

## WHEN NATURAL DISASTERS STRIKE



The recent Kaikoura earthquake has shaken many New Zealand businesses and is a reminder for all employers to check that their agreements and policies set out what happens in the event of a natural disaster.

A natural disaster could cause work to be halted, shops to shut, employees' transport to be cut off, or require employees to take time away from work. In these situations, people have important and genuine personal,

family and community responsibilities, for example, childcare when schools are closed.

When it comes to payment for time away from work in a situation when, for example, an employee can't get to work or the employer can't open their business, both parties need to look at their employment agreement to see if this type of situation is covered. If it's not in the agreement, then it would be up to both parties to talk about it and agree what the time away from work will be classed as, for example, agreeing to take annual leave, a paid day off, an alternative holiday or taking leave without pay.

Whichever option they agree on may depend upon the circumstances, including the nature and extent of the disaster and how long it lasts for. Employers can't assume that time away from work in these circumstances would be either paid or unpaid without looking at the employment agreement and workplace policies and the specific circumstances.

## NEW RULES FOR MILEAGE RATES 2017/18 INCOME YEAR

A BILL is before Parliament which has a section dealing with tax deductions based on mileage.

The calculation at present is easy. The rate is 72c a kilometre and the maximum number of kilometres you can claim for is 5000. The self-employed, only, will be allowed to continue to use this basis for calculating their business mileage.

The new system proposed will be a two-tiered system. You'll have to use a logbook and keep it for three months once every three years. Those who have relatively high business mileage should take advantage of this change.

It's probably easiest to explain the system with an example. X travels 30,000km for both business and personal running in one year. His tier 1 calculation applies to the first 10,000km. Fifty-five percent of his running costs are for business. This means he can base his claim for tier 1 on 5500km. If the rate were 75c a kilometre his claim would be \$4125.



He's still got 20,000km of mileage left. Supposing the tier 2 rate is 25c per kilometre, his claim is based on 11,000km which entitles him to another \$2750. That makes a total claim of \$6875, which is much better than the maximum available under the old rules of \$3600.

The Government plans to bring in these new rules from 1 April 2017. The actual mileage rates are likely to be announced sometime after 31 March 2018.

This new system provides a more accurate way of calculating mileage, but it is going to add to the amount of record-keeping. You're going to need to tell us the total number of kilometres you travel in each year. Therefore, **please start now**. Make a diary note to record your **odometer** reading when you finish work on **31 March 2017**. Then make another diary note to do the same on 31 March 2018 and so on. If you change vehicles, you'll need to get your odometer reading before you trade in your old vehicle and then make a note of the reading on the new vehicle. We hope you've got a good memory for this.

### ***SOME CONTRACTORS TO CHOOSE THEIR OWN TAX RATE***

FROM 1 April 2017, the Government is proposing to allow contractors whose income is subject to withholding tax deductions, to choose their own tax rates.

Those who have typically been over-taxed might want to choose a lower rate. The minimum for New Zealand residents has been set at 10%. Others, who have a lot of year-end tax, might be more comfortable having higher deductions.

The maximum number of times you will be entitled to change your rate during the year is twice. After that, the payer will have to agree to your request to make the change.

If you haven't been complying with your tax obligations, you might not be allowed to choose your own tax rate.

### ***HOW MUCH RENT SHOULD I CHARGE***

IT is always difficult to know, if you own a rental property, how much to charge. Go to [www.tenancy.govt.nz/rent-bond-and-bills/market-rent/](http://www.tenancy.govt.nz/rent-bond-and-bills/market-rent/) you will get some figures of average rents in various areas throughout the country.

### ***FLEXITAX – CASHFLOW FOR CHRISTMAS***

Tax Management NZ (TMNZ) has a payment option to give businesses more flexibility to manage their cashflow and their tax. Businesses that owe provisional tax can pay variable instalments, based on their cashflow at the time.

Businesses can pay in instalments for income tax for the current tax year or the one just gone. It wipes late payment penalties and reduces IRD interest costs. TMNZ charges the business interest calculated on the remaining amount of tax owed every month. And the business has until 75 days after their terminal tax date to make their last payment. Call us to find out more.



### ***FARMHOUSE COST DEDUCTIONS REDUCED***

Inland Revenue has produced an exposure draft QWB00082, dealing with automatic deductions allowed to farmers. 100% deductions of interest and rates will come to an end effective from the start of 2017 tax year. These costs will have to be apportioned between the cost of the farm house and curtilage and the farm itself. The automatic deduction of 25% for farmhouse expenses will also cease and will need to be based on actual costs. However, there will be a concession where the compliance costs far outweigh any likely deduction. Farmers will still be entitled to an automatic 15% deduction, provided the person occupying the farmhouse is someone involved in the farming business.

