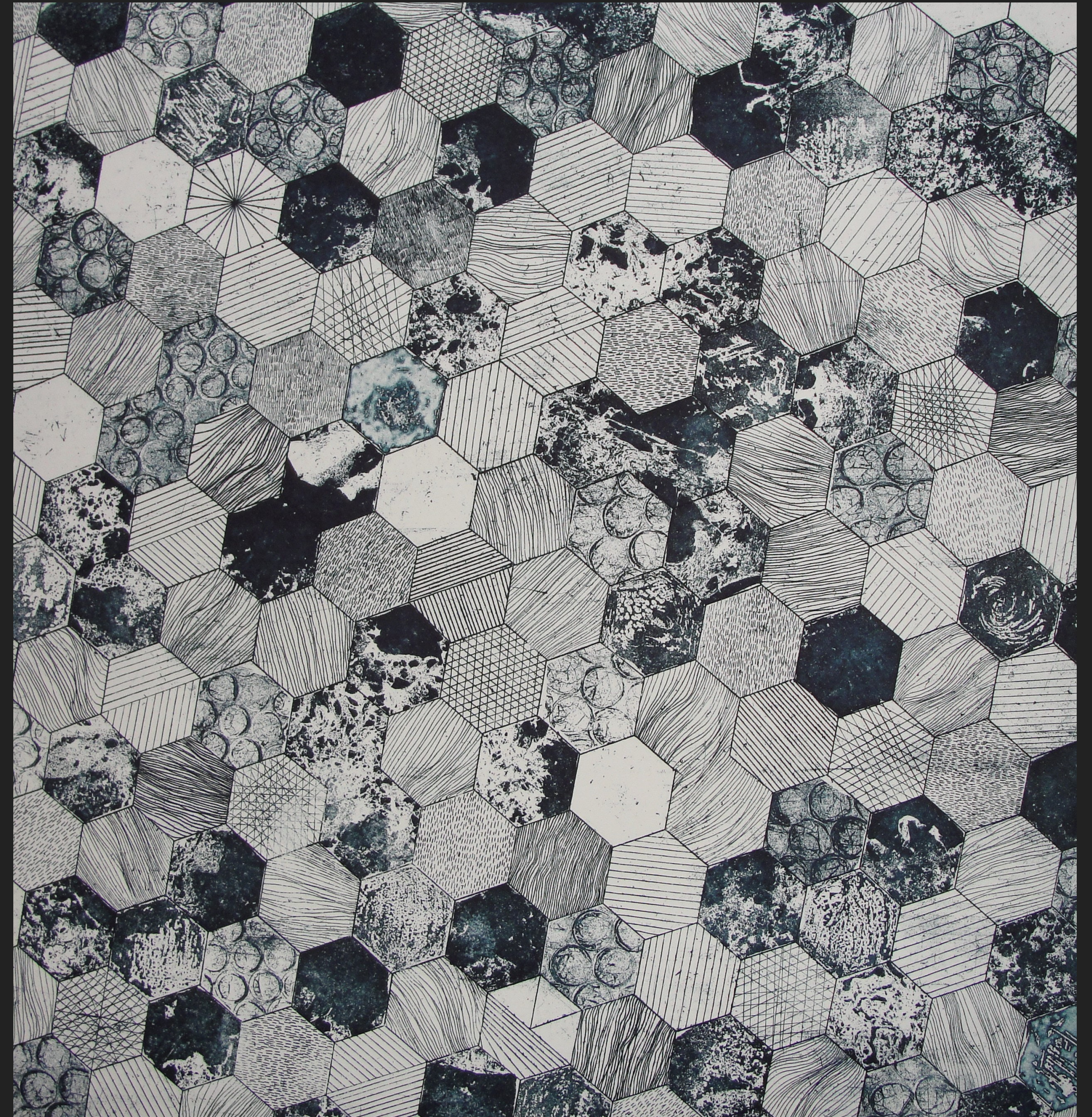


TAX FOR CREATIVES

ARTIST LIFE SERIES

AGENDA

- ▶ Income Tax
 - ▶ Income
 - ▶ Expenses
 - ▶ Tax calculation and payments
- ▶ GST
- ▶ Tools available to use
- ▶ Q&A



ASSUMPTIONS

- ▶ Focussing on “self employed income”. That means income you earn in your own name (not through a company) but is not employment or contracting income.
- ▶ We will discuss how your PAYE or withholding tax interacts with your tax calculation on self employed income.
- ▶ Not to make you a tax expert but to give you some key information so you can get started by yourself. Confidence and ease!



