

SEPTEMBER 2019 Issue No. 3

Kiwisaver Injustice



As you will have noticed, Inland Revenue has discovered a large number of people contributing to KiwiSaver have been using a tax rate which is too low.

The Government is entitled to claim back the underpaid tax, but in practice is only going to do this for the year ended 31 March 2019. In the meantime, anyone who has overpaid their tax by selecting a tax rate which is too high won't get any money back, in spite of it being obvious to the department

who has overpaid. This is because the law has been written to favour the Government.

The latest tax Bill to be presented to Parliament will allow Inland Revenue to put this right. Once the law has been passed, anyone accidentally using the 28 percent rate (or who has been given the 28 percent rate by default) when they should have used a lower one, will be able to get a refund.

Will the law be backdated to the year ended 31 March 2019?

KiwiSaver is a PIE. This means the income you get doesn't normally come into your tax return unless you have selected too low a tax rate. It's taxed within the PIE entity.

You can have PIEs which are not KiwiSaver accounts. If you have a combined investment in a PIE, you can still be the loser. If one person is on a higher tax rate than the other, your PIE income has to be taxed at the higher person's rate.

The solution is obvious – don't have combined investments in PIEs. Take the same money and split it down the middle and invest it separately.

HEALTH AND SAFETY SAY IT LOUD AND PROUD TO LOWER THE RISK

A 'she'll be right' attitude towards health and safety won't cut it. You've got to make a conscious decision to be safe and get everyone in your team thinking about health and safety every step of the way. Here are a few ways to do this effectively:

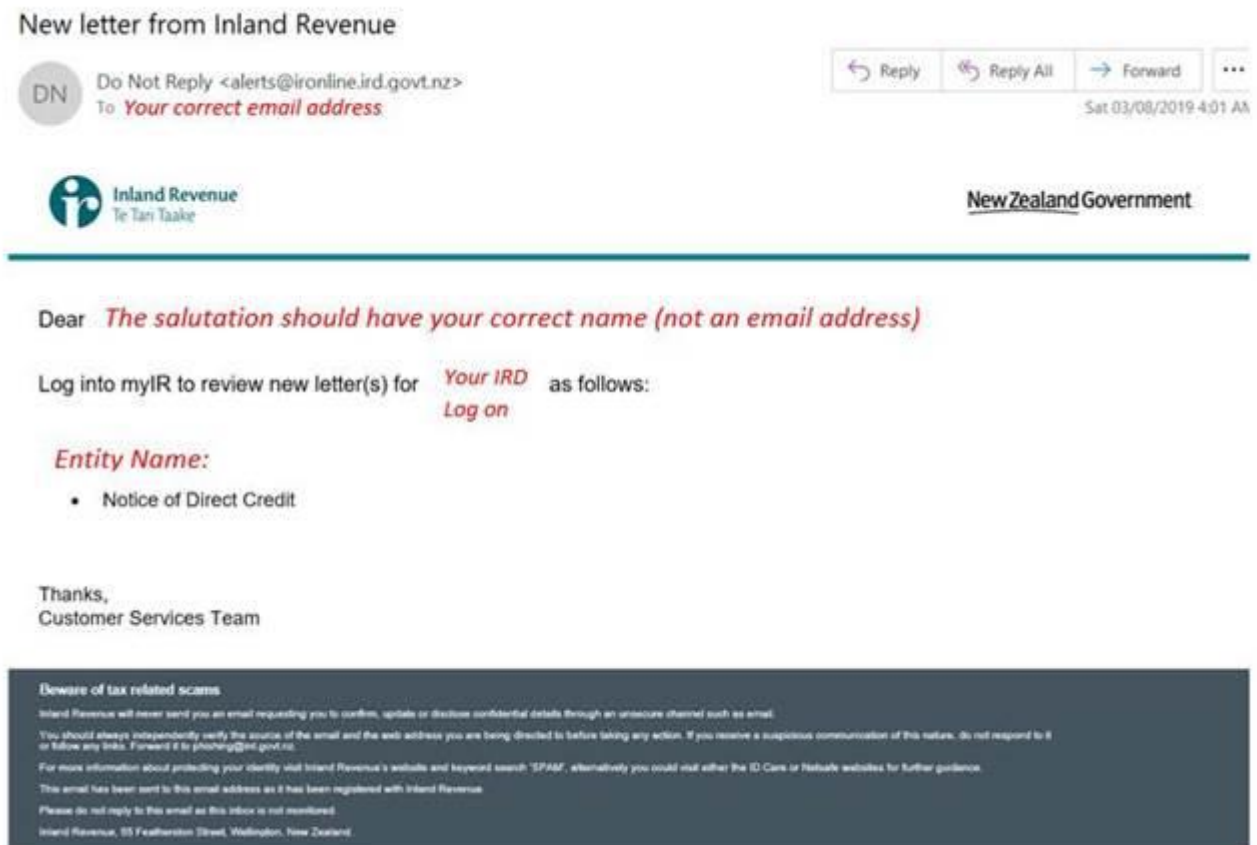
- **GET REAL** Sit down as a team (including family) and answer these three questions and then pin them where everyone can see them.
 - Why do we want a safe and healthy plan?
What can we do to ensure our business is safe and healthy?
How can we make sure everyone who comes to our business is safe and healthy?
- **PRIORITISE IT.** When you meet with your team, put health and safety at the top of the agenda. Even just spend five minutes discussing any incidents, injuries or near misses, and see if anyone has any suggestions about new or upcoming risks or new ways of doing things.
- **KEEP IT SIMPLE.** When you're planning the days work take a moment to ask "What do we have to look out for?" It doesn't need to be a formal briefing, just a conscious moment to think about any risks or maintenance issues.



