

Tax basics for Writers with Anna Scott

CA CPP

2024





Overview

- Ask questions at any time (you know someone else will want to know too) Pop in chat.
- Do you need to pay tax? Hobby or business?
- Income tax, secondary tax
- GST
- Keeping records (software options)
- Bank accounts
- Income - cash, grants, prizes (what is it?)
- Deductible expenses
- How to pay yourself?



Hobby or Business? What about tax?

A hobby is generally something you do in your spare time for pleasure or recreation. A business is something commercial, where you aim(intend) to make a profit.Do you:

- charge others for the goods/services you provide? Payment doesn't have to be in cash.
- supply goods/services on a regular basis?
- intend to make a profit from providing goods/services?
- plan, organise and carry out your activities in a businesslike manner, eg keep receipts and records, or have a separate bank account for your business activities?If you answered yes to some or all of those questions, you probably need to declare your income.

If you occasionally sell your stuff to friends, at local markets, or on sites like Trade Me and eBay, you're OK. There are no tax implications for private one-off sales.

If you are seriously researching, writing, training etc then so long as income is on its way you're in business.

Being in business means you have to fulfil tax obligations – income tax and possibly GST too

<https://artistservices.co.nz/pages/calculators>



Tax



Do you have an IRD number? You will pay tax on your profit

If you register for GST as a sole trader/self employed your GST number is your IRD number

Income tax rates for a sole trader(individual) are:

Up to \$15,600 10.5% (starts at \$1), \$15,601- 53,500 17.5%, \$53,500 - \$78,100 30%

\$78,101 to \$180,000 33%

Over \$180,001 39%

Add together all of the sources of income and total is what tax is paid on. Marginal rates (ie you are taxed in these blocks)

Tax code - use the IR330 flowchart as everyone is different.

Secondary tax - helps you pay right amount of tax so don't get a big bill at year end. IRD has codes to use depending on level of earnings.

Can kick in for pension or if employed with PAYE as well

Provisional tax (\$5000 residual income tax) and Discount early payment (1st year, conditions, 4.3%) First tax return could be two years of tax due



GST

Must register if have over \$60,000 in turnover in a 12 month period.

Compliance - 2 or 6 monthly GST returns. Penalties if pay or file late. Register on payments basis as this is about cash/money received spent from bank account not when invoiced. Can register in MYIR

Voluntary registration - why? Suppliers might require it, your expenses are higher than income so can claim refund. You might have larger costs to start and then income, so will start with a refund and then pay GST. Forces you to keep on top of business admin.

When your time is a big part of costs this is unlikely to happen as no GST on wages.

If you have a taxable activity (see hobby slide) can register early.

Not ideal to register and deregister as your income changes, admin costs with this. Up to you.

Overseas income - zero rated for GST if supplied overseas, still counts towards threshold



Income - what is income?

If this is your business then any money (or value of barter) received for your goods or services is taxable.

Intention

Grants and prizes can be taxable - grants may specify they are not, check fineprint. The expenses that the grant is spent on are also not deductible. Get advice here. Include as part of self employed income.

Koha - not taxable if it is a gift and giver receives nothing in return. If writing for a publication would be income if you received a benefit from it (ie exposure). Case by case

Royalties - these are also included in your total income in the year they are received. For ACC and income tax return in the year it is received not going back and changing to when work produced.

Overseas income - taxed in NZ if NZ tax resident. Use zero for exchange rate. Or customer bears the costs by buying in NZD <https://www.ird.govt.nz/managing-my-tax/overseas-currency-conversion-to-nz-dollars>



Deductible expenses

Remember to keep the receipt or it can't be claimed (\$200 for GST, keep all for income), take a photo

Do I need to spend the money to earn money? research, stationery, courses, training, coffees with clients etc (50% deductible). Items over \$1000 (equipment etc) need to be depreciated using IRD rates. Any personal benefit then generally non deductible.

Motor vehicle - If you have a vehicle that is only used for business purposes, you can claim the full running costs as a business expense. If you use your vehicle for both business and personal trips you will need to work out how to allocate costs correctly. Travelling from home to work is a personal trip. There are 3 ways to do this – keeping a logbook, claiming 25% of the vehicle's running costs or adding up the actual costs. We publish the kilometre rates after each tax year ends on 31 March. We usually publish the rates for the tax year just ended by May. record all of your business trips

Space you work in (rent or home office claim).

Home office - you can claim a % of the space you work in at home. Measure the space that is used and get total house space (square metres). Collect bills such as rent, mortgage interest, rates, insurance, power. General repairs replacing like with like can be apportioned too.



Keeping records



Keep all receipts for deductible expenses (an invoice includes date, amount, gst or not, sellers details, buyers details (if over \$1000), description of goods/services.

Keep a record of all your sales and income from various sources (whether received in bank or cash you still need to pay tax on it.)

How many hours do you work - helpful for ACC, government subsidies etc

Separate bank account (even a suffix of your normal account), income and expenses through here

You will need to file a tax return at the end of tax year (31 March)

Xero - invoice function, bank feed, range of prices, non invoice is with xero partners (from \$14 per month). Can save time and accounting fees, live information

Hnry - only sole traders, option to invoice, takes out tax/acc/gst, can submit expenses (pricing 1% plus GST on income paid into Hnry account, max \$1500 per year)

Export bank transactions to spreadsheet and analyse/send to an accountant for help with year end tax.

Keeping good records reduces accounting costs.

<https://www.ird.govt.nz/managing-my-tax/record-keeping/record-books>



Bank accounts

Important source of information for your tax return

Try and make sure all income goes in there

Cash - make a deposit and put a reference

Expenses - pay through bank account and keep receipts

Separate bank account to put aside income tax, GST and ACC



How do you get paid?



Drawings - taking out money for you!

Basically you can repay any funds you have brought into business and you can draw out the profit (income less expenses).

As a sole trader if you draw too much it doesn't matter. As a company it does (you are separate entities).

You pay tax on profit not drawings



Other questions?

If this is all a bit overwhelming an accountant could be helpful and their fees are tax deductible. Using a tax agent will also mean you don't have to file your income tax return on 7 July, have the whole year. They can also provide assurance that you are not making any mistakes, and can help with deductible expenses etc.

Register for my IR <https://www.ird.govt.nz/topics/myir-secure-online-services/register-for-a-personal-myir-account>

Provisional tax dates (for non GST registered or 2 monthly GST payers)

28 August, 15 Jan and 7 May

For 6 monthly GST payers - 28 October and 7 May <https://www.ird.govt.nz/income-tax/provisional-tax>

ACC - use BIC code for levy calculation, use main activity or talk to ACC. Make sure you check its not being increased to full time equivalent (check ACC invoice). Register online for ACC account. **R900267 is writer BIC**