CHECK IN – SLIDO

485860

**APART FROM DEATH AND PAYING TAXES,
EVERYTHING IN LIFE IS ONLY FOR NOW.**

AVENUE Q THE MUSICAL

WHAT EVEN IS TAX?

- ▶ What is it?
- ▶ Where does it go?
- ▶ Why do we have it?
- ▶ Why do we love it?



Fast Company ✓
@FastCompany

This startup lets neighbors pool their money to invest in their communities fast.co/CUEZrDy



Natalie Shure ✓
@nataliesurely

some tech bros just accidentally
invented taxes

INCOME TAX

INCOME TAX: INCOME

- ▶ What defines income?
 - ▶ Technically, Part C of the Income Tax Act 2007
- ▶ Money earned through intentional action to make profit
- ▶ Salary and wages, contracting, selling goods and services, trading investments including land

INCOME TAX: EXPENSES

- ▶ What defines expenses?
 - ▶ Technically, Part D of the Income Tax Act
- ▶ The “general permission” means that anything you spend money on which allows you to make money and operate your business is able to be claimed as an expense.
- ▶ Some things may have a business and personal component to them. In that case, we can treat only a portion of that expense as a deduction.
- ▶ Cannot claim expenses against employment income, but you can claim against contracting and self employed income.

INCOME TAX: EXPENSE EXAMPLES

- ▶ Any consumable equipment all can be claimed in full.
- ▶ Home office expenses:
 - ▶ Proportional to the size of your home office in your home.
 - ▶ Rates, power, internet, and rent or interest on your mortgage.
- ▶ Driving - IRD's kilometre rate. (At the moment it is \$0.79/km).
- ▶ Any "professional development" expenses can be claimed in full - including travel and accommodation.
- ▶ Any big purchases will likely be treated as an asset and depreciated.

INCOME TAX: EXPENSES

JACKI LYDEN, HOST:

And now back in time to the era of ABBA. We're talking, of course, about the four gifted Swedes who took the '70s by the scruff of the neck with their hip-wagging brand of Euro pop. And almost as wonderful as ABBA's music were the band's outfits. Dungarees, hot pants, jumpsuits, platform boots, sequins and all of it worn with a dose of glamour. But it turns out that their sartorial choices weren't just about style. A new, official band biography reveals that ABBA actually got a tax benefit for donning outrageous outfits. Swedish tax laws allowed the cost of their costumes to be deducted against tax, but only if they were wild enough that they could not be worn for everyday use. So, yeah, of course they were in it for the music, but also the Krona.

WARNING: MATHS AHEAD

INCOME TAX: CALCULATIONS

- ▶ Income tax is calculated as a percentage of your net profit.

$$\text{INCOME} - \text{EXPENSES} = \text{NET PROFIT}$$

- ▶ To work out how much tax you have to pay at the end of the year, you use the progressive tax rates on personal income to work out your income tax liability

$$\text{NET PROFIT} \times \text{TAX RATES} = \text{INCOME TAX LIABILITY}$$

- ▶ To work out how much tax you need to pay, you subtract any tax you paid throughout the year (e.g. PAYE or WHT) to work out your residual income tax. This is the amount to pay to the IRD.

