

START ME UP!

Starting Your Own Business CourierPost Owner-Driver Contractor: IRD & ACC Requirements



Disclaimer. The information in this document is for information purposes only. You will need to ensure that you contact a qualified professional in order to structure your business arrangements so that they best suit your situation.

Where to start?

To give you an idea of what is involved in setting up as a business, we recommend you read the following and take advice from a small business consultant or chartered accountant.

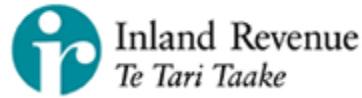
Inland Revenue will also help to set you up and have information and services on their website which you will find helpful. Visit www.ird.govt.nz or phone 0800 377 774 for free help by one of their small business tax advisors.

- To be a CourierPost Owner-Driver Contractor you must be set up as a GST registered business and will be assessed for provisional tax. You will be classed as a 'Sole Trader'. You will also need to register with ACC.
- ACC have a website you can visit. You will find them at www.acc.co.nz or you can call free on 0508 426 837 to register.
- The KiwiSaver retirement savings plan may affect Owner-Driver Couriers who pay PAYE tax for their temporary or casual workers. Visit the KiwiSaver website for more information on employer obligations and forms and guides at www.ird.govt.nz/kiwisaver or call INFOexpress 0800 257 777.



The information contained in this document is not intended to replace professional advice and is merely to give you an idea of what is involved in setting up your own business as an Owner-Driver Contractor. We suggest you wait until you receive our letter of offer before applying to register with IRD and ACC.

What about the IRD (Inland Revenue Department) and taxation requirements?



When you are setting up your own business, Inland Revenue recommend a visit by one of their tax advisors. This is a **free** service and the advisor will provide information and resources to help you take care of your business, including:

- how to keep a cash book
- what paperwork and records you will need to keep and for how long
- how your personal (provisional) tax is assessed
- what expenses and depreciation on your assets you can claim for
- GST returns
- what your responsibilities are for PAYE deductions for wages for an Authorised Relief Courier or runner

It is your responsibility to ensure you are correctly set up for GST and personal tax and ACC levies.

You must ensure you pay required levies and taxes according to IRD requirements.



Remember that in your second year as an Owner-Driver, unless you make alternative arrangements with Inland Revenue to make first year payments, you will be required to pay both the first and second year tax assessments and will need to make provision for this. We recommend you ask Inland Revenue to set you up to make provisional tax payments during your first year in business.

Failure or default on taxes and levies will result in penalties and interest being charged on the overdue amounts. It makes sense to ensure you receive good advice to enable you to run your business using best business practises to avoid any problems down the line.

Failure to set aside money to cover GST and tax payments are major reasons why many small businesses run into cash flow problems.

Just like the Mounties always get their man the IRD always find a way to get the money that is owed to them.

Following our letter confirming our offer of a contract to become an Owner-Driver, these are the first steps to setting up your business

Step 1:

Call IRD to register for GST and arrange a free visit by an Inland Revenue tax advisor, call 0800 377 774 or go to www.ird.govt.nz for more information



Step 2:

Call ACC to register 0508 426 837 or go to www.acc.co.nz

Step 3:

Arrange a separate current and savings account with your bank and visit your tax consultant or accountant to set up your book keeping system

Step 4:

With your tax consultant, work out what you will need to put aside from your earnings each month (preferably into your business savings account) to pay GST, personal tax and ACC levies. If you intend to employ a relief courier, you may need to budget for their wages and PAYE

Step 5:

Note the dates taxes and levies are due on an annual planner and ensure you file all returns and payments on or before due date. If you are using a professional to prepare your returns, they will require all your paperwork and accounting records including pay invoices and receipts in good time to meet the deadlines



The following are explanations of some the forms and systems you should submit / keep as a record of your business, for best practice.

- **Cash Book System** (*Cash book available from any stationery outlet*) – to record earnings, GST, running costs including tax deductible expenses, basically all income and expenditure related to your business) - This is your daily record of income and expenses and you should keep a cash book in order to work out your income (earnings) and outgoings (deductible expenses and non-deductible expenses) for your personal tax and GST returns
- Refer to the enclosed example from Inland Revenue of how a cash book is used to calculate your GST Return and keep track of all your operating earnings and costs. It is suggested you set up a separate bank account from which to operate your business
- Your business bank account records must be kept for seven years
- You will also need to keep all invoices and receipts relating to your business. It is suggested you use a simple box file system and keep these documents in the order in which you enter them in your cash book. This will make it easier for the person preparing your annual tax return
- **Goods & Services Tax Return (IRD Form: GST 101)** - You can choose to pay your GST on a monthly, two monthly or six monthly basis. It is recommended you choose the two monthly option. Once you have registered for GST, Inland Revenue will send you the forms to make your returns. Due date is the last working day of the month and penalties and interest are charged on any late payments of GST. You can choose to pay this tax by on line direct credit if you wish

If you employ workers who are required to pay PAYE tax you are classed as an 'Employer' and must ensure the required IRD forms and information are submitted to Inland Revenue. These forms are:

