



## MANAGE YOUR CHRISTMAS CASH FLOW

Christmas can cause a cash flow crisis for small businesses, but you can prevent problems from spilling into the New Year:

1. **Get your invoices out early.** Ensure December and January invoices go out well before Christmas to give your customers the chance to pay before the break. Encourage customers to pay before Christmas if they are closing over summer.
2. **Chase up your invoices.** Don't let unpaid invoices linger over summer. Politely ask your customers to settle overdue bills before the break to prevent further delays.

## TRICKY TAX QUESTIONS AT CHRISTMAS TIME

Here are some answers to common tax questions at this time of year.

### ***Is our Christmas work party tax deductible? Does it matter whether it is held on business premises?***

Expenditure on entertainment is only 50% deductible for tax purposes. This applies to deductions for spending on food and drink or celebration meals, whether they are on or off premises. There are exceptions — light refreshments for employees, such as afternoon tea, are fully tax deductible.

### ***How about hiring items for a Christmas party?***

The 50% tax limitation applies to any expenditure on hiring wait staff, crockery, glassware, utensils, furniture, music, or entertainment associated with a Christmas party.

### ***If I take my clients or staff out for Christmas lunch, is it tax deductible?***

The cost of taking colleagues out for an end-of-year lunch or dinner would be 50% tax deductible.

### ***Are my gifts to staff and clients tax deductible?***

The cost of gifts other than food or drinks is generally tax deductible. If you buy food, drinks, or even supermarket vouchers, this expense is only 50% deductible.

Remember, gifts to staff must be under \$300 per quarter (including GST) to be fully tax deductible. If the cost exceeds this amount, or if total gifts or discounted services to staff for the year exceed \$22,500 FBT will be payable to Inland Revenue. In this instance, costs can still be claimed.

***My staff can't use public transport due to public holiday schedules. Is a transport allowance for them tax deductible? Will I need to deduct PAYE from the allowances paid?***

Expenses incurred on reimbursing staff for travel expenses are tax deductible. However, whether the allowance will be taxable to staff, and hence require a deduction of PAYE, depends on the circumstances.

An allowance to reimburse extra transport costs to staff is exempt from income tax, depending on whether employees incur the costs in connection with their employment, and for the employer's benefit.

For allowances paid to staff unable to use public transport, the first \$5 will be taxable income to the employee, and you would be required to deduct PAYE on the \$5. Any additional amount paid will be tax-free provided it compensates the staff member for the additional transport costs.

Additional costs are those that staff incur on top of their usual travel costs. Employers need to make a reasonable estimate of the amount of expenditure incurred by the employees. Any costs reimbursed over and above this level or for non-work related reasons require PAYE to be deducted.

***What is the tax treatment of cash bonuses for staff?***

PAYE must be paid on cash bonuses and included in the employee's wages for the week.

***PLANNING FOR THE HOLIDAY SEASON***

***Christmas and New Year's Day falling on a Sunday***

If Sunday is <b>NOT</b> normally a working day for the employee	
Christmas Day	Stat Day is Tuesday 27 December 2022
Boxing Day	Stat Day is Monday 26 December 2022
New Year's Day	Stat Day is Tuesday 3 January 2023
2 January Holiday	Stat Day is Monday 2 January 2023

For employers who have staff that work on Sundays Employment NZ have a series of various scenarios of employee entitlements for working these days. The following link will take you directly to this page.

<https://www.employment.govt.nz/leave-and-holidays/public-holidays/public-holidays-falling-on-a-weekend/public-holiday-falls-on-sunday/>

In most situations it will be clear whether the day on which the public holiday falls would otherwise be a working day for an employee. However if it is not clear an employer and employee should consider the following factors with a view to reaching an agreement on the matter.

- The employee's employment agreement
- The employee's work patterns
  - Any other relevant factors, including
  - Whether the employee works for the employer only when work is available
  - The employer's rosters or other similar systems
  - The reasonable expectations of the employer and the employee that the employee would work on the day concerned.
  - Whether, but for the day being a public holiday, the employee would have worked on the day concerned

## ***Christmas/New Year closedown/Annual Holidays/Public holidays, Termination of employment***

If a public holiday falls during a closedown period, the factors listed above in relation to what would otherwise be a working day must be considered as if the closedown were not in effect. This means employees may be entitled to be paid public holidays during a closedown period.

