

DAA Bulletin

Quote

“You can not lead a battle if you think you look silly on a horse”

- Napoleon Bonaparte



DODD AND ASSOCIATES LTD
CHARTERED ACCOUNTANTS

Industry Benchmarks

In the latest DAA Headzup Kerry spoke about the IRD benchmarks. If you are one of the high cash industries we have the benchmarks available. Contact us for a copy.

Inland Revenue Ramp of Policing

In the news this week we have NBR running with the headline "Tax Collectors Ordered to 'go hard' ". It seems the government have told Inland Revenue to start targeting the higher income earners who have misused the trust/company combination to have their personal income taxed at a lower rate. This comes hard on the heels of Inland Revenue announcing last week that they are stepping up their detection program on businesses operating in a cash market where they have the opportunity of concealing and/or suppressing income. This was the subject of Kerry's Headzup video on Friday. If you didn't see it you should. It will be on our website until this Friday.

It is particularly important that if you have received cash from your business activities and didn't declare it as part of your assessable income you watch this video. If you have "pocketed" undeclared cash receipts we most strongly urge you to book a consultation so that we can review with you your options. You can be very sure that it will be better and hugely cheaper for us to deal with this for you than to hope that the problem will go away. It will not go away and with the new techniques being used by Inland Revenue the chance of you being visited by a tax inspector is now very much higher than was a short time ago.

Tax Avoidance or Evasion

It used to be enshrined in our law that tax avoidance was perfectly legal and that it was tax evasion which was offensive. Over the last 10 years or so Inland Revenue have had the law changed and progressively tightened so that now both avoidance and evasion are illegal. It is simply a matter of degree and with that a matter of how great the penalties are going to be.

Last year there was a notable decision handed down by the Supreme Court on the subject of tax avoidance. You will probably be familiar with the case concerned as it featured two Christchurch orthopaedic surgeons who used (IRD argued, successfully, misused) a combination of company and trust to lower the effective rate at which their individual earnings were taxed.

The combination of a family trust owning a trading company has been extensively used by us and most other accounting practices throughout New Zealand and for the most part they have not been misused. Here at DAA we have been alert to the possibility of attack from Inland Revenue and have been careful to see that the structure itself has not been abused.

We have commented on this and in particular in the Supreme Court's decision in previous newsletters. If you are concerned about the implications the Supreme Court's decision may have on your trust/company combination please don't hesitate to arrange a consultation so that we can explore the issues with you on an "in-depth" basis.

Checklists

Those clients with a March balance date should have received their annual checklist. As in previous years we have again put an expected due date for delivery of work to our office. This date has been specifically formulated using individual circumstance and pattern of delivery in previous years.

As we have planned our work for the year around this date it is important that you deliver your work on or around this date. Furthermore this date allows us to meet our obligations to you in a timely manner. Remember our reward should you deliver on the due date and with complete information. How often do accountants put up such a reward? This is our way of trying to share our efficiency gains with you.

If you are not able to deliver your work on or around the date specified you need to be talking to us so that we can review our work schedule for the year. If you wish to bring your work in earlier than the date specified a \$30 rescheduling charge will apply. If your work is urgent and needs immediate delivery we will need to meet to discuss this further as it has implications for both you and ourselves.

How to get paid..... every time!

Anybody who is or has been in business knows the stress that comes from having outstanding debtors and, even worse, those annoying few who avoid paying for as long as possible.

Most people understand that it is in everyone's best interest to pay bills as they become due but sometimes things get overlooked or deliberately put aside.

If you find people aren't paying you on time the first thing you should do is give them a gentle reminder. Ideally this should be in the form of a phone call as, if it has been genuinely overlooked, your cheque could be in the mail the same day. It also gives your client the opportunity to bring up any complaints that may be delaying the payment – complaining is another action that people tend to put off for as long as possible.

When the gentle reminder doesn't result in payment being received promptly a formal request for payment needs to be issued. This should state the original terms, how overdue payment is and when you expect to receive payment (or the official complaint). This is also the time to advise your client that if you don't receive their payment by this date you will initiate debt collection procedures and that the costs of this will be borne by them in addition to what they already owe you (provided this is in your terms of trade).

If you need to take the next step and don't have a trusted collection agent please contact us for recommendations.

TriTec®

If you have tried one or more of MYOB, Xero, QuickBooks and a multitude of other offerings in the small business computer software market and found them difficult to learn complex in use and time-consuming to operate it is not too late to get into our proprietary TriTec® process for the 2012/13 financial year.

As a reminder TriTec® provides you with entry-level monthly reporting to monitor the progress of your business, GST returns prepared ready for you to file with Inland Revenue, a professional audit trail to satisfy a tax inspector and your end of year financial reports. This comes as one package with easy monthly payments and great simplicity to operate compared with the other options available in the market.

The real bonus from using the TriTec® process is that your monthly time commitment for financial recording and GST return preparation is going to be significantly less than any of the alternatives. The typical TriTec® user tells us that the total time involved each month is somewhere between 10 and 20 minutes.

We are so convinced of the value of TriTec® to you that if we can get you set up by next Wednesday we will give you the first month free.

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