

DAA Bulletin

Quote

“There is a saying in Tibetan, “Tragedy should be utilized as a source of strength.” No matter what sort of difficulties, how painful experience is, if we lose our hope, that’s our real disaster.”

- Dalai Lama



DODD AND ASSOCIATES LTD
CHARTERED ACCOUNTANTS

Bank Account

There are still a few of you that are using our old bank account number to make payments. Please remember to update any details you have saved for us with our new bank account number:
06-0851-0190340-00

ALERT: IRD Tracking Scrap Metal Sales

In some industries the sale of scrap metal has long been considered to be a useful source of "tax-free" back pocket money. Vehicle servicing and farming immediately come to mind. This is because scrap metal dealers are quite happy to pay in cash. The thinking of many who sell scrap metal to dealers is that the cash they receive is untraceable. This is as short sighted as the dealer buying the scrap metal is naturally going to want to claim the amount he paid as a tax deduction so he keeps records.

IRD know this. They currently have a team of investigators looking into the sale of scrap metal. IRD are clever enough to go directly to the scrap metal dealers and their records rather than progressively worked their way through every small business likely to have scrap metal for sale. One of our clients on hearing of this current campaign by Inland Revenue contacted his scrap metal merchant for reassurance that they had no records identifying the sales he had made to the merchant. He was horrified when they recited to him explicit details of types, weights and values they had bought from him over the last 10 years.

If you have averaged more than one sale of scrap metal every couple of years or so and have not included that in your income tax return we recommend that you call us right away for an assessment of your position and guidance on how to proceed. To quote from a recent statement by Inland Revenue:

"Have you sold scrap metal without paying tax on the profits? Make a voluntary disclosure and tell us about your scrap metal activities before we find out about them in some other way."

The point of this is that voluntary disclosure means that the penalties will be much reduced. But the disclosure must be made before IRD become aware of the problem. Keep in mind that not declaring the sale of scrap metal is considered by Inland Revenue to be tax evasion and that attracts the maximum penalties.

Companies Office Earthquake Leniency

We have seen some letters from the Companies Office offering to remove annual return compliance for the 2011 for Companies if you are “unable to file your annual return”.

We are concerned that they don’t ask for any reasons for your inability to file and, knowing the hefty penalties imposed for non-compliance with the Companies Act, are worried that this could lead to problems later on if you are asked for proof of what prevented you from filing.

Remember we can do this for you and our standard charge is only \$39 plus GST per annum to cover the time required to attend to this. We encourage everyone to accept the concessions being offered if you need them but if you are still operating efficiently please think twice before accepting something just because it’s offered – it could come back to bite you.

Changes to Working for Families Tax Credit (WfFTC) Entitlements

From 1 April 2011 there will be a lot more addbacks to taxable income for the purposes of claiming WfFTC's to ensure high income earners don't "hide" their income and claim extra benefits.

This is going to have a huge impact on who can claim these credits from now on and you need to be very careful to ensure you are entitled, especially if you receive the payments regularly during the year, as you may end up with a large repayment at the end of the year if you weren't actually entitled to it.

You need to be contacting us to have your entitlement recalculated if you have any of the following circumstances:

- Attributable Trustee Income – income earned in a Trust but not distributed to beneficiaries
- Attributable Fringe Benefits – if you hold voting interests of 50% or more in a company
- PIE Income
- Passive Income in Children's names – if they work for wages that is not included
- Non-Resident Spouse's Income
- Tax-Exempt Salary or Wages
- Pensions & Annuities – 50% of these will be added back
- Other Payments – if over \$5,000 per annum and used to pay day-to-day living expenses. Soft loans (low or no interest, no repayment date) may also be included.
- Income Equalisation Scheme Deposits – except for "adverse events" deposits.

Earthquake Hits Cashflow

Cash flow is the lifeblood of all businesses and we are seeing the true effects of the earthquake having an impact on this. Many businesses are finding that customers are struggling to pay or are slow paying due to insufficient funds because of the earthquake.

As a business owner now is the time for you to take action as you could find yourself in a vicious cycle of delaying payments yourself which is difficult to exit. If suffering cashflow difficulties the first step is to review whether your business has clear payment terms and conditions. If not have your customers agree to new ones. Next step is to complete cashflow projections as they are the key to making wise and profitable business decisions.

In today's economy after the impact of the earthquake it's impossible to run your business properly without them. Both of these are important steps which cannot be delayed and we can assist you with these and getting your cashflow back on track.

Referrals

The boxes of chocolates seem to be flying out the door at the moment and we would just like to take this chance to publically thank all of you who have referred new clients to us over the past couple of months.



It is always heart warming to hear a new client tell us a current client recommended our services.

We hope those of you who have received chocolates enjoyed them. As for the recent repeat offenders; keep an eye on your letter box for something a little extra special.

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