Popular Future

As health standards rise and birth rates decline, the impact is being felt on populations worldwide.

World population growth has begun to slow, but population remains on an upward trajectory. The latest UN projections are the planet will have 7.5 billion people this year, 8 billion in 2024 and 10 billion in 2056.

Population is growing differently. In much of Europe, it has plateaued, with Russia and Eastern Europe seeing falls. In a variety of nations, from China, Australia, Brazil, US to India, population growth is slowing as people’s health and wealth rise and with fewer children. (India is still projected to be the world’s most populous nation by 2022.)

African boom
In most of Africa, however, population growth is high. By 2050, the UN estimates Nigeria alone will have nearly 400 million people, making it the planet’s 3rd most populous nation. The Democratic Republic of Congo and Ethiopia will also rank among the most populous 10 nations on Earth.

What this means for living standards on the world’s poorest and most strife-torn continent, no-one knows for sure. One inevitable result: Africa will matter more to the world economy.

Soaring life expectancy
Another reason for global population growth is the astonishing gains in human health. The International Monetary Fund (IMF) reports the global death rate has fallen from 19.2 deaths (per year, per 1000) to just 7.8 in the past 60 years.

That corresponds to a 24-year gain in global life expectancy – from 47 in 1950-55 to 71 now. “This 24-year increase, is a truly astonishing human achievement – and one that has yet to run its course.”

The teenager shortage
The IMF numbers also suggest the world is in the early stages of a shortage of 15 to 24-year-olds. These adolescents and young adults now make up 16% of the world’s people. While numbers sit above 20% in Micronesia and some African nations, they represent 10% or less in nations like Spain and Japan. By 2020, it is expected this younger demographic will drop in countries as diverse as Armenia, China, Cuba, South Korea, UK, Vietnam, US, Russia and Iran.

In the short term, this means less social upheaval, as well as lower spending – or higher quality – for education. It’s part of what demographers call the “demographic dividend”, which helps speed development in countries with fewer young people.

Harvard demographer and economist David Bloom notes that Hong Kong, South Korea, Singapore and Taiwan all benefited from this dividend after cutting their birth rates in the 1960s and 1970s.

Stagnant Japan?
Everyone knows Japan has had 25 years of sluggish economic growth. What most people forget is Japan’s population peaked in 2008 and has since been falling, and its working-age population has been falling even faster.

When you measure economic growth per person, however, Japan is not that far behind economies such as the US, according to a new report by the US Council of Economic Advisers. What’s more, when comparing growth in output per working-age individual, Japan (1.6%) actually leads the US (1.4%).

In the Black Magazine, May 2016, pp10
10 Tips on Start-Up Success

Venture capitalist Paul Graham is famous for his ability to pick apart the things that make technology start-ups succeed or fail.

He was involved in an early start-up success himself, as co-founder of website maker Viaweb, acquired by Yahoo in 1998. He then co-founded the successful Y Combinator, a company that both invests in and nurtures new start-ups.

Y Combinator’s successes include Dropbox, Airbnb, Stripe, Reddit, Optimizely, Scribd and Heroku. Here culled from apulgraham.com – and covering more than a decade of his thoughts – are 10 ideas on internet start-ups.

1) Build something you want
2) Offer ‘surprisingly good’ customer service
3) Don’t obsess about the competition
4) Do your start-up with friends (will you stay friends? – care is needed with this idea…)
5) Launch your product as soon as possible
6) Make profit your priority
7) Make a few users very happy
8) Evolve your product
9) Use programmers to manage programmers
10) Know your users

For more information on these ideas please refer to the following link,
http://intheblack.com/articles/2016/06/01/10-tips-to-startup-success

David Walker, IntheBlack, June 2016, pp67

Starting out with Start-ups

Immigrants have started more than half (44 of 87) of USA start-up companies valued at US$1 billion or more, says a new study. They are also key members of management or product development teams in more than 70% (62 of 87) of these companies.

The paper, “Immigrants and Billion Dollar Startups”, was written by Stuart Anderson for the pro-immigration National Foundation for American Policy. It calculates that the collective value of the 44 immigrant-founded USA companies is US$168 billion, which is close to half the value of the stock markets of Russia or Mexico.

Among the start-up founding immigrants are South African-born Elon Musk, co-founder of PayPal and founder of Tesla and SpaceX, and Indian-born Jyoti Bansal, who waited seven years for his employment-based green card to start performance management and analytics company AppDynamics.

IntheBlack, June 2015, pp15

Mileage rates

If you’re self-employed you can use the IRD mileage rate to calculate the cost of using your motor vehicle for business purposes.

The mileage rate for the 2016 tax year was decreased from 74 to 72 cents per km

Changes to land sales could affect you ...