- **Tax code declaration (IRD Form: IR330)** - Your employee must choose their tax code and fill out this form which you must retain for at least seven years after your last payment of wages to the employee
- **Wage Book System** (*Wage book available from any stationery outlet*) - This must be kept to record the wages you pay to an employee and is a record of the PAYE you collect for Inland Revenue
- **Employer Monthly Schedule (IRD Form: IR348)** - This form is filled out from the information you have recorded in the Wage Book
- **Employer Deductions (IRD Form: IR345)** - This is the form you use to advise IRD of the PAYE payment you are making. This payment can also be made on line
- All wage records must be kept for at least seven years, including all pay sheets and PAYE deduction receipts

Example Cash book

New month on new page

Choose revenue items relevant and common to your business

Give yourself space

June sales and income

DATE	REFERENCE	BANK	GST RECEIVED	SALES	GRANTS	FUNDS INTRODUCED (NO GST)	INTEREST (NO GST)	SUNDRY
3 Jun	Customer Sale	✓	2,000.00	222.22	1,777.78			
5 Jun	Government	✓	400.00	50.00	400.00			
7 Jun	Sale of computer	✓	1,125.00	125.00				1,000.00
14 Jun	Tim Day	✓	200.00			200.00		
21 Jun	Interest received	✓	15.35				15.35	
25 Jun	Customer Sale	✓	6,700.00	750.00	6,000.00			
27 Jun	Customer Sale	✓	2,250.00	250.00	2,000.00			
30 Jun	Customer Sale	✓	4,500.00	500.00	4,000.00			
	TOTALS	✓	17,200.35	1,897.22	13,777.78	400.00	15.35	1,000.00

Separate column for GST only if you are registered for GST

Choose expense items relevant and common to your business

June purchases and expenses

DATE	REFERENCE	CHEQ	BANK	GST PAID	PURCHASES	WAGES (NO GST)	RENT	MOTOR VEHICLE	LOAN REPAYMENT (NO GST)	DRAWINGS (NO GST)	BANK FEES (NO GST)	SUNDRY
3 Jun	S. Tuck Ltd	✓ 213100	3,500.00	368.89	3,131.11							
5 Jun	Stone Hairs	✓ 101	650.00			650.00						
7 Jun	Landlord (rent)	✓ 102	750.00	83.33			666.67					
14 Jun	Petrol Co	✓ 103	55.00	5.56				44.44				
21 Jun	Tim Day	✓ 104	400.00							400.00		
25 Jun	GST paid to IRD	✓ 105	300.00									300.00
26 Jun	S. Tuck Ltd	✓ 106	7,000.00	777.78	6,222.22							
28 Jun	Petrol Co	✓ 107	80.00	8.00				72.00				
28 Jun	Stone Hairs	✓ 108	650.00			650.00						
28 Jun	S. Tuck Ltd	✓ 109	1,000.00	111.11	888.89							
30 Jun	S. Tuck Ltd	✓ 110	1,125.00	125.00	1,000.00							
30 Jun	Petrol Co	✓ 111	25.00	2.78				22.22				
30 Jun	Bank fees	✓ 112	10.25								10.25	
30 Jun	Term Loan	✓ AP	800.00						800.00			
	TOTALS		16,326.25	1,500.07	11,222.22	1,300.00	666.67	111.10	800.00	400.00	10.25	300.00

Combined totals should equal the total in the bank column

Put uncommon items in the sundry column rather than setting up a new expense column

Note: We recommend you keep a cashbook or equivalent system. For more information see your accountant or the IRD.

What about ACC (Accident Compensation)?



All self-employed people must purchase personal injury cover for work and non-work injuries. This is called Coverplus.

Once you register for ACC you will be advised on the cost to you through an annual levy. This is based on your earnings from self-employment and the type of work you do. The levy rate largely reflects the injury risk of your industry.

After you have filed your IR3 tax return (usually due by 7 July), Inland Revenue send ACC details of your earnings. ACC will then send you an invoice for your levy, about eight weeks after you have filed your tax return.

Payment is due within 30 days of the invoice date.

Due to the expenses of being an Owner-Driver Contractor, you may decide you will need additional ACC cover. ACC offer this under a scheme called Coverplus Extra. For more information, visit www.acc.co.nz/productslevies on the ACC website.

Register for your ACC Levy by Free Call – 0508 426 837



KiwiSaver for Employers

KiwiSaver is a voluntary, work-based savings initiative starting from 1 July 2007 which aims to make regular saving for retirement easier for New Zealanders.

This may affect you as an Owner-Driver if you employ an authorised relief courier or runner or any other wage earner where you pay PAYE on their wages. This includes temporary or casual workers.

Visit the KiwiSaver website www.ird.govt.nz/kiwisaver or phone INFOexpress 0800 257 777 for details of your obligations as an employer.

An employer is a person who pays, or who is liable to pay, salary or wages. The KiwiSaver Act 2006 covers employers who are New Zealand Residents or who carry on business from a fixed establishment in New Zealand

KiwiSaver for contractors and the self employed:

If you are self employed, and you want to join KiwiSaver, you will need to choose a scheme provider and apply directly. You and your provider will need to decide how much you will contribute. If you opt in to KiwiSaver, you can't opt out.



Launch Yourself on the Right Track