CLIENT UPDATE MARCH 2012

Pre-Balance Date Check Lists
31 March 2012 is almost here. That means the end of the 2012 tax year for probably 90% of New Zealand's tax payers. Clients were posted out pre-balance date check lists last week. Please take the time to read these and consider items that may be of relevance to your business.

Client Questionnaires
Again this year we will be posting client questionnaires out in early April. If you would rather receive an electronic version and fill it in on line, please call Grant Hodder at our office.

Employer Superannuation Contribution Tax (ESCT)
Currently employers contribute a minimum of 2% towards their employees KiwiSaver accounts. This 2% is currently exempt from ESCT.

From 1 April 2012 employer contributions to employee KiwiSaver accounts will be taxable. That is subject to what is called Employer Superannuation Contribution Tax (ESCT). This will not be a cost to the employer, apart from some extra administration, but rather a reduction to the amount of the employer's contribution that gets credited to the employees KiwiSaver account. The amount of ESCT payable depends upon the earnings of each employee.

Employee Earnings	ESCT Rate	Net Credit to Employee K/S a/c
$0 -16,800	10.5%	1.895%
$16,801-57,600	17.5%	1.825%
$57,601-84,000	30.0%	1.700%
$84,001 and above	33.0%	1.670%

So for pay periods on or after 1 April 2012 remember to start deducting ESCT from all employer KiwiSaver contributions.

The ESCT is payable with PAYE on the 20th of the month following deduction.

This ESCT presumably goes some way to covering the Government's Contribution of up to $521.43 per person per annum towards KiwiSaver. This contribution was reduced from $1,042.86 per annum per person from 1 July 2011.

The last KiwiSaver change is that from 1 April 2013 the employers minimum contribution towards employees KiwiSaver accounts will increase from 2% to 3%.

The Inland Revenue Website has a calculator available that will help you with this calculation. If you use payroll software you need to ensure you update this for the 2012 ACC and ESCT changes.

Motor Vehicles and GST
On or after 1 April 2011 business people who purchased a business motor vehicle which has a component of private usage, were required to calculate the private use when claiming the GST on the cost of the motor vehicle.

A vehicle log book was required to be maintained to verify the exact amount of business running and by consequence the actual private usage.

As at 31 March 2012 you will need to determine the actual business versus actual private running of the vehicle for the year. If the percentage change in private use is 10% or more or the monetary value of the adjustment is $1,000 or more you must adjust the March GST return for any GST under or overclaimed on the original purchase of the motor vehicle.

This adjustment is an annual event in each March GST return while the motor vehicle is owned.

V8 Motor Racing
The final year of the Hamilton 400 V8 motor racing will take place on 20, 21 and 22 April. Once again due to the loud noise and lack of access to our premises, we will again be closed on Friday 20 April.

Furthermore, vehicle access will be restricted from Wednesday 5:00 p.m. 18 April.

We apologise for any inconvenience this may cause.

ACC – CoverPlus Extra

CoverPlus Extra is available to all self-employed and non PAYE shareholder employees who work for more than 30 hours per week or whose earnings exceed the ACC CoverPlus Extra minimum which is currently $21,632. Essentially people can nominate the amount of ACC cover they wish to have between $21,632 and $111,669.

Shareholder Employee levies for CoverPlus and WorkPlace cover are based on the company's activities. With CoverPlus Extra ACC levy rates are based on your business and/or occupational activity. For example, husband and wife shareholder employees of a trucking firm where the wife performs only administration functions, can use the trucking company rate for the husband and the administration rate for the wife if using CoverPlus Extra.

A further key advantage of CoverPlus Extra is that the ACC benefit paid in the event of an accident is an agreed value amount. This means you don't have to prove loss of earnings. The benefit is paid until you can return to full-time work. CoverPlus and WorkPlace cover however pays 80% of your previous year's earnings (subject to limits and conditions) which is reduced if your business continues to generate income during your time off work or you return to work part time.

There are opportunities to save money by having your income protection policy working in tandem with ACC CoverPlus Extra. For example you can reduce the CoverPlus Extra cover down to the minimum of $21,632 and the ACC levy will be based on this amount. In an accident situation some Income Protection policies will then top up the ACC benefit to 75% of your pre accident income. You do need to check however that your policy will do this.

As ACC death by injury benefits are based on a percentage of the deceased person's ACC weekly compensation, it follows that if you reduce your CoverPlus Extra benefit down to the minimum of $21,632, the death benefit will be reduced as well because it will be a percentage of this amount. There is therefore a need in these circumstances to review your life insurance cover.

The last matter to note on the interaction between ACC cover and Income Protection insurance relates to returning to work. ACC will cease its payments once the injured person is fit to return to work. It does not have to be the same work that they were employed at prior to the accident. This could mean employment at a substantially lower level of income. Income Protection benefits, however, are paid until you can return to your pre-disability occupation. Again it is important to have sufficient Income Protection insurance in these circumstances to top up any shortfall in income.

The above article was supplied courtesy of Sutton Financial Management Limited and Mike Frogley Financial Services Limited.

Staff Bonuses

The economic situation has been very difficult over the past 2-3 years and in many cases continues to be so.

Despite this, some business owners are considering paying bonuses to their staff. There are two tests that determine in which year a bonus payment is tax deductible.

Firstly, bonuses have to be paid during the financial year or within 63 days of balance date. This is usually by 2 June assuming a 31 March balance date.

Secondly, if you wish to claim the bonus payments in the year ended 31 March 2012, but pay it before 2 June 2012, there must exist an obligation to pay as at 31 March. For example you need it recorded that you have told the employee or have a written agreement that the employee will receive a bonus dated before 31 March 2012. In otherwords if you have no such obligation but wish to pay a bonus, then pay it before 31 March 2012.

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