

# BASIC ACCOUNTING: With Lynda Parsons

*Lynda Parsons is the director of Entertainment Accounting Services, who specialise in looking after people in the film and entertainment industry.*

## WHAT CAN I CLAIM ON AS AN ARTIST?

**Grooming:** Being a public person, sometimes people know exactly who you are so therefore you can claim things like grooming. Even though what you perform in will quite often be your street wear, you will be able to claim a percentage of that cost. You can claim on new clothes, haircuts etc. for performance related expenses.

**Entertainment:** If you are going to a concert to socialise with other musicians and people in the entertainment industry, you can claim on door charges, ticket costs, bought drinks etc as an Entertainment cost.

**Repairs & Maintenance:** If you have to pay for repairs for your musical instruments that you use in the band, you can also claim on these costs.

**Printing & Stationery:** If you purchase a magazine about the film or music industry, you can claim on these costs.

**Tour Expenses:** When you're travelling with the band and paying for your own accommodation or any extra costs that aren't being paid for by the booking agent, you can claim these costs.

**Storage:** If it's a business expense then you can claim on gear storage costs.

**Bank Charges:** Bank charges will apply to your business account, you can claim on these.

**Motor Vehicle Expenses:** If you run a motor vehicle, keep a log book where every 3 months you work out what your business use is versus your personal use. Once you work that out, you can claim that percentage within your tax return. It will cover petrol, repairs, insurance, and even depreciation on the vehicle.

There are many other costs, but the best way to look at it is that if you've incurred a cost which is in running your business like recording costs, video shoots etc. then more often than not, it is tax deductible.

## HOW AND WHEN SHOULD I GST REGISTER?

You've got to be very careful when you make that decision, you don't have to be GST registered until your gross income is at least **\$60,000** a year. Sometimes people rush in and register for GST because they think they are going to get a GST refund, but it does cause problems if you're not earning that much income and the GST that you're claiming back isn't that a large amount because you're putting a lot of compliance on to yourself to complete those GST returns.

Start to think about how much income the business is earning, and if it warrants being GST registered. Do you have a lot of business expenses where you're paying out a lot of GST even though your business may be running at a loss? That's another good reason to be GST registered on a voluntary basis.

Be very careful when people say that if you're GST registered that you don't have to have Withholding Tax deducted from your performance income. That's **incorrect**, because as long as you're a self employed person then WT should be deducted from your performance income. The only people exempt from paying WT is if they're registered as a company, or they have a certificate of exemption.



# WHAT IS THE DIFFERENCE BETWEEN BEING REGISTERED AS A COMPANY AND A SOLE TRADER?

When registered as a company you move into a different arena of what you've got to return to the IRD, and are obliged to complete a full set of financial statements. You also need to make sure you're registering every year online, and it's your responsibility to provide your details for their records.

As a sole trader, the obligation isn't quite the same where you can't do a basic profit/loss summary, which is a summary of your income less your expenses. As a sole trader your main responsibility to prepare your tax return by the **7<sup>th</sup> of July** every year.

**When to register as a company:** You may want to consider this when you've been signed to a record company or publishing company, or you have assets that you want to protect. If your income shoots above \$60,000 a year then it's a good idea to seek professional advice towards registering as a company. Sometimes it is still best to remain as a sole trader, especially if you're incurring a lot of losses. Because that way, the losses can flow through to you as a tax payer rather than a being a registered company, where they are captured and must be carried forward to offset against future income.

## TIPS FOR KEEPING RECORDS

Keeping records is really simple. The main thing people need to be aware of is using the best way that is convenient for them. Get yourself a ring binder with dividers labeled:

- **Income**
- **Expenses**
- **Bank Statements**
- **Credit Card**
- **Home office expenses**
- **Sundry (Miscellaneous)**

As you start to pay your expenses or have any income invoices, just hole punch them and put them in the ringbinder. If you have lots of little receipts, some people like to staple them to a piece of paper and others like to keep them in envelopes and mark the month that it was incurred. Some people prefer their filing to alphabetised.

At the end of the day, it depends what you work best with. If you don't have a lot of expenses, just keep envelopes for each month of the year and put your receipts in it. If you want to go the extra mile, categorise those expenses with the ones above afterwards. Be very diligent in how you keep your records, because if you don't provide a receipt for the IRD to substantiate the claim that you're making, it can be overturned.



## WITHHOLDING TAX (IR330)

When is withholding tax deducted from what you're earning, and when isn't it? If you're recording a jingle for a company and you're a sole trader, the company will ask you for your IRD number and to fill in an IR330, then they will deduct withholding tax at 20%. But, that does that you a favour because it gives you tax credits "in the bank". When you do your tax returns, you've actually got some tax paid on it.

If you're performing at a venue and you're being paid cash, while I appreciate it can be a token koha that's being paid to you chances are it won't be WT deducted because it is a minimal fee that is being paid to you as a thank you.

With door takings, the promoter won't take withholding tax off it because it's cash. You need to bank it into your business account, because it is part of your taxable income.

Whenever you are performing on stage in public as a sole trader, you will always have WT deducted. But, if you are a session musician performing on someone else's album, there is no WT deducted from that payment because you are working in the background for an album to be recorded and not performing in public.

If in doubt and you want the tax credits, then have the WT taken off it. As long as you know that it's definitely being paid on to the IRD, you'll have tax credits at the end of the year and a chance of getting a refund back.

## ACCOUNTING SOFTWARE

[Cashbook](#) (Free): Keeps a very easy record of your income and expenses.

[Cash Manager](#): (\$300 - \$500):

[Xero](#): 'Up In the Clouds' online accounting. You can manage your online accounting anywhere

[Banklink](#): Your accountant can download your bank statements into Banklink, but have no access to your bank account. The Bank will aggregate this information to your accountant.

## THE IMPORTANCE OF ACCOUNTING

Most taxpayers think "Great I've paid my withholding tax, I don't need to do anything further." You've actually moved into what I call a Self Employed Person. The IRD expect you lodge a tax return declaring that income, claiming the WT and because you're running a business you can also claim your expenses against it. You'll be amazed how many clients that we take on, who have come to us because they are 5 years behind in their tax. They've had nasty letters from the IRD, late filing penalties, and all because they've thought that they didn't need to do anything further. Everyone has to lodge a tax return by the 7<sup>th</sup> of July each year. If you use a tax agent, you get an extension of time to March 31<sup>st</sup> of the following year. It's up to the tax agent to contact you to get the information in, but be proactive with them and get your information in as soon as possible because if you're owed a refund, you might as well have the use of that money rather than the IRD. The IRD can fine you for not lodging it on time, and charge money in interest and late filing penalties.

Be very careful about the emails you receive saying "you've got a tax refund" they AREN'T GENUINE. All they want is your IRD number.

Sometimes it's best to know and be done with your tax return. You may just surprise yourself with what you can claim.