

DAA Bulletin

Welcome back Jenny

We are delighted to welcome Jenny back to the office after her 6 months sabbatical in Beijing. She has some fascinating stories to tell us about working for a chartered accountant company in China and the differences between the two systems. It seems our tax system may not be the worst in the world after all.

DAA

DODD AND ASSOCIATES LTD

CHARTERED ACCOUNTANTS



Even the snow could not stop DAA serving our clients

Congratulations to Jenny

A big congratulations to Jenny on becoming an Associate Chartered Accountant.

Revenue Alert from IRD

IRD have issued one of the, somewhat infrequent, Revenue Alerts relating to charitable donations. In their own words a revenue alert “provides information about a significant and /or emerging tax planning issue that is of concern to Inland Revenue”. This can be interpreted as a warning. In the case in point they have identified some abuses of the claims for donations deductions and/or rebates.

A brief summary of the rules claiming donations rebates are firstly that the donation must be made to an organisation registered with the Inland Revenue as an approved charity for the purposes of claiming donations rebates and secondly it must be a genuine gift. More precisely, Inland Revenue’s view of a genuine gift is:

- It must be made voluntarily;
- It must provide a material benefit to the recipient without imposing a countervailing detriment;
- Be for no consideration; and
- Provide no material benefit or advantage to the giver in return

It is this latter point which has apparently been taken advantage of by some taxpayers. One of the examples they have cited in the Revenue Alert is a person made a gift of money to a charitable organisation on the condition that they used that money to buy a car from the person giving the money. They are obviously taking this very seriously as they say in the Revenue Alert “it is our view that some of these arrangements may in extreme cases amount to fraud and we will consider prosecution where appropriate”

DAA recommend that if you want to claim a donations rebate you make sure that your donation is one of money and that there are “no strings attached”. We also recommend that if you are involved in the management or administration of a charitable organisation (e.g. committee member) you should be careful about accepting any donation which does not meet Inland Revenue’s above tests. They have cited an example of where charitable organisations may in some of these sophisticated arrangements be making themselves vulnerable to IRD investigation and penalties.

Acc Invoices

We are starting to see a number of incorrect ACC invoices again. A recent example is a retired couple who still participate in farming related activities. Although they have been classified as part time self employed in the past and did not pay any ACC due to incurring losses, their invoices were suddenly changed this year to categorise them as full time self employed which has a minimum income level of \$26,000. This resulted in each of them being liable for \$1,600 of ACC. Now, bear in mind, these are retired people receiving National Super – they will never be able to claim on ACC even if they do have an accident. Luckily, they contacted us quickly and we arranged with ACC to correct their invoices.

ACC is one of the fastest government departments to take action if invoices become overdue. They send unpaid invoices to Baycorp in the blink of an eye and you could find yourselves with an adverse credit rating even if it turns out they were incorrect. As is usual with government agencies it is up to the individual to ensure their details are accurate and up to date – ACC can make up anything they like and unless you check it thoroughly you will probably find yourself paying more than is necessary.

Another example was an ex self employed real estate agent who had advised ACC when he ceased that employment. During the 2010/11 tax year he earned some withholding income from a different form of employment. Withholding income does not include an ACC component and is therefore treated as self employment income. Once the details of this were advised to ACC by Inland Revenue they simply reinstated the real estate code and invoiced the levy. Furthermore invoices were sent to a Christchurch address, even though he had moved to the North Island years ago, and with the limited access to the area after the earthquake, the payment was overdue before he even knew about it. Once we were advised we were able to sort out all the issues with ACC and an provide explanatory email to our client.

In both of these instances the stress our clients went through was out of proportion to the simplicity of the situation. We are here to help all our clients avoid any unnecessary stress and remind you that we offer a complete ACC monitoring service . This includes arranging the best cover for your circumstances, ensuring you are on the correct rate(s) and employment type and assistance in arranging instalment payments. If you would like a quote for this service please contact us.

Meeting Rooms

To support our valued clients (and colleagues) in these changing and challenging times, we have available our meeting rooms during normal business hours for hire by the hour. The first meeting room (Library) has computer facilities, whiteboard, TV & video, large projection screen and board room table available. The second meeting room (Think Tank) is designed for casual meetings with comfortable chairs and small coffee table. For rates and availability please contact Kate Mitchell. Complimentary tea and coffee will be provided and other catering options could be discussed.

Quote

“Have your accountant prepare a Balance Sheet and Income Statement every 3 months. Never allow more than this span of time slip by before you discover how you have been doing”

Irving Burstiner Ph.D
leading USA business
executive, consultant
and academic

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