A public holiday that occurs during an employee's annual holidays is treated as a public holiday and not an annual holiday.

An employee who has an entitlement to annual holidays at the time that their employment ends will be entitled to be paid for a public holiday if the holiday would have:

- Otherwise been a working day for the employee; and
- Occurred during the employee's annual holidays had they taken their remaining holiday's entitlement immediately after the date on which their employment came to an end.

When applying the provision you are only required to count the annual holiday's entitlement an employee has when their employment ends. Employees become entitled to 4 weeks annual holidays at the end of each completed 12 months continuous employment

### ***Public Holiday Transfer***

The Holidays Act allows an employer and employee to agree in writing to transfer a public holiday to any 24 hour period.

This means with agreement a public holiday may be transferred:

- By a few hours to match shift arrangements
- To a completely different day



In the absence of a written agreement, a public holiday is observed midnight to midnight

### ***Cashing in Annual Leave***

An employee may request in writing to be paid in cash for up to one week's annual leave per year and this may be granted by the employer. The request must be considered within a reasonable time and may be declined. The employee must be advised of the decision in writing and no reason is required to be given. If granted, the payment must be at least the same as if the employee had taken the holidays and must be paid as soon as practical – usually the next pay day. An employer cannot pressure an employee into cashing up holidays.

### ***Casual Staff***

Casual employees are not entitled to annual leave. Instead, they receive 8% over and above their gross earnings. If they agreed to be paid the 8% on a pay as you go basis on each pay day, then they are not entitled to extra holiday pay in the event of a business close down. If they have not been paid on a pay as you go basis, and the business has a close-down period, then they are entitled to 8% of their gross earnings less any payments already made from that amount. It is important to show the 8% as a separate entry on their pay slip or pay record. For public holidays, if it is clear that a casual employee would have worked on that day (had it not been a public holiday), then they are entitled to be paid for that public holiday just like any other employee.

With casual staff, it is crucial to keep an eye on their hours. If a regular pattern has formed, then they could lose their status as a casual employee and become either a full or part-time employee.

## KEY TAX DATES – DECEMBER 2022/JANUARY 2023

Date	Category	Description
5 December	PAYE	Large employers returns for November. File employment information within two working days after payday.
20 December	NRWT / Approved Issuer Levy	Payment and return for November.
20 December	RWT	RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during November.
20 December	PAYE	Small employers returns for November. Large employers returns for December. File employment information within two working days after payday.
<u>16 January 2023</u>	PAYE	Large employers returns for December. File employment information within two working days after payday.
<u>16 January 2023</u>	<u>Provisional Tax</u>	Instalment due.
<u>16 January</u>	GST	Return and payment for November
<u>20 January</u>	PAYE	Large employers returns for January. Small employers returns for December. File employment information within two working days after payday.”
<u>20 January</u>	FBT	FBT return and payment for quarter ended 31 December due
<u>30 January</u>	GST	Return and payment for December

**Note:** provisional tax due dates apply to clients who have a March balance date. Different dates will apply for those clients who have different balance dates. Check with us if you're not sure.

### TECH TIPS - SCANNING DOCUMENTS

If you don't have the ability to scan or send PDF documentation via your computer there is a couple of simple solutions to do so via your cell phone which is both easier and less time consuming to access compared to downloading photo images. The first option is an easy scanning app called **Genius Scan** available for both Apple and Android phones. This is a free app but you can upgrade if you require.

The second option is via notes on your iphone/ipad or ipod touch by following these instructions:

- Open Notes and select a note or create a new one
- Tap the Camera button, then tap Scan Documents
- Place our document in view of the camera
- If your device is in Auto mode, your document will automatically scan
- Tap save or add additional scans to the document.

If you would like assistance with either of the above options please don't hesitate to contact either Margaret Brown or Megan Hucker on 07-8289042

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