

COMPUTER SCAMS

INLAND REVENUE SCAM ALERT

Inland Revenue (IRD) have been made aware of an increase in scams. The most common methods fraudsters use to collect personal information are email and phone scams.

The IRD investigates and acts on scams before pointing out new attempts on their website.

A couple of points that IRD would like you to be aware of are that:

- They will never ask you for your bank account or credit card details over the phone or via email
- They will never send you an email saying you have a refund (this is the most common scam we've seen)

If you've clicked on any email links or submitted personal data, they recommend you contact your bank immediately.

BANK SCAMS

We have seen a number of emails purporting to be from your bank. These often ask you to login to correct some anomaly. Once the scammers have your login details, they are then free to help themselves to your bank accounts. One way to avoid these is to never click on a link provided in an email, always type in the bank web address yourself.

For your protection, always have up-to-date anti-virus software and preferably firewall software or hardware as well.

Christmas Prayers

A few days before Christmas, two young children were spending the night at their grandparents' house. When it was time to go to bed, anxious to do the right thing, they both knelt down to say their prayers.

Suddenly, the younger one began to do so in a very loud voice.

"Dear Lord, please ask Santa Claus to bring me a play-station, a mountain-bike and a telescope."

His older sister leaned over and nudged her brother and said, "Why are you shouting your prayers? God isn't deaf."

"I know" he replied, "But Grandma is!"



SUMMER 2017

HIGHLIGHTS

- Staff Cash Bonuses
- AIM Provisional Tax Method
- Farm Loan Principal Payments
- Scam Alerts

"Off the Cuff"

We are fast approaching the end of another year, they seem to be coming around quicker each year!

Summer appears to have arrived early with November being a solid month for visitors and a spell of hot dry weather. The old adage of making hay while the sun shines comes to mind and for many business owners this is the time of the year to make enough money to carry you through the winter. Remember to ensure you keep plenty of money aside for the off season.

repaying principal on your farm loan is a good idea, look at the interest rate outlook and give some advice on computer scams. There's also been quite a lot going on with the team, I'll leave you to read about it in our "in and out of the office" section.

Lastly, the team and I would like to wish all our clients and colleagues a safe and happy festive season, we've enjoyed working with you this year and look forward to catching up in 2018.

In this newsletter we cover how to tax a cash bonus to your employees, explain about the new AIM method for Provisional Tax, discuss whether

IN AND OUT OF THE

Office

just finished his 1st year at Lincoln University. He is going to be working with us in university holidays for the next couple of years. The aim of this is to help him learn more about how things work in an Accountancy Practice.

We're also stoked to announce that Melanie is moving back to Hokitika and will be working out of the office again from the start of February.

We said farewell to Sophie in September. Sophie left us after 3 and a half years to work for her sister's family business. We miss Sophie a lot, she was great to work with and we wish her all the best in her new role.

Congratulations to Erica and Tina who both gave birth to healthy baby boys this year. We look forward to having them back in the office next year when they finish their maternity leave.



We welcome JP, Joanne and Jacques to the accounting team at Cuffs. JP comes from South Africa where he has a degree in accounting and worked in an accountancy firm. He enjoys golf and rugby and has already converted to be an All Blacks supporter.

Joanne is a Chartered Accountant with a background in people development and capabilities. She joins us after a time working for not-for-profit organisations. Joanne, and her husband Chris, own a local business and have three active boys who all enjoy the West Coast lifestyle. Jacques is a local lad who has



CHRISTMAS CLOSURE

The office will be closed from 12pm on Friday 22 December and will reopen at 8am on Monday 15 January. If you need help on urgent matters over this time, give Peter a call on 027 555 6006.

CUFFS ON FACEBOOK

Like our page at cuffsaccountants

We regularly post useful information and happenings on our page.



PUBLIC HOLIDAY TIP FOR FARMERS

Remember that you need to pay your staff time and a half for time worked on Public Holidays (and give them a full day off at another time). Where possible, it's a good idea to get your staff to do "essential work only" on these days; i.e. milking's and feeding out. This means that not only are they happier because they get to spend more time with family, you can often pay them the same salary because they work 6 hours when they'd normally work 9 hours (6 hours at time and a half = 9 hours). Many of our farmers do this and it works well.



AIM: A NEW WAY TO CALCULATE PROVISIONAL TAX

WHAT IS AIM?

The Accounting Income Method (AIM) is a new option for small businesses to calculate provisional tax through their accounting software.

This method is in addition to the existing three options (standard, estimation and ratio). It is available from 1 April 2018.

It's a pay-as-you-go choice for businesses with turnover under \$5 million a year, and will suit businesses wanting to keep up-to-date and on top of their tax obligations.

