

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

Issue No 2 • October 2009 • IR 381

We want to know what you think of our new look newsletter

Last month we brought you our first issue of *Business Tax Update*. If you missed last month's issue, we're no longer publishing *Payroll News* and *GST News*.



We'd already combined *FBT News* and *Payroll News* earlier in the year. We now give you all your tax news in this one tax newsletter.

We're interested in any feedback you have about:

- relevance of content
- level of technical detail
- layout, colour, tone, presentation
- length of newsletter

or any other comments.

We're keen to help you understand what you need to do to meet your tax responsibilities.

Email your feedback to us at BusinessTax.Update@ird.govt.nz

Do you know anyone who would like to receive an email alert for *Business Tax Update*? They can subscribe at www.ird.govt.nz/subscribe/ If you change your email address, please remember to unsubscribe your old address and subscribe your new address.

Check out our new KiwiSaver website

We've redesigned our KiwiSaver website so it's easier for you to find the relevant information you need without having to search the whole site.

We've introduced a "New to KiwiSaver" section for people who haven't yet joined. You'll find all the information you need to help you or your employees decide whether to join up. And for our existing members we've developed a section called "Already in KiwiSaver".

Check out our new website at www.kiwisaver.govt.nz

You can still find KiwiSaver employer information on our main Inland Revenue website www.ird.govt.nz/kiwisaver/

Paid parental leave (PPL) maximum entitlement rate

The PPL weekly maximum entitlement rate increased to \$429.74 (before tax) from 1 July 2009.

Your employees can find more information about PPL on our website www.ird.govt.nz (keywords: paid parental leave).



Inland Revenue
Te Tari Taake

Welcome to Business Tax Update

In this issue: Our new newsletter, redesigned KiwiSaver website, maximum PPL weekly rate, child support codes, correct FBT rate, our online security, and buyer-created tax invoices for GST.

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



REMINDERS

Free tax seminars and workshops

We hold free tax seminars and workshops around the country for people in business. The seminars cover income tax, GST, electronic filing and payments, record keeping and deductible expenses.

Here's just a sample of what we offer.

GST and income tax

An introduction to business tax responsibilities, including structures, income tax, GST, record keeping and expenses.

Employers and KiwiSaver

For people new to employing staff. This covers: keeping wage records, manual and electronic calculations of PAYE and other deductions (eg, student loans, KiwiSaver), completing the *Employer monthly schedule (IR 348)*, *Employer deductions (IR 345)* form, and due dates.

Booking is essential. You'll find dates and locations at www.ird.govt.nz (keywords: seminars or workshops).

Using the right child support codes

When you fill in the child support deduction amount on your *Employer monthly schedule (IR 348)*, if the amount deducted from your employee's pay is different to the amount on the child support deduction notice you received, it's important to show a variation code. When you use one of the following codes it tells us what the variation means.

Enter one of these codes in the box marked "CS code" on your schedule.

A	Payment in advance
C	Ceased employment
D	Previously deducted
P	Protected earnings
S	Short-term absences
O	Other

We keep a record of the amount we expect from each employee for a month. If we receive less than expected, your employee's account could go into debt. They'll be charged late payment penalties and will need to make up the shortfall.

If we receive more than we expected, because you've paid your employee in advance, and there isn't a variation code, we may use this extra amount to pay any debt owed by your employee, leading to a possible shortfall in future payments.

Descriptions of variation codes

A – Payment in advance

Sometimes, you may pay an employee in advance because, eg, they'll be on holiday on the next payday. If this is the case, deduct the same amount of child support as you would if you were paying the employee on the usual payday.

You must include the child support amount with the deductions for the period when the employee was

given the advance pay. Your child support will be more than usual for that period, so use the "A" variation code.

C – Ceased employment

If an employee stops working for you, deduct child support only from the last full pay you give them, and from any holiday pay owed to them. Use "C" as the variation code, so we can remove the employee from your records. If an employee stops, then restarts working for you within the same month, don't use this variation code.

D – Previously deducted

Sometimes, the full amount of child support requested from an employee's wages may not have been deducted because you made an advance payment previously. Because the child support deducted will be less than usual for that period, use the "D" variation code.

P – Protected earnings

If you can't deduct the full amount of child support requested from an employee's wages because of protected net earnings, use "P" as the variation code—see the *Employer's guide (IR 335)* for more information on protected net earnings.

S – Short-term absences

If an employee is on unpaid leave for a short period and you're unable to deduct any or all of the child support requested, use "S" as the variation code.

O – Other

If none of the other variation codes can be used to explain why the amount of child support deducted isn't what we're expecting it to be, use the "O" variation code.

For more help

If you have any questions about completing the child support part of your *Employer monthly schedule (IR 348)*, please call us on 0800 220 222.

Remember to use the correct FBT rate

If you file your FBT returns quarterly please use a rate that best suits your situation.

