YOUR GUIDE TO

ACC

WHAT YOU **ABSOLUTELY** NEED TO KNOW

Absolute
Accounting Solutions Ltd
OUR BUSINESS IS ABSOLUTELY YOUR BUSINESS

INTRODUCTION

ACC provides personal injury cover for all New Zealand citizens, residents and temporary visitors to New Zealand.

ACC uses a risk-based classification system where business activities are grouped so the costs of work injuries are fairly distributed among similar businesses.

ACC sets levies for each group by comparing costs of previous claims with total earnings within that activity group.

Whether you are a self-employed person or shareholder employee or an employer, you are required to pay ACC levies. There is no ability to 'contract out' of the scheme.

This report covers:

- Employer Levies
- Shareholder Employee Levies
- Self-Employed Levies
- Mixed earners
- Issues for self-employed and non-PAYE shareholders
- How ACC CoverPlus Extra works
- Can levies and charges be minimised?
- Experience Rating
- No-claims discount
- Vehicle Classification System
- Fleet Saver Incentive Programme
- Our Recommendation

EMPLOYER LEVIES

For employers, ACC WorkPlace Cover levies are the levies collected for your employees who have PAYE deducted. It means that if they have an accident at work they will receive income compensation at a rate of 80% of their current earnings. Non-work accidents are paid for by employees through the PAYE scheme.

The WorkPlace Cover levies are based on the gross amount paid to your employees. ACC gathers this information from the monthly employers' PAYE schedules (IR348s) filed with Inland Revenue.

From about July each year ACC will start to send out invoices to employers for their WorkPlace Cover levies. These will be based on the earnings information obtained from IRD for the previous tax year.

There may be several components to this invoice.

In the previous 12 months you may have received a provisional assessment for the previous financial year. This invoice will include an update on that assessment and will be based on the actual earnings for that financial year.

There will also be a provisional invoice for the current financial year. ACC will assume that you are going to pay the same amount in gross wages this year as you did in the previous year (plus any adjustment for inflation) and will issue a provisional invoice accordingly. If your circumstances have changed, you may be able to get ACC to reassess that provisional invoice. There will be information sent with the invoice that explains how to do this.

There will also be a charge for ACC Health and Working Safer levies, collected on behalf of WorkSafe NZ. These are charged for in arrears and therefore relate to the gross wages you paid out in the previous year ended 31 March. They will not be included on your provisional invoice. (Note: though some people have different balance dates and this changes the date the tax year ends for them, for convenience in this fact sheet, 31 March is referred to as the end of the tax year).

When you receive this invoice it is important you check that the liable earnings you have been assessed on are close to the amount of gross wages paid in the previous year ended 31 March. You also need to check the Classification Unit - this will determine at what rate your ACC Levies are calculated.

As an example, from July 2017 onwards you could expect to receive an invoice that includes levies for the following:

- ACC WorkPlace Cover levy adjustment for the income year 1 April 2016 to 31 March 2017
- Working Safer Levy payable for the year ended 31 March 2017
- Estimated ACC WorkPlace Cover Levy for the income year 1 April 2017 to 31 March 2018

SHAREHOLDER EMPLOYEE LEVIES

WorkPlace Cover levies for shareholder employees are based on the amount paid to you as a shareholder employee. ACC gathers this information from the annual tax return filed for your Company with Inland Revenue.

From about August each year ACC will start to send out invoices to companies with shareholder employees. These will be based on the earnings information obtained from IRD for the previous year ended 31 March.

There may be several components to this invoice.

In the previous 12 months you may have received an assessment for the previous financial year. This invoice will include an update on that assessment and will be based on the actual earnings for that financial year.

There will also be a provisional invoice for the current financial year. ACC will assume that you are going to pay the same amount in shareholder salaries this year as you did in the previous year (plus any adjustment for inflation) will issue a provisional invoice accordingly. If your circumstances have changed you may be able to get ACC to reassess that provisional invoice - there will be information sent with the invoice that explains how to do this.

There will also be a charge for ACC Health and Working Safer levies, collected on behalf of WorkSafe NZ. These are charged for in arrears and therefore relate to the shareholder salaries you paid out in the previous year ended 31 March. They will not be included on your provisional invoice.

