

fairground Accounting Cheat Sheet

Prepared for the Christchurch Designers & Makers Hui

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This cheat sheet was put together to support creative people who want to make and sell amazing things. Stepping out into the world as a creative practitioner can be a scary journey – we all know this from our own experiences of it – and we want to help make it a bit easier.

At this event we are looking at Money, and the delicate art of setting yourself up for business.

Come along and hear from [Sonia McManus](#) about her journey as a full-time creative, and from [Antz Rohan of Fairground Accounting](#) who has created this 'everything you need to know' cheat sheet. This cheat sheet was put together specifically for creative designers and makers who are setting themselves up for business, and covers everything you need to think about relating to tax and expenses as a small business!

Lovingly hosted by Encraftment Market, Pay it Forward, Arts Centre Market, and Felt.

Questions? Feedback? Ideas? Contact jason@felt.co.nz

About Fairground: Accounting for a Better World

At Fairground we believe in a world where purpose-driven business is business-as-usual - we're all about mixing good business with social impact. Our hearts are with supporting social enterprises, creatives and start-ups to succeed, with awesome accounting and business growth advice.

Anthony Rohan
antz@fairground.co.nz
021 746 733

Income Tax

- Calculated based on the total income you earn up to 31st March each year. Includes:
 - Profits made from your business
 - Wages earned with PAYE deducted
 - Subcontractor payments received with Withholding Tax deducted
 - Interest with RWT deducted
 - Dividends with Imputation Credits deducted
- Your personal IR3 tax return works out if you've underpaid or overpaid tax.
- Is a "progressive" tax system
 - \$0 - \$14K @ 10.5%
 - \$14K - \$48K @ 17.5%
 - \$48K - \$70K @ 30%
 - \$70K + @ 33%
- Secondary Tax is not a penalty tax, if you overpay throughout the year then you might receive a refund.
- Provisional Tax is pre-paying the current year's tax, based off of last year's, if you have >\$2,500 to pay.

Goods and Service Tax (GST)

- GST is a sales tax of 15% that you add to your income and collect on behalf of IRD.
- If your sales go over \$60,000 in any 12 month period, you must register for GST.
- Can choose to voluntarily register for GST if sales are under \$60,000 eg. If you're paying for a lot of expenses and want to claim the GST back from IRD.
- Most common GST registration is "Payments Basis" and on a 2-monthly cycle (or 6-monthly).
- Info required on a tax invoice: <https://www.ird.govt.nz/gst/work-out/work-out-records/records-tax/tax-info/>
- Must keep tax invoices from suppliers over \$50.
- GST is "Zero Rated" for sales you make to overseas customers.
- Common items which don't have GST on them:
 - Bank fees
 - Interest
 - IRD penalties
 - Drawings
 - GST payments
 - Loan repayments
 - Purchases made from overseas

Business Structures

Sole Trader

- Use your personal IRD number and own name + "trading as"
- Include business profit in your personal IR3 tax return

Company

- Separate legal entity with "limited liability"

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- Easy to set up: <https://companies-register.companiesoffice.govt.nz/help-centre/starting-a-company/incorporating-a-company/>
- Can register for IRD number at the same time as incorporating company
- Requires a separate company IR4 tax return

Other Less Common Options

- Partnerships
- Trading Trusts
- Charitable Trusts
- Incorporated Societies

Business Startup Steps

- Set up two bank accounts
 - One which all your business income goes into and expenses get paid out off (TIP: add a debit-card to the account so you can pay for online purchases)
 - One as a savings account so you can put aside money for tax
- Engage an accountant
 - Get help and support early on to save on problems further down the track
 - Shop around, ask for recommendations from other business owners
 - Find an accountant who understands your industry and business model
 - Get them to explain what type of expenses your business can claim
- Set up an accounting software system
 - Can start with a basic Excel cashbook if only a handful of transactions: <https://www.ird.govt.nz/tool-for-business/what-next/cashbook/>
 - Recommended that you get an online accounting system like Xero: <https://www.xero.com/>
- If you anticipate earning over \$60,000 in the next 12 months, register for GST: **IR360** form
- If you need to employ someone, register for employment: **IR334** form
- IRD run workshops and have great resources available:
 - <https://www.ird.govt.nz/contact-us/seminars/canterbury/>
 - <https://www.ird.govt.nz/tool-for-business/>

Pay Yourself!

- You need to be making a profit! Factor your time into the price of the goods.
- Think about: How much would you have to pay someone else to do your job for you?
- Can take Drawings from your business, then taxed on your business' profit.
- If a company, have the option to employ yourself and pay wages with PAYE deducted.