- **PAPER WORK ISN'T ENOUGH.** Reducing health and safety mishaps isn't about documents and manuals – its about thinking and talking about risks and doing what needs to be done to stay healthy and safe.
- **BE VIGILANT.** Make sure everyone knows how risks can change through different times and conditions or a person's emotional or physical state.

INLAND REVENUE AND BANK SCAM EMAILS

Sadly this now seems an everyday problem and we continue to have clients contact us when they are not sure if something looks legit or not. Please don't hesitate to ring if you are unsure, it is definitely better to be safe than sorry. Currently circulating are scam emails from Inland Revenue to do with refund payments. The following is an example of how a standard email from IRD should look like:



INLAND REVENUE AND BANKS WILL NEVER ASK FOR BANK OR CREDIT CARD DETAILS IN AN EMAIL OR OVER THE PHONE

Tip: If you know an email is a scam or spam Right click on it with your mouse, move down to Junk and then block sender, and depending on what type of phone you own you can also block phone numbers from unwanted callers.

A CASE OF A NICE SURPRISE FOR CUSTOMER

A customer recently took a suitcase to a shoe repairer to fix a small tear in the corner and on the outside of a much loved suitcase. When the owner picked up the bag he was surprised to find a matching, very neat patch on the opposite corner of the suitcase, so it would look as though there had never been a repair. Needless to say the customer was extremely happy.

Lesson: Always look for a chance to surprise and impress your customers

TAX CALENDAR

30th September 2019

Second instalment of
2020 Provisional Tax
(December balance dates)



29 October 2019

First instalment of 2020 Provisional tax for those with March balance dates, who pay GST twice a year.

28 November 2019

1st Instalment 2020 Provisional Tax for those with June balance date)

THE COST OF BOARDERS

Up to 31 March 2019, if you took in boarders you could use a standard cost to save having to keep records of your actual costs.

This has changed. From 1 April 2019, which is the year ending 31 March 2020 for most people, the tax department is providing:

1. A standard weekly cost which will be \$186 to start and then adjusted annually.
2. An annual housing standard cost which is calculated as 4 percent of the original cost of the property or if renting, the actual rent paid. If the property is owned by a family trust, costs are related to your actual expenditure to the trust. We won't go into details here.
3. Finally, you might find yourself using your car for business, in which case if you choose the standard cost method of calculating expenditure, you apply a kilometre rate.

