



## **GETTING ORGANISED FOR END OF YEAR ANNUAL ACCOUNTS**

**The 31st of March is rapidly approaching. Now is a good time to think about getting organised for your annual accounts to minimise hassles.**

The following comments are based on a 31 March balance date. If yours is different, please adjust accordingly.

**If you want to write off a bad debt and claim your loss in the current year, you must do this before your business balance date.**

Depending on your system of accounting, this could involve writing something like "debt written off by me on. . . Date signed. . . ." across a copy of an invoice. If you have a more sophisticated system, you will need to make it clear the debt has been written off in time.

### **LOGBOOKS**

If you need to keep a vehicle logbook, remember you need to take a representative three-month period and keep a record of all the running for that time.

There is an alternative. You could record the business running only and note the total number of kilometres travelled for the period. By deduction, the difference would be personal.

You are not permitted to do it the other way round and count just the personal running, because any travel which is overlooked needs to be treated as personal by default.

If you forget to record a business trip, you will pay for it yourself. It's better to try and account for all kilometres travelled every day to minimise the risk of overlooking a business trip.

### **KILOMETRE BASIS**

If you're calculating your vehicle running expenses based on the number of kilometres you have travelled during the year, we will need you to supply that total. Don't forget to take an odometer reading at the end of the day on 31 March (or equivalent balance date). If you don't do this the maximum you can claim at the top km rate, currently 76c, is 3,500km whereas if you do keep the opening and closing odometer reading that rate can be used up to 14,000 kms.

If you trade in your vehicle during the year, you will need to keep an odometer reading at the time of sale of the old vehicle and at the time of purchase of the new vehicle.

You are permitted to switch from actual cost to kilometre rate or vice versa whenever you change your vehicle.

This can be done when we prepare your annual accounts, provided we do this within the time the Inland Revenue allows. Normally, we are allowed until 31 March following balance date to get the tax returns to Inland Revenue for the year.

### **STOCKTAKING**

Now is a good time to tidy up your trading stock. Get rid of anything which has no value. If you've got time before balance date, have a sale. Any stock remaining on your shelves at balance date has to be taken into account at cost unless you can prove market value is lower by comparison with other sales outside your business.

## **MAINTENANCE**

If you do maintenance before balance date, you have a tax-deductible cost. Leave until after balance date and your deduction will not be until next year.

## **SALARIES AND WAGES**

Any holiday pay, paid out within 63 days of the end of the financial year, may be claimed as a creditor. You can put the amount down as money owing by you at balance date.

## **PAYDAY FILING**



### **Main Points to know in preparation for PAYDAY FILING**

- Compulsory from the 1<sup>st</sup> April 2019
- If you wish to start early (March) you must opt in to Payday filing this month (February) through "MY IR" in the "My Business section". Please note as from 1<sup>st</sup> April you will automatically be registered for payday filing
- Employers need to file employment information within two days of the payday
- Employers need to file details of new and departing staff on or before new employee's first payday, including start or end date of employment, Kiwisaver status, contact details and dates of birth (if they have provided it to you).
- Electronic filing threshold is reducing from \$100,000 to \$50,000 PAYE/ESCT annually
- You can file in advance and