

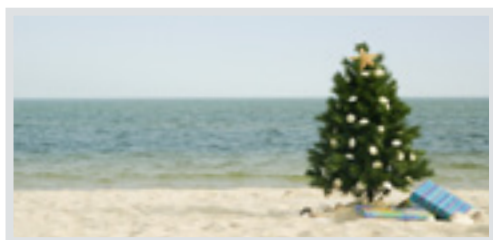
BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

Issue No 26 • December 2011 • IR 381

Our services over the holiday season

We wish you a safe and relaxing break over the holiday season and look forward to bringing you our next edition of the *Business Tax Update* in February 2012.



Our contact centre hours over Christmas and New Year are given below.

Don't forget you can always visit www.ird.govt.nz for information any time during the holiday season and all year round.

General business enquiries

Holiday dates	Opening hours
Friday 23 December 2011	8 am to 5 pm
Saturday 24 December 2011 to Tuesday 3 January 2012	Closed
Wednesday 4 January 2012	8 am to 8 pm

Child support – employers' enquiries (0800 220 222)

Holiday dates	Opening hours
Friday 23 December 2011	8 am to 5 pm
Saturday 24 December 2011 to Tuesday 3 January 2012	Closed
Wednesday 4 January 2012	8 am to 5 pm

Child support – general enquiries (0800 221 221)

Holiday dates	Opening hours
Friday 23 December 2011	8 am to 5 pm
Saturday 24 December 2011 to Tuesday 3 January 2012	Closed
Wednesday 4 January 2012	8 am to 6 pm

If you're a Large Enterprises customer (you have turnover of over \$100 million a year) your contact centre opening hours are:

Large Enterprises enquiries (0800 443 773)

Holiday dates	Opening hours
Friday 23 December 2011	8 am to 2 pm
Saturday 24 December 2011 to Tuesday 3 January 2012	Closed
Wednesday 4 January 2012	8 am to 4.30 pm

Our secure online services, ir-File and our 0800 self-service numbers will be unavailable from Saturday 24 December until 6 am on Wednesday 28 December.



Inland Revenue
Te Tari Taake

Welcome to Business Tax Update

In this issue: Our services over the holiday season, payments due 15 January can be paid on the 16th, taxing lump sums and bonuses, Christmas functions and gifts – tax deductibility, online FIF/CFC disclosure facility, calculating holiday pay, sending returns and payments to us, clarification around electing not to depreciate, GST treatment of credit card surcharges/fees charged by some retailers, using ir-File to file your PAYE.

If you have any suggestions for topics you'd like covered in this newsletter, email BusinessTax.Update@ird.govt.nz



REMINDERS

Tax payments due on 7 February 2012: Income tax, student loan and Working for Families Tax Credits payments are due (if you don't have a tax agent with a valid extension of time).

KiwiSaver and casual staff: If you employ a casual employee for less than 28 days you don't need to enrol them in KiwiSaver. For more information on the enrolment process go to www.KiwiSaver.govt.nz

Checking your returns and payments: When you send returns and payments to us, please make sure your payment matches the figure shown on your return and that the month is correct.

Payments due 15 January can be paid on the 16th



Any payments due on 15 January 2012, which is a Sunday, can be made on Monday 16 January 2012.

Typical payments due on 15 January that can be paid on 16 January include:

- payments for the GST return period ending 30 November 2011
- PAYE and any other employer deductions made twice monthly for wages paid from the 16th to the end of December.

Taxing lump sums and bonuses

Over the holiday season you may give your employees a bonus or lump sum payment. Lump sum payments can include annual or special bonuses, cashed-in annual leave, back pay and retiring or redundancy payments. Overtime or any regular payments aren't lump sum payments.

Follow these steps to find out what tax rate to use for a lump sum payment:

1. Work out what your employee has earned (before tax) over the past four weeks.
2. Multiply this figure by 13.
3. Add the lump sum payment to the figure in step 2.
4. Use the table below to work out what income bracket your employee is in.
5. Tax the lump sum payment at the tax rate shown in the right-hand column for that income bracket.

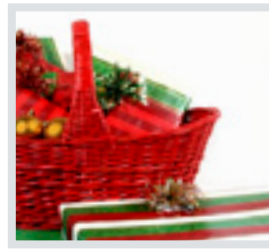
Income bracket	Tax rate to use
\$14,000 or less	12.54%
from \$14,001 to \$48,000	19.54%
from \$48,001 to \$70,000	32.04%
greater than \$70,000, but less than the ACC earners' levy maximum threshold of \$111,669 (for the 2012 tax year)	35.04%

You can also apply PAYE at 35.04 cents in the dollar if the employee asks you to use this rate.

You don't pay ACC earners' levy on redundancy payments and retiring allowances. In this case you'll need to reduce the tax rate by 2.04%.

If you tax your employee using a secondary tax code (SB, S, SH or ST) then you'll need to use a different tax rate. See www.ird.govt.nz (keywords: lump sum) for more information.

Christmas functions and gifts – tax deductibility



You may be able to claim tax deductions for your Christmas function or work gifts if they're for people who are part of the running of your business, such as employees, clients, suppliers or prospective clients and suppliers.