In certain circumstances you cannot use the standard cost. One of these is when you have more than four boarders.

You can choose to ignore all this and use 'actual costs', which while that is more work, might give a more cost-effective result. Four percent of the original cost of a property for someone who has owned it for many years is likely to be a pittance.

NEWS IN BRIEF

Interest paid on borrowings for tax

Where money is borrowed by an individual just to pay tax, the interest will generally not be tax deductible. However, if the money has been raised to preserve an income-earning asset, the interest is tax deductible. For example, borrowing money to pay tax in order to avoid selling shares that would otherwise have to be sold.

Property transfers

For the IRD to get a complete picture of property transfers, a supplementary order paper has been prepared requiring IRD numbers from all buyers and sellers of property, including when they are selling their own home. This will help IRD to trace those who make a habit of doing up houses and moving on, claiming the gains they make are free of tax.

School donations

The Budget has provided, from the beginning of the 2020 school year, an entitlement of \$150 per student per year if the school agrees to stop requesting donations from parents. This funding applies only to decile 1-7 State and State-integrated schools.

Pay bump for new parents

The maximum weekly rate of parental leave payments increased in July from \$564.38 per week to \$585.80 per week before tax.

Attention Landlords/Ladies

From 12 December 2018 tenants can no longer be charged letting fees. All new tenancy agreements from 1/7/19 must include a separately signed statement confirming intention to comply with the healthy homes standards. If you own a tenanted property, we suggest you go online and make yourself familiar with all the law changes. If you want to be kept up to date with changes you can subscribe to Tenancy Services news at www.tenancy.govt.nz

CREDIT CARD PAYMENTS THAT KEEP ON TAKING

A number of organisations selling online get you to put in your credit card details for payments and then bill you when your subscription expires.

In a recent case, there was an option for billing only once (for one calendar year) or you could choose automatic billing every year. The customer took the first option, but when the receipt came through it stated the billing would recur every year.

The customer had to go back to the supplier to get this changed.

Keep an eye on this type of trading or you might find yourself getting unwanted repeat bills.

Unfortunately, when you set up repeat billing, the charges to your credit card are going to continue until you do something about it. You might want to minimise automatic billing to your credit card.



Baby News

Congratulations to our lovely accounting staff member - Andrea Jamieson who will shortly be off on parental leave for a period of time.

We look forward to welcoming baby boy number two and seeing Andrea back at work in due course.

Congratulations also to our tax admin super star, - Wendy Horrox as she and Bruce look forward to the arrival of their first grandchild.



MAGIC NUMBER NINE

$1 \times 9 = 9$	$0 + 9 = 9$
$2 \times 9 = 18$	$1 + 8 = 9$
$3 \times 9 = 27$	$2 + 7 = 9$
$4 \times 9 = 36$	$3 + 6 = 9$
$5 \times 9 = 45$	$4 + 5 = 9$
$6 \times 9 = 54$	$5 + 4 = 9$
$7 \times 9 = 63$	$6 + 3 = 9$
$8 \times 9 = 72$	$7 + 2 = 9$
$9 \times 9 = 81$	$8 + 1 = 9$
$10 \times 9 = 90$	$9 + 0 = 9$

$$\begin{aligned}
 1 \times 9 + 2 &= 11 \\
 12 \times 9 + 3 &= 111 \\
 123 \times 9 + 4 &= 1111 \\
 1234 \times 9 + 5 &= 11111 \\
 12345 \times 9 + 6 &= 111111 \\
 123456 \times 9 + 7 &= 1111111 \\
 1234567 \times 9 + 8 &= 11111111 \\
 12345678 \times 9 + 9 &= 111111111 \\
 123456789 \times 9 + 10 &= 1111111111
 \end{aligned}$$

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