## REMINDER ABOUT CHRISTMAS TAX DATES

**Remember – different rules apply over the Christmas period for filing and payments of tax:**

- GST returns and payment for the period ended 30 November are due on 15<sup>th</sup> January 2017
- Provisional taxpayers with a standard balance date using the standard or estimation option have their second provisional tax instalment due on 15<sup>th</sup> January.
- Provisional taxpayers with a standard balance date using the ratio option have their fourth provisional tax instalment due on 15<sup>th</sup> January.
- Large employers (ie annual PAYE of \$500,000 or more) must file and pay their employer deductions and employer monthly schedule by 15<sup>th</sup> January.
- FBT quarterly filers have their return and payment due on 20 January 17

## PLANNING FOR THE HOLIDAY SEASON

Each year we remind our clients about the obligations for the Holiday Season.

### Public Holiday Dates:

- Christmas and Boxing Day, Sunday 25<sup>th</sup> and Monday 26<sup>th</sup> December 2016
- New Year's Day and the day after, Sunday 1<sup>st</sup> and Monday 2<sup>nd</sup> January 2017
- Auckland Anniversary Day is observed on Monday 30<sup>th</sup> January 2017



Employees should be paid for any Christmas and New Year's public holiday that falls on a day which the Employer would otherwise be working (this includes employees who are on a 'closedown' period).

Under Mondayisation legislation, public holidays that fall on the weekend can be 'moved' to the following Monday or Tuesday. This year both Christmas Day and New Year's Eve fall on Sunday. The Mondayisation legislation states that:

- If one of the Christmas or New Year public holidays falls on a Sunday, and the employee normally works on Sunday, the public holiday will be on the Sunday for that employee.
- If one of the Christmas or New Year public holidays falls on a Sunday, and the employee does not normally work on a Sunday, then that public holiday will be observed on the following Tuesday for that employee.

If an employee would normally work on the Sunday which the holiday actually falls their public holiday benefits will apply to that Sunday calendar date. If an employee does not normally work on a Sunday, then the employee's public holiday will be moved to the next Tuesday (27th December and/or 3rd January).

Where employees work both the Sunday and the possible Tuesday, they will receive their public holiday benefits for the Sunday. They are not entitled to two public holidays for each occasion. This can mean that the holidays fall on different days for employees who have different work patterns.

## TRUSTEES NEED TO MINUTE THEIR DECISIONS

If you have a family trust, be fussy about recording trustees' decisions. One problem that arises is taking money out of the trust for your own use. This can be:

- A reduction of money owing to you
- A distribution of some of the trust income
- A payment out of the capital of the trust
- Reimbursement for trust expenses paid by you
- A beneficiary loan

It's important to clarify these withdrawals. This is done by means of a trustee minute. If there could be any doubt about the reason for a transaction, be sure to prepare a trustee minute and make sure all trustees sign it **before** it is actioned.

## ***FASTER GST REFUNDS***

**An order in Council made 14<sup>th</sup> December 2016 will make it compulsory for GST refunds to be direct credited from February 2017**

- A change made to tax rules will provide businesses with faster access to GST refunds from February next year, says Revenue Minister Michael Woodhouse.
- The **Tax Administration (Direct Credit of GST Refunds) Order 2016** will make it compulsory for Inland Revenue to provide GST refunds by direct credit to a taxpayer's identified account, resulting in much faster GST refunds.
- "Under the current process, a cheque from Inland Revenue takes an average of 10 days until the funds become available to the taxpayer. Direct credit means the funds will be available to the taxpayer in just two days," Mr Woodhouse says.
- "This change is the result of extensive public consultation in November 2015, which sought feedback on how digital technology might be used to provide more streamlined PAYE and GST processes for taxpayers.
- "It is just one of a number of changes that will be introduced next year as part of Inland Revenue's modernisation programme to make it easier and faster for New Zealanders to manage their tax affairs."
- From 7 February 2017 GST refunds will only be made by cheque if Inland Revenue does not have a customer's bank details or if there are extenuating circumstances, such as hardship.



### ***CHRISTMAS CLOSURE***

***Our office will be closed from 4pm  
Thursday 22<sup>nd</sup> December and re-open on  
Wednesday 11<sup>th</sup> January***

***Trish, Russell and the team would like to wish  
all our valued clients a happy and safe  
Christmas.***

***May 2017 bring you all much happiness  
good health, and success.***

### ***NEW WEBSITE***

***Cowley Stanich & Co Ltd has a new  
website and we hope you will take the  
time to check it out and save the link  
to your favourites.***

***We plan to keep our clients up to date  
with the latest accounting news and  
happenings and we welcome  
your feedback .***

***[www.cowleystanich.co.nz](http://www.cowleystanich.co.nz)***

### ***Disclaimer:***

***This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.***