Small businesses choosing AIM will pay provisional tax in line with their cashflow. This will help businesses make sure they don't pay more tax than they need to throughout the year.

WHY IS THERE A NEW OPTION?

AIM will be simple and easy to use.

The business' accounting software will work out how much provisional tax you need to pay each instalment based on your past two months of income instead of the previous year, meaning

greater accuracy.

The amount you pay will be in line with the amount you earn, so it will be particularly beneficial for those businesses that have fluctuating income.

HOW OFTEN WILL YOU PAY?

Businesses using AIM will make provisional tax payments more often.

You will pay every two months, or monthly for businesses paying GST monthly.

USE OF MONEY INTEREST

A business using AIM to calculate and pay provisional tax will not be charged use of money interest unless the business has failed to pay the instalments as calculated under AIM.

BENEFITS FOR SMALL BUSINESS

AIM will be great for start-ups because they only pay tax on results they have achieved. AIM should also work well for businesses that are seasonal or have fluctuating income because the



payment of taxes adjusts with how much revenue you earn.

AIM will also be responsive to changing business conditions.

If economic conditions tighten and a business' tax liability drops, Inland Revenue will refund overpayments, in much the same way that GST refunds are handled.

With the advent of cloud accounting solutions like those available from Xero and MYOB, financial information is up-to-date and at your fingertips.

AIM uses that power to enable the calculation of provisional tax from a business's latest available financial information.

Not all businesses can use AIM, so if you're interested in using it, give us a call and we'll check whether you are eligible and confirm that your current computer accounting system will work with AIM.

INTEREST RATE OUTLOOK

Getting your interest rate structure right is difficult. In many instances no one wants to give you the advice you are after, in case they get it wrong. So below are a couple of my pointers to help with this.

There is a very flat yield curve for interest rates. As I write this on the 7 December the wholesale rates are as follows:

OCR	1.75%
30 day bank bills	1.80%
1yr Swap rate	1.99%
2yr Swap rate	2.16%
3yr Swap rate	2.33%
5yr Swap rate	2.60%

The reserve bank OCR has been at 1.75% for the last year and they don't project this lifting until September 2019. Inflation is low and the reserve bank doesn't predict any significant



increase.

Additionally, with home loan rates sitting around 5% a 0.5% increase in interest rates would increase mortgage payments by 10%. That's a big change for highly indebted Aucklanders and it is one of the reasons why I wouldn't expect big

changes in interest rates.

There is of course political risk and international risk that could have an impact, so you need to structure your debt according to your risk profile and your ability to cope with any increase. Feel free to ring me to discuss your situation.

FARM LOAN PRINCIPAL REPAYMENTS



There has been quite a bit of pressure coming from banks re paying down principal on your loan. Although in many cases this is a good thing, you need to have a decent look at your capital needs first.

I would prioritise the following before agreeing to principal repayments:

1. Paying all accounts up-to-date. I have seen some farmers that have not paid the Farmlands account or have deferred fertiliser payments
2. Repaying the overdraft
3. Look at what capital spending needs to be completed on the farm to bring back the productive ability of the farm. Due to a number of years of poor payouts, farmers have had to cut back on

fertiliser, building maintenance, regrassing, drain clearing etc. You need to get on top of these before commencing principal repayments

If the bank is pressuring you, I am happy to talk to them on your behalf if you can provide me with the information on what you need to address first.

In some cases, there has been pressure on farmers with low debt who have no need to pay principal and have other uses for the money. Whether it is personal or business use, if their debt is low I think they have earned that right. These ones are an easy solve and I have just suggested to some client's to look at another bank who will only be too happy to bankroll a low debt farm.

CONSIDERING GIVING YOUR STAFF A CASH BONUS THIS XMAS?

As the bonus is paid in cash it is not classed as ordinary salary or wages, due to its non-regular nature, but as a lump sum payment. This means that tax has to be deducted at a different rate, depending upon the employee's annual income earned. There are four different tax rates for lump sums, based on the grossed-up annual value of the employee's income (including the bonus).

Up to \$14,000	11.89%
\$14,001 - \$48,000	18.89%
\$48,001 - \$70,000	31.39%
\$70,001 upwards	34.39%

Don't forget to deduct KiwiSaver & Student Loan if applicable. Please phone us if you would like assistance in calculating your staff bonuses.



REMINDER: COMPUTER BACKUPS

We know that this is a regular feature in our newsletters but we can't stress enough how vital it is to backup your computer system on a regular basis. We've just had another case where a client lost their data. They had bought a hard drive to back it up and never got around to it and now everything is gone. Cloud Accounting systems like Xero & MYOB Essentials do minimise the risk but there are often documents, photos and other important business information stored on your computer that you'd be devastated if you lost. We recommend that you back everything up NOW and that you do it REGULARLY!