When you receive this invoice, it is important that you check that the liable earnings you have been assessed on are the same as the salaries declared in your Company's financial statements. You also need to check the Classification Unit - this will determine at what rate your ACC Levies are calculated.

As an example, from August 2017 onwards you could expect to receive an invoice that includes levies for the following:

- ACC WorkPlace Cover Levy adjustment for the income year 1 April 2016 to 31 March 2017
- Working Safer Levy payable for the year ended 31 March 2017
- Earner Levy for the year ended 31 March 2017
- Estimated ACC WorkPlace Cover Levy for the income year 1 April 2017 to 31 March 2018

SELF-EMPLOYED LEVIES

ACC have named their levies for self-employed people 'ACC CoverPlus'. This is the standard ACC product. If you have an injury covered by ACC and proof of loss of earnings, ACC will provide you with weekly compensation based on 80% of your previous year's earnings, or if you are newly self-employed, you would receive the minimum (ACC can provide the latest figures).

The ACC CoverPlus levies are based on the amount you received from self-employment in the previous financial year. ACC gathers this information from the annual tax return filed for you with Inland Revenue Department.

From about November each year ACC will start to send out invoices to self-employed people. These will be for the current financial year but will be based on the earnings information obtained from IRD for the previous tax year. If there is a significant drop in income from one year to the next there is no provision for ACC to change the basis on which they have calculated this levy. Their reasoning is that if you have an accident, your compensation will be based on the previous year's earnings - therefore that is what you are billed on.

The invoice will include the following components:

- Work levy (covers weekly compensation, rehabilitation and medical costs)
- Earner Levy (this covers non-work injuries)
- Working Safer Levy

When you receive this invoice, it is important that you check that the liable earnings you have been assessed on are the same as the profit declared in your financial statements for the previous financial year. In the case of a partnership, the liable earnings will be equivalent to your share of the partnership earnings. You also need to check the Classification Unit as this will determine at what rate your ACC Levies are calculated.

As an example, the invoice you receive from ACC from about November 2016 will be for levies for the year 1 April 2017 to 31 March 2018 but will be based on the income earned in the year from 1 April 2016 to 31 March 2017.

MIXED EARNERS

A mixed earner is a self-employed person who derives income from salary or wages from employment and earnings from self-employment. These earnings might include:

- Gross earnings as an employee
- A shareholder-employee salary
- Self-employed income
- Active partnership income

For example, an orthopaedic specialist who works for the DHB and who also has a private practice would fall into this category.

ACC is unable to identify these mixed earners as individual wage details are not provided to ACC. If you fit into this category please let us know as soon as possible as we will need to determine whether your income takes you over the annual maximum earnings. If so, we will obtain a Summary of Earnings from Inland Revenue and provide it to ACC, advising that this situation applies to you. ACC will then review your account and confirm the correct levy for your non-PAYE earnings.

ISSUES FOR SELF-EMPLOYED AND NON-PAYE SHAREHOLDERS

As you will realise, there are various components to the ACC Levy scheme. Most cannot be altered. These include:

- ACC WorkPlace Cover for employees
- All Working Safer Levies
- Earner Levies

Under the standard ACC scheme (ACC CoverPlus or ACC Workplace Cover) there are a number of complicating factors that result in loss of certainty for many shareholder employees and self-employed people when they have an accident.

One of the biggest problems is that there is no guarantee as to what cover you will receive while you are unable to work. ACC will want to know that your accident has caused a financial loss to your business. If you are unable to prove this (for example, maybe the price you are receiving for your goods or services has increased over the last year and your income was going to be up anyway), ACC may require you to pay back any compensation they have advanced to you.

There is also an abatement provision. This means that as soon as you start to return to work - even if only for a few hours a day, the compensation you receive will start to reduce based on the number of hours you work in the business.

However there is an alternative cover for self-employed and non-PAYE shareholders. It provides an opportunity for these types of people to obtain better cover and perhaps make some savings on the levies they pay. This scheme is called 'ACC CoverPlus Extra'.

HOW ACC COVERPLUS EXTRA WORKS

Under ACC CoverPlus Extra, you and ACC enter a contract where you both agree the amount of compensation that you will receive should you have an accident. This amount is then paid on a weekly basis until you are able to return to work full time.

