a meeting, training course or conference, these will be tax exempt.

Meal payments linked to work-related travel will be exempt for stints of up to three months, at any new work location, including for long term secondments. Meal allowances and light refreshments outside of work-related travel will no longer be taxed for conferences and training courses.

Inland Revenue have provided an online decision tool to help work out if accommodation or meals provided to your employees are taxable.

www.ird.govt.nz/calculators/tool-name/tools-c/calculator-employee-accomm-meals.html

The calculator is very straightforward to use and helps provide a clear idea of how to comply with the changes to benefit allowances. You will need the details of the accommodation or meals provided to the employee in order to use the calculator, including the dates the employee is likely to be working away from their regular workplace.

► Please contact your local BDO adviser for more information on how these changes may impact your business.

To find out more about BDO, please
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