Deductible Business Expenses

What qualifies as a business expense?

- Apart from a few special rules, any cost necessary to run the business will probably be tax deductible.

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- If you have been invoiced for an expense, you can claim it, even though you may not have paid it yet.
- Need to keep accurate and completed records eg.
 - Banking information
 - Proof of income and expenses eg. Receipts and invoices
 - Cashbook or accounting system eg. Xero
 - Timesheets/wage book for payroll
- Records must be kept for 7 years, but they can be kept digitally.

Mileage Rate/Motor Vehicle [11 SEP]

- Can claim the use of your personal motor vehicle in the business.
- Need to keep a mileage logbook for 3-months to determine the business vs personal usage.
- Option for a company to own a vehicle and claim the costs, but talk to accountant about this, as there are special rules that apply.

Use of Home Office

- Can claim % of home expenses, based on the floor area of your home that you use exclusively for business use.
- Home expenses include:
 - Repairs & Maintenance
 - Rates
 - Insurance (house & contents)
 - Power
 - Gas
 - Mortgage interest or rent

Mobile, Telephone & Internet

- If your home is the centre of operations for the business, you may claim a deduction of 50% of the telephone rental & internet.
- Can claim 100% of your personal mobile phone costs.

Travel Expenses

- A deduction is allowed for out-of-town work related travel including:
 - Flights
 - Bus, train and taxi fares
 - Car hire
 - Accommodation
 - Meals and incidentals
- NB: May need to apportion the costs if the travel has a personal element to it
- Keep an itinerary of your trip, meetings had and business done during your travels

Rent of Premises

- If you pay rent for your business premises you should also claim power, phone, and any other expenses related to the premises.

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Business Supplies

- Tools & equipment
 - Under \$500 = expense
 - Over \$500 = fixed asset
- Raw materials
- Advertising (business cards, website, Facebook & Google ads)
- Stationery & office supplies
- Cost of repairs to equipment

Entertainment

- Most common type is claiming of 50% of the costs of food & drink when meeting with a business colleague, customer or supplier.
- NB: Fringe Benefit Tax (FBT) might apply if you're a company, some more examples below:

	50% Claimable	100% claim	FBT payable
Staff Christmas party costs	✓		
Gifts for New Zealand clients	✓		
Business lunches in New Zealand	✓		
Morning tea 'shout' on employers premises (for all employees)		✓	
Transport costs provided to employees to attend staff Christmas party		✓	✓
Entertainment consumed overseas		✓	
Gifts to staff		✓	✓
Light meals provided to employees at lunchtime meetings		✓	
Friday night drinks for employees	✓		
Sales staff's meal costs while out of town		✓	
Corporate box costs or season passes	✓		
Subscriptions to sporting clubs – eg golf clubs		✓	✓

Professional Fees

- Accountancy
- Legal
- Consultancy

Insurance Premiums

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- Building and contents for the business premises
- Business assets
- Business protection
- Accident compensation levies
- Income protection
- Consider whether you need some guaranteed ACC cover for the first year of business
<https://www.acc.co.nz/for-business/choosing-the-best-cover-option/types-of-cover-for-self-employed/>

Fixed Assets ISEP

- Fixed Assets are items purchased over \$500 eg. Equipment, furniture, website, vehicle etc.
- You can then claim depreciation expense of those assets each year (spreading the cost of the asset over an estimated life).
- You will need to keep a Fixed Asset register to keep track of assets. Most accounting packages (eg. Xero) have one built-in.

Personnel Costs

- Outsourced/sub-contractor payments (eg. Photographer, graphics designer, specialised production)
- Training & professional development
- Seminars, workshops & conferences
- Protective clothing
- Uniforms (must be branded)
- Dry cleaning expenses for protective clothing and uniforms

Miscellaneous Costs

- Subscriptions
- Bank charges
- Finance charges on business loans or hire purchases
- Equipment hire
- Interest (bank, hire purchase, loans)

Employing Staff?

- Need an employment contract in place
<https://eab.business.govt.nz/employmentagreementbuilder/startscreen/>
- Employee selects their tax code
<https://www.ird.govt.nz/how-to/taxrates-codes/workout/>
- Employee will be auto-enrolled into Kiwisaver, but can choose to opt-out
<https://www.ird.govt.nz/forms-guides/number/forms-001-99/ks10-form-ks-optout.html>
- Set up a system for recording hours worked , tracking leave and calculating regular payroll eg.
<https://thankyoupayroll.co.nz/>