The single rate option reduced on 1 April 2009 from 64% to 61%.

In each of quarters 1 to 3 you must choose whether to pay FBT at the rate of 49% or 61%.

If you choose 49% in any one of quarters 1 to 3, you must complete either the full alternate rate calculation option or the short-form alternate rate calculation option in the final quarter.

If you choose 61% in any one of quarters 1 to 3, you can either complete the alternate rate calculation in the final quarter, or pay FBT at 61%.

For more information on FBT rates go to www.ird.govt.nz/fbt/

Keeping your information safe — our online security

We're sometimes asked about the security of our online services. We take the security and confidentiality of your information very seriously. We have in place controls to ensure that information sent to us is secured from unauthorised access and interception.

These controls include encryption of the connection between your browser and our website to stop anybody seeing your information as it travels across the network. We also have appropriate devices to detect and prevent unauthorised attempts to access our network.

We regularly update our standards and technology to ensure continuous protection of your information.

Buyer-created tax invoices for GST

Sometimes, when a sale takes place the buyer (not the supplier) issues the GST invoice. For example, when a freezing works buys livestock from a farmer, the freezing works weighs the livestock and values it. So, the freezing works is in the best position to issue the invoice for the supply.

Prior approval needed

If you're a buyer who decides the sales price, you'll need to apply for approval to issue buyer-created tax invoices. You need an approved buyer-created tax invoice before you can claim the GST you pay to your supplier. Even if we've recognised that such tax invoices are appropriate to your industry as a whole, approval is still needed in order to use buyer-created tax invoices. We may disallow GST claims if you don't get approval beforehand.

Applying for approval

Send us an application letter which:

- confirms that you help determine the value of the supply
- advises whether buyer-created invoicing is normal business practice for your business
- explains how approval would help you and your suppliers comply with the GST Act
- confirms that you're the only one who will issue a tax invoice
- confirms both you and your suppliers will keep a copy of the invoice.

Please include a copy of your proposed invoice with your letter and we'll double-check that it meets our requirements.

If you're issuing buyer-created invoices but you're not sure that we've given you approval to do it, call us.

What does a buyer-created tax invoice look like?

- A buyer-created tax invoice must show the supplier's name and GST number.
- It's important that you include the words "Buyer-created tax invoice – IRD approved" in a prominent place on the invoice.
- If you're charging the supplier for costs, show the sale and costs information separately, not just the net figure.
- Add your own GST number to the invoice.

Example

Matt O'Dawe Ltd		TAX INVOICE	
Private Bag MASTERTON		GST Number 99-444-222	
Date:	08 May 2009	Buyer-created tax invoice Inland Revenue approved	
Carrier:	Laurie van Ute Ltd		
To:	Buff O'Barome Homonda Range Pouto	GST No: 909-876-543	
Particulars:	61 SHEEP	Drafted by: JK	
On account of:	Matt O'Dawe Ltd	Date killed: 01 May 2009	
Proceeds to:	MONEY BANK, POUTO	A/C 9999999-99	

Grade	Weight Range	C/Cs	Kg	Price	Amount	
MX	TO 22.0	22	400.5	66.00	264.83	
MX	22.5 UP	4	91.0	70.00	63.70	
ML	TO 22.0	3	61.5	65.00	39.98	
ML	22.5 UP	4	94.0	69.00	64.86	
MH		2	55.5	29.00	16.10	
MF		1	29.0	25.00	7.25	
MM		11	161.0	63.00	101.43	
PROCESSING		9	147.0	33.00	48.51	
CONDEMNED NC		5			0.00	
			61	1,039.5	606.16	
Add	WOOL PULL	22 @ \$0.860 (0.20KGS)			128.92	
Credits	WOOL PULL	39 @ \$6.780 (0.50KGS)			264.42	
					999.50	
					GST @ 12.5%	124.93
					TOTAL PROCEEDS	1,124.43
Deductions						
	CARTAGE	61 @ \$1.500			91.50	
	FED FARM LEVY	56 @ \$0.0175			0.98	
	PORT WORK CHGS	1,039.5 @ \$0.0270			28.07	
	INSPECTOR FEES	61 @ \$0.260			15.86	
	MEAT BOARD LEVY	56 @ \$0.290			16.24	
	COND CHARGE	5 @ \$3.750			18.75	
	PROCUREMENT	61 @ \$0.450			27.45	
	PROCESSING CHGE	56 @ \$10.780			603.68	
Av. Weight:		19.56	SUBTOTAL		802.53	
Av. Price:		5.19 GROSS	GST @ 12.5%		100.31	
		3.23 NET	TOTAL DEDUCTIONS		902.84	
					NET CREDIT	\$221.59

Phone: (06) 555 6666 Fax: (06) 555 6667 Main Road, Masterton