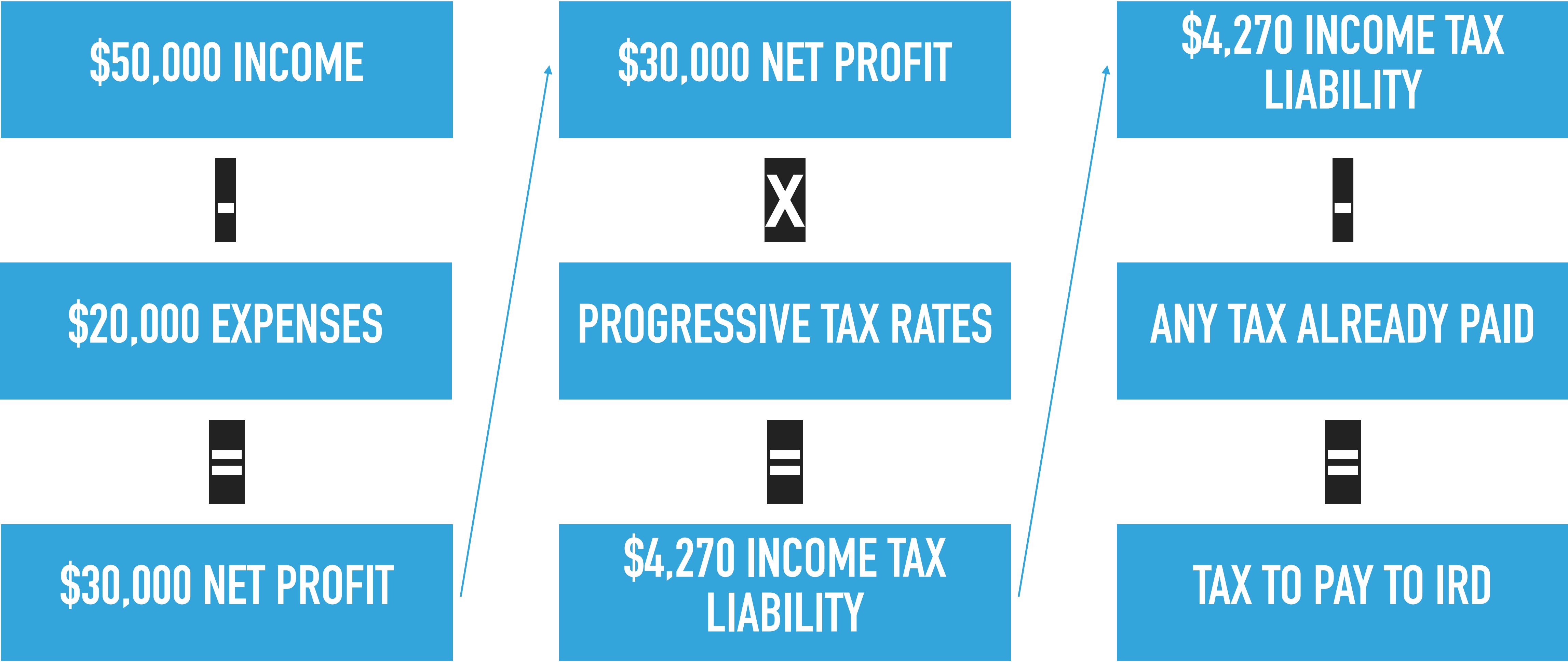
$$\text{INCOME TAX LIABILITY} - \text{TAX ALREADY PAID} = \text{RESIDUAL INCOME TAX}$$

INCOME TAX: TAX RATES

- ▶ Personal tax rates in Aotearoa are progressive. That means you pay less tax if you earn less money.

From 1 April 2021	
For each dollar of income	Tax rate
Up to \$14,000	10.5%
Over \$14,000 and up to \$48,000	17.5%
Over \$48,000 and up to \$70,000	30%
Over \$70,000 and up to \$180,000	33%
Remaining income over \$180,000	39%

INCOME TAX: CALCULATIONS



PHEW! THE MATHS IS OVER!

INCOME TAX: PAYMENTS

- ▶ Terminal tax
- ▶ Provisional tax

**DON'T LET TAX
ADMINISTRATION KEEP
YOU FROM YOUR
EARNING POTENTIAL.**

INCOME TAX: FINAL COMMENTS

- ▶ IRD's website and "myIR" portal.
- ▶ The IRD's priority is tax compliance.
- ▶ The IRD will charge you interest and penalties on late tax or underpaid tax.

GST

GOODS AND SERVICES TAX

- ▶ Goods and Services Tax (GST) is a value-added tax or consumption tax for goods and services consumed in Aotearoa.
- ▶ Some activities (e.g. residential rent and financial services) are exempt from GST, but most goods and services in Aotearoa will have GST added.
- ▶ GST is money that you deal with on behalf of the government, and you report your GST to the government.
- ▶ Not everyone is registered for GST. If you earn over \$60,000 in a 12 month period you need to register.

1

\$115 CASH INFLOW
(BANK)

\$100 INCOME

\$15 GST IN

2

\$80.50 CASH OUTGOING
(BANK)

\$70 EXPENSE

\$10.50 GST OUT

Before GST Return

3

\$34.50 IN BANK ACCOUNT

\$30 NET PROFIT

\$4.50 GST IN

After GST Return

4

\$30.00 IN BANK ACCOUNT

\$30 NET PROFIT

GST = \$NIL

TOOLS

TAXES: TOOLS AVAILABLE TO YOU

- ▶ Get a separate bank account for your business income and expenses
- ▶ Spreadsheets
- ▶ Xero/MYOB
- ▶ HNRY
- ▶ Open Collective
- ▶ Paying an accountant

CHECK OUT – SLIDO

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Q&A

SLIDO CODE 485860