

## **Tax Working Group Public Submissions Information Release**

### **Release Document**

**September 2018**

**[taxworkinggroup.govt.nz/key-documents](http://taxworkinggroup.govt.nz/key-documents)**

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;
- [2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Re:

## Small Company Accounting

### A No-Hands Approach

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The Company Tax (and GST) for a small company can be collected automatically.

Currently the accounting fees for a small company are at least \$3,600 pa. [This figure needs revising – it will be much higher now].

### What is a small company?

The company must be registered in NZ and the shareholders must be NZ residents conducting its business in NZ.

Its revenue must be less than \$20m pa.

The shareholders must not be directors or major shareholders of other companies but may have shareholding in publically listed companies in NZ. There is a maximum of 20 shareholders.

### IRD Access

The IRD holds the bank accounts of the Company and of each shareholder and each employee. The IRD can scan the [non-employee] bank accounts. All funds transferred to a shareholder will be deemed to be wages and will incur Income Tax.

### Specific Transactions

Certain transactions which need specific handling currently will need law changes to simplify them.

**Depreciation:** Any purchases can be fully costed in the year of purchase. Depreciation only results in the same tax being collected earlier which is stressful for start-up companies.

**Cars:** Cars under the value of \$30,000 or utility vehicles relevant to the trade under \$80,000 can be used privately without keeping logs. There can only be one vehicle per full-time employee.

**Interest and Banking Fees:** Will incur GST.

**Overseas Sales and Purchases:** Will incur GST.

**Travel and Expenses:** As now must be for the business purpose.

### The Result

80% of NZ companies could meet these conditions and hence have no need of accounting services.

Changes required of the IRD IT systems would be minimal.

If any of the above restrictions are broken a registered accountant must “do the books”.