Highlights:

New article Sharlotte McFarlane: GST Invoicing & record keeping changes | Directors Annual Strategic Retreat in Cambridge
From our payroll division: Annual leave can be a contentious subject | Provisional Tax Calculations
Paying your invoice via internet banking | Payroll drop-in sessions: Come in with your payroll queries

In March 2022, the government announced changes to the GST invoicing and record-keeping requirements, however, this was not enacted until 1 April 2023.

These new rules have been introduced to allow for more flexibility around GST invoicing and record-keeping. GST rules have been largely unchanged since the inception of GST in 1986, which does not align with today's business world as there have been significant changes to technology and the way business is conducted.

The requirement to hold the "tax invoice" in order to be able to claim GST on that item has been replaced with holding business records instead, and the responsibility now falls both on suppliers and customers.

Under the new rules, you can continue to issue your tax invoices and GST credit notes without making too many changes to your systems.

The low-value threshold is lifting from $50 to $200, meaning that taxable supply information is required for any supplies over $200 rather than $50.

There is no longer a requirement for approval from Inland Revenue for the issue of Buyer-created tax invoices (buyer-created taxable supply information). This has been replaced with an agreement in writing between the parties to evidence the use of self-billing.

It is important to understand the terminology changes:
- "Tax invoices" are now referred to as "Taxable Supply Information (TSI)"
- "Debit Notes" and "Credit Notes" become "Supply Correct Information (SCI)"
- "Buyer Created Invoices" become "Buyer Created Taxable Supply Information"
- "Supply Information" is the list of information required on certain situations when the supply is not subject to GST

Even though you may not be required to make any changes, it is still important to know about them as your suppliers' invoicing practices may be changing and this could impact the way you conduct your business.

Some things to be aware of are:

- You can continue to issue "tax invoices", "debit notes" and "credit notes" if you wish. Check that your templates include the correct GST information. You do not need to provide the TSI if the customer is not registered for GST or the amount charged is under $200 (incl GST).
- TSI must be provided to GST registered buyers within 28 days of a request for supplies over $200. You must keep this information on file.
- Instead of issuing any of the above documents, you can provide a list of information (TSI) in a format chosen by you – in an email, electronic invoice, or an exchange of data with your customer or supplier via an e-invoicing system.
- You are not required to use or include the words "taxable supply information" in any document you provide as part of the TSI.
- You don't need to issue a SCI of the error in the TSI if it has no GST impact.
- You can claim GST on a payment you make to your supplier and the TSI is required from your supplier in their selected format instead of a "tax invoice".
- The TSI does not need to be received in the one document or format. It can be received in multiple formats and is up to the supplier on how this is done.

Are your systems capable?

With these changes, it can have a large effect your business systems and it is a good opportunity for you to review your system's capabilities to ensure you can send/receive and hold TSI. Here are some questions to ask yourself:

- Do you need a supporting system alongside your accounting system such as invoice scanning software? This software generally checks the parameters to accept/reject invoices – for example, looking for the words "tax invoice"
- Do you need to consider your system's abilities in relation to employee reimbursements, credit card reconciliations and the wider finance system to process TSI and the increases to the low-value threshold
- Do you have a customer and supplier database that is able to hold key information such as IRD numbers and addresses?
- Are your systems ready to move forward towards potential e-invoicing?
- How can you capture the approval from other parties to issue buyer-created taxable supply information?
- Are your finance staff educated on the new taxable supply requirements?
- Do your internal policies and procedures need to be reviewed in this area?
- Are your general terms of trade aligned with these changes?

See below a chart that shows the changes in rules from 1 April 2023.

GST Invoicing Requirement	Rules prior to 31 March 2023		Rules from 1 April 2023		
	Tax Invoice under $1,000	Tax Invoice over $1,000	TSI under $200	TSI $200 - $1,000	TSI over $1,000
Words "tax invoice" in a prominent place					
Name and registration number of supplier					
Name of the recipient					
Address of the recipient					
Date the invoice is issued					
Description of the good and services supplied					
Quantity or volume of the goods and services supplied					
Amount of consideration for the supply					
Statement that consideration included GST or amount of GST charged					
One or more of: Physical address, phone number, email, trading name, NZBN, website of recipient					
Address of physical location of recipient (if available)					
Date of the supply					

Paperless Systems:

With the above changes in effect, it is a good opportunity to consider converting to a paperless system. This can increase the efficiency of your organization as well as create some time and mind freedom within your business. Although it can be unrealistic to eliminate every sheet of paper from your office, we can help you take the right steps toward this. You will need to ensure you have a good-quality scanner and an online filing system (such as Hubdoc) available for storage.