There are some features that make it more flexible for clients:

- You can nominate a future start date (as opposed to the date ACC receives the application), allowing you to organise lost earnings cover in anticipation of circumstances
- When an employer company pays a shareholder-employee's ACC CoverPlus Extra levy (or reimburses them for payment), the amount paid/reimbursed (excluding earners' levy) is now tax deductible as an expense to the employer company
- Shareholder employees are able to be classified under their individual occupation rather than the business activity of their employer company. This tailors this cover product more appropriately to shareholder employees. However, it is important to note, that at least one of the shareholders in the business must be on the business classification

In many instances you can save significant premiums by applying for ACC CoverPlus Extra.

As an example, a dairy farmer has an income of $110,000. Under ACC CoverPlus, he has to pay ACC levies based on this level of income. He knows however, that if he has an accident, he could hire a farm manager and pay him $60,000 per annum and still maintain his income from the farm. Under ACC CoverPlus Extra, we would apply for cover of $60,000. This would result in a saving in levies, and he would have the certainty that if he were to have an accident, his compensation would be guaranteed.

There is no change to the way in which ACC pays for your other accident related costs - it only affects the income compensation.

When considering this cover, it is worthwhile to seek specialist advice from your insurer. For instance, you might also consider buffering your CoverPlus Extra with additional income protection or life insurance.

Our experience has shown us that for people who have been injured in an accident, the whole claim process to obtain income compensation is a lot smoother and simpler if they are covered by ACC CoverPlus Extra. There are many instances where ACC CoverPlus Extra can provide savings and peace of mind though of course each case needs to be assessed on an individual basis. We think this scheme has a lot of merits.

CAN LEVIES AND CHARGES BE MINIMISED?

A number of options are available to businesses which may help them reduce their levies, based on their ability to show they run safer workplaces which therefore pose a lower risk. These include:

Levies based on claims history or lower risk	Discount for demonstrated safety systems
Experience rating No claims discount Vehicle Classification System	Fleet Saver Incentive Programme

It is also possible to reduce administration charges. For example, clients now have the option to pay levies over a six month period with no administration charges.

Experience Rating

Experience rating takes into account a business's ACC claims history when setting its levies. Under the experience rating framework, employers who have lower-than-average injury rates, with better-than-average rehabilitation or return to work rates, may receive a discount on their ACC work levy. Those with worse-than-average claims experience may receive a loading on their levy.

Based on their claims history, businesses who paid $10,000 or more in levies for each of the three years in the experience period may receive a discount of up to 50% or a loading of up to 75% on the current portion of their work account levy.

Businesses that fall below minimum liable earnings ($31,720 in the 2017/18 levy year, with effect from 1 July 2017) or have not been invoiced for an ACC levy for each year of the experience period are exempt. Their levies will continue to be calculated as usual.

No-claims discount

Businesses (including self-employed people) who have paid an annual levy of less than $10,000 for all, or part, of the experience period can receive a no claims discount or a high claims loading of up to 10 per cent on the current portion of their levy.

The levy adjustments for these businesses are:

- A 10% discount if no weekly compensation days paid have been made over the period
- A 10% loading (increase) if the business has generated more than 70 weekly compensation days paid, or any fatal claim
- No change for a business generating between one and 70 weekly compensation days paid

Vehicle Classification System

ACC sets Motor Vehicle levies according to 'classes' of vehicle. ACC has investigated the cost of injuries in the Goods Service Vehicles (GSV) classes of vehicles and found that the cost arising from occupants of trucks (GSVs with a gross vehicle mass of 3,501 kg and over) is substantially more than that of occupants of lighter GSVs such as vans and utes. ACC has adjusted the classification system to reduce the levies collected from lower risk 'light' GSVs so they are not, in effect, paying for the injuries sustained from higher risk 'heavy' GSVs.

Fleet Saver Incentive Programme

The programme provides a heavy truck fleet owner with an objective assessment of their fleet safety management systems and performance. It aims to increase workplace safety levels, encouraging fleet operators to implement safety programmes into their business. Those who demonstrate best practice on the roads are recognised and rewarded through a lower levy on their current year's vehicle licence levy.

OUR RECOMMENDATION

Navigating ACC can be complex. We can assist you with managing the whole process. If you would like to discuss the options please contact us.

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Want to know more?

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