If you don't hold a function but give your employees some sort of entertainment (for example a voucher) that they can use at any time, then you may need to pay FBT (fringe benefit tax) on this. For more information on FBT see our *Fringe benefit tax guide (IR 409)* at www.ird.govt.nz (keyword: IR409).

Functions

Generally, you can claim 50% of your party expenses as an expense in your GST and income tax returns. Your expenses can include things like venue hire, food, drink and entertainment.

If you subsidise the cost of your Christmas function you can claim 50% of the amount you contribute as an expense.

Gifts

You can generally claim 100% of the cost of gifts, such as food, wine or event tickets, as an expense. If you give gifts to your employees, you may need to pay FBT. For more information see our *Entertainment expenses (IR 268)* guide at www.ird.govt.nz (keyword: IR268).

Online FIF/CFC disclosure facility

We've taken your feedback into account and modified the online method for filing additional disclosure forms.

The foreign investment fund (FIF) online disclosure system has been combined with the controlled foreign company (CFC) online disclosure system. The combined FIF/CFC can easily be found at www.ird.govt.nz (keywords: FIF online disclosure, IR458).

The FIF disclosure forms have been updated and we've improved online filing of the *Foreign investment fund disclosure (IR 445)* or *(IR 447)*, *Interest in a foreign investment fund disclosure schedule (cost method) (IR 449)*, *Interest in a foreign investment fund disclosure schedule (deemed rate of return method) (IR 443)* and *Comparative value disclosures (IR 446)* or *(IR 448)*.

You're now able to download a spreadsheet as a working paper or complete the disclosures online. If you're downloading the spreadsheet you'll be able to save it as a working paper on your computer and when completed submit the form to us using our online services.

You're still able to complete the disclosure online without downloading a spreadsheet by directly entering the disclosure online. More information on the additional disclosure requirements can be found at www.ird.govt.nz (keyword: ITR22).

Calculating holiday pay

During the Christmas and New Year break some of your employees may take a holiday and be paid holiday pay. If you don't have a payroll package or a payroll provider there are two ways to calculate this.

1. Use your employee's annual entitlement.
Currently, employees are entitled to a minimum of four weeks annual leave after being employed by you for a year. For more information go to www.dol.govt.nz/er or call the Department of Labour on 0800 20 90 20.
2. Use 8% of your employee's gross earnings.
You can only use this option if your employee:
 - has a fixed-term employment agreement
 - is a casual employee
 - stops working for you and has only accrued part of their leave entitlement.

If you give your employees four weeks annual leave or 8% of their gross earnings, you can work out how much tax to deduct from holiday pay by visiting www.ird.govt.nz (keywords: tax holiday pay). You need to use the latest version for 1 April 2011 to 31 March 2012.

See the November 2011 *Business Tax Update* for information on holiday pay and child support deductions.

Sending returns and payments to us

We understand that many businesses have busy times during the year and the holiday season is often one.

We're more than happy for you to send in your returns before their due dates to help spread out your tasks during the month.

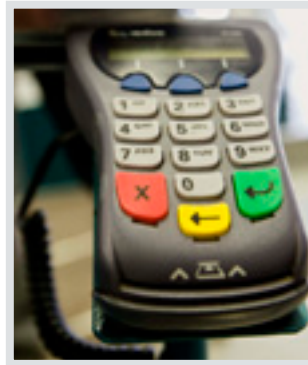
We don't expect you to pay your tax early but most major banks offer the ability to set up bill payment dates in advance, which can help you through the busy times. This gives you certainty that you've paid on time, avoids late payment penalties, helps you spread your tasks throughout the month and hopefully reduces some of your stress.

Clarification around electing not to depreciate

We've received some feedback about an article in the October 2011 *Business Tax Update* on claiming depreciation. The article said "If you don't want to claim depreciation on an asset you need to elect to treat the asset as not depreciable. Let us know you're making the election by notifying us in your income tax return for that income year."

We'd like to clarify that you can make the election at the time of the first return, any time after that, or in the year following the sale.

GST treatment of credit card surcharges/fees charged by some retailers



In 2009 the Commerce Commission and credit card companies came to an agreement allowing retailers to charge an additional fee or surcharge for credit card payments they receive. This is charged by some retailers as reimbursement for the fee they're charged by the credit card company.

If you charge a fee or surcharge to any of your customers who pay by credit card and you're registered for GST, then you must include the fee or surcharge as income in your GST return.

Using ir-File to file your PAYE

If your PAYE and ESCT payments are more than \$100,000 per year, you must file your *Employer monthly schedule (IR 348/EMS)* and *Employer deductions (IR 345/EDF)* form electronically. We'll let you know when you reach this threshold.

To file your EMS and EDF electronically you'll need to register first at www.ird.govt.nz "Register now".

You can use ir-File at any time—you don't have to wait until you pay \$100,000 PAYE and ESCT a year. Filing electronically using ir-File is the most accurate and efficient way to send us your employee information. If you use a payroll package you can simply "file transfer" your payroll information to us each month.

You can see how to use ir-File by watching the demonstration at www.ird.govt.nz "Demonstrations", "ir-File – filing your employer monthly schedule".