Are you selling residential land? From 1 July 2016, a new withholding tax – residential land withholding tax (RLWT) – may need to be deducted from a property sale/disposal where the property being sold/disposed of is in New Zealand and meets the definition of ‘residential land’, and the vendor:

- acquired the property on or after 1 October 2015, and
- has owned it for less than two years before selling or disposing of the property, and
- is an offshore RLWT person

Obviously, this affects non-residents. Less obviously, an ‘offshore RLWT person’ includes New Zealand resident companies who have shareholdings of 25% or greater held by foreign persons, and trusts where more than 25% of the trustees are foreign persons. Just because your business is a New Zealand company, it doesn't mean you will not be caught by these new rules.

It is possible for certificates of exemption to be applied for affected taxpayers. Contact us if you think this may affect you.
Tax Talk

In April, the Government announced proposals to simplify business tax, with legislation to be passed in August this year. They asked for feedback by end May on the best way to implement these proposals. The **earliest of the changes would take effect from April 2017**, with more coming online in 2018. At the moment, this would change the tax landscape to look something like this:

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**From 1 April 2017**

**Use of money interest**

Hundreds of thousands of taxpayers will be better off following the government’s proposed revamp of business tax, as they will be removed from Inland Revenue’s use of money interest regime, says Tax Management NZ chief executive Chris Cunniffe.

Taxpayers using the standard uplift method (paying 105% of last year’s tax bill) will no longer be charged interest if they underpay at their first and second provisional tax dates, provided they pay the income tax they owe at their last provisional tax date.

Businesses and individuals who have residual income tax below $60,000 will also not be subjected to interest. It is expected that 67,000 taxpayers will benefit from this.

**Penalties**

Incremental late payment penalties will be removed from new debt for goods and services tax, income tax and Working for Families Tax credits.

**Credit reporting of tax debt**

Inland Revenue can disclose significant tax debts to credit reporting agencies, so that other businesses considering extending credit can make more informed commercial decisions.

**Information sharing**

Inland Revenue can share information with the Registrar of Companies to help enforce company law requirements. This will help weed out non-compliant companies continuing to trade with an unfair commercial advantage over compliant businesses.

**Withholding tax and schedular payments**

Contractors will be able to elect their own withholding tax rate.

Contractors working for labour-hire firms can be covered by withholding tax.

Contractors and their payers can forge voluntary withholding agreements so that contractors can have tax withheld on a payday basis, reducing the impact of provisional tax.

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**From 1 April 2018**

**A new way to calculate and pay provisional tax**

The accounting income method (AIM), which will be available to taxpayers with turnover of $5 million or less, will allow those who have IRD-approved accounting software to pay income tax on a two-monthly basis. Up to 110,000 taxpayers will be eligible.

Companies can pay tax as agents for shareholder-employees in respect of their shareholder-employee salary. This will reduce the impact of provisional tax for shareholder-employees.

Taxpayers who are forced to use the estimate method due to volatility or seasonality may find tax pooling a useful option to manage income tax payments, as they will be subjected to IRD interest.

Tax pooling would also provide businesses with cash flow constraints greater flexibility around when and how they pay their provisional tax payments.
But what will it mean for me?

The outcome of the consultation phase on tax simplification may still change how or whether some aspects are implemented but it seems certain that the broad outline of the changes will go through.

**Best case scenario** for small businesses: this should reduce complexity and make it easier to pay tax. You’ll pay tax more frequently based on your business’ actual income. You may end up paying less in tax, penalties, and interest. However, paying tax more frequently may require you to keep a closer eye on cash flow to keep money coming in to pay the bills.

**Worst case scenario** for small businesses: you may end up paying more tax if you don’t stay aware of your tax obligations and ensure the accuracy of the data input into your business software. We can assist you with regular monitoring and checking your systems are accurate and fit for purpose.

New GST online filing

The first steps towards tax simplification lie in the new option for taxpayers for online filing of GST returns. Inland Revenue has been working with two software providers to pilot a service so taxpayers can file their GST returns directly from their business software. At present this can be used for GST only returns or for combined GST and provisional tax returns, although this option is not open to taxpayers who use the ratio option to calculate provisional tax.

To use this service, you need two things: 1) you need to be using the software, 2) but you also need confidence that your systems are set up to capture your GST position correctly.

You want to be sure you won’t be exposed to tax penalties for underpayment further on.

If you would like to discuss this further please contact us.

58% of females among the six million students across OECD countries who graduated from higher education institution with a bachelor’s degree in 2013.

In NZ, 57.8% of bachelor degree graduates were female. 60.2% of Post-graduates in NZ were female and 51.1% of all Masters degrees were female

21% of females (NZ) field of study was Management & Commerce and 31.8% of males (NZ) studied Engineering & related technologies.

(NZ Census 2013)