Advantages of a paperless system:

1. Storage – up to 25% of your firm's office space could be used for the storage of paper documents. This is a big overhead, which may be holding you back from other things like taking on more employees.
2. Time freedom and increase in productivity – It can be hard and very time-consuming to find the right piece of paper amongst a pile with thousands of others. An online filing system with a powerful search function will reduce the time spent looking for documents and increase staff productivity.
3. Waste – There may be duplicate copies of these documents and they may be filed in different places for different reasons. Going paperless will reduce this duplication and essentially reduce the waste as well – the paperless system is environmentally friendly.
4. Appearance – Your office will be more aesthetically pleasing with less clutter as there will not be piles of paper and files throughout your office. The office will appear more like a professional working environment and will be more inviting to visitors, employees and clients.
5. Mind freedom and more focus – Without a desk covered in paper, employees with be able to think in a more clear and logical way.
6. Printing Expenses – Without printing as much, the costs of paper, ink, printers and other associated expenses will reduce. This can be significant, even for a small firm.

When you have made the decision to go paperless, find a plan that works for you. Every firm is different with its requirements, but some pointers for making that big step:

- Set a date and make this clear to all the team within the business. Diarise this in all calendars so everyone knows.
- Use the cloud – Do not store the scanned documents on a hard drive or USB stick – keep them safe by using online storage.
- Set up a filing structure – Do not dump all files into the same folder, instead set up a folder for each client or each year.
- Scan what you need – You do not need to scan everything. Instead, only scan what you need. For example, if your files go back 20 years for some clients, you won't need to scan in all of these documents. Start with only what you need and then fill in the gaps as you go.
- Avoid duplication where possible – There is no need to scan in the same document twice
- Allow for a productivity dip – While this conversion is happening, there is more than likely going to be a drop in productivity in your firm. Arrange for this to happen in a quieter work period. If you can, hire some temporary staff to help you manage with the extra work load.
- Train your employees to use the new system – The more training you provide to your people, the more you will get out of your new system. It will be much easier for them to find the information that they need.

Once you have eliminated most of the paper from our office, it won't be long until more paper arrives, so make sure you keep on top of it! Set aside one day a week, or even one afternoon a week to scan and file the new documents. If you need it to be more frequent, make it a part of someone's daily routine in the office. Encourage all of your clients, suppliers and other business associates to send you their documents electronically rather than physical paper copies.

Our software team are experts in this area and have held webinars on this topic, so if you are wanting to take the steps to create more time and freedom within your business to go paperless, please get in touch with us.

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Firstly, it is important to understand that all Annual leave is the property of the employee, not the employer.

Annual leave is accrued at 8% of the employee's gross pay and after 12 months of continuous employment becomes entitled leave.

An employee can request to use their accrued balance prior to the 12-month mark when it becomes entitled leave. However, it is up to the employer if they want to approve this leave in advance.

Pros:
- Keep business liability down.
- Employees has access to sufficient rest and recreation, reducing risk of harm.
- Useful tool for nurturing a harmonious employment relationship.

Cons:
- As accruing leave is not exact, there can be a risk of running into negative balances.
- Sometimes when the employer goes out of their way to assist the employee by providing annual holidays in advance, they turn around and decide not to come back or leave prior to reaching 12 months of continuous employment.

While there are avenues within the Wages Protection Act 1983 to deduct annual leave in advance overpayments from the final pay, it can be very beneficial to have an accruing leave balance policy built into the Individual Employment Agreements (IEA) to outline exactly how an employee can take this accrued leave and keep it consistent between all staff.

Managing excessive annual leave balances can be slightly trickier.

As entitled annual leave is a liability, it is good practice to review balances regularly, to avoid this getting to high.

It is always good to have clear lines of communication with your employees around their leave. Are they saving it up for a longer holiday further down the track? Is it too hard to take leave due to X Y Z? Would cashing up a weeks' worth of their entitlement be a good option?

An employer can make their employees take their entitled annual leave in two circumstances:
1. They can't reach an agreement with their employee about when annual leave will be taken, and they give the employee at least 14 days' notice, or
2. They regularly close down for a certain period every year and give the employee at least 14 days' notice.

When cashing in a week's annual leave there are a few important things to keep in mind:
1. The request to cash up annual leave must be made in writing.
2. It will be taxed as a lump sum payment rather than regular income
3. You can only cash in a maximum of 1 week of entitled leave each year (based on your annual leave anniversary)

When annual leave is cashed up and paid out as a lump sum, the normal PAYE rates don't apply. Instead, it is taxed as a lump sum payment.

To work this out, you need to calculate the total earnings for the last 4 weeks ending on the date of the lump sum payment. Multiply this number by 13 to calculate the grossed up annual income value.

As an example, Mr Smith is cashing in 1 week of annual leave.

He works a 40-hour week on a salary of $68,000 gross p/a.
He uses the tax code M, contributes 3% to his Kiwisaver and has no other allowances or deductions.

So, his normal weekly pay would be:
$1,307.69 Gross
$278.07 in PAYE
$39.23 Kiwisaver
$990.39 Nett

If he were to cash up a week of annual leave, in addition to his regular salary payment, it would attract lump sum PAYE on the cash up amount, at 31.53%. See below;

$1,307.69 Gross ordinary wages
$1,307.69 Gross AL cash up (one week)
$278.08 regular PAYE deduction
$412.31 lump sum PAYE deduction (31.53%)
$78.46 Kiwisaver
$1,846.53 Nett

In conclusion, a well-managed annual leave account can benefit both sides of the employment relationship. At CooperAitken, our Payroll division can assist you to form good, solid leave balance management habits.

Please call the team for further information.

HIGHLIGHTS

Directors Retreat

Our Directors recently got away for a few days to The Henley in Cambridge for their annual strategic retreat.
The trip, which was all business with a side of fun, included some kayaking & visiting some local glow worms, a MasterChef cook-off, and a couple of long & focused days away from the office to strategise.

The retreat is a dedicated time where the team can connect and is an opportunity to reflect on the year that's been and set some plans for the year ahead.

We're excited for what's to come, watch this space!

HIGHLIGHTS

Drop in and see our payroll team

With the latest announcements from the Reserve Bank, and Fonterra releasing their advance payment rates for next season, now is an opportune time to check in with our farmers and make sure you aren't paying too much tax.

In addition to these announcements, with costs remaining higher across the board, it is taking a toll on businesses and individuals alike.

On-farm costs have increased across the board, which has been putting pressure on farmers' profitability, with the main ones of concern being:

1. Interest rates on bank loans, especially where farmers have high debt levels
2. Limited access to staffing and the associated remuneration expectations
3. Increase in major farm expenses such as fuel and fertiliser
4. Costs related to compliance requirements, regulatory changes, and environmental requirements

No one likes to think about tax, but it is a cost that we can help you plan for.

As most dairy farmers have a 31 May balance date, their next provisional tax payment is due at Inland Revenue on 28th June.

Before this provisional tax payment is due, CooperAitken will be preparing tax estimates based on your 2023 financial year profits and will be in touch with clients if we believe this will be greatly different from the standard uplift amount Inland Revenue expects to be paid.

In addition, this will help with the preparation of 2024 budgets, accurately forecasting the tax payments which are due, show where the funds are required and provide some peace of mind.

There are options available for paying your tax, so please don't leave tax unpaid and instead talk to our team to discuss your options. We're here to help!

HIGHLIGHTS

Drop in and see our payroll team

Our payroll team are running monthly drop-in sessions at each of our office locations, where you can drop in anytime between 10am - 12.30pm for a free and no obligation chat to discuss anything payroll.

No need to book, just turn up at our office location and our friendly team will be there to assist with your payroll queries. See next month's drop-in times listed below.

Drop in for a coffee & a chat about anything payroll

MORRINSVILLE
Monday 19 June - 10am - 12.30pm

MATAMATA
Tuesday 20 June | 10am - 12.30pm

THAMES
Thursday 22 June | 10am - 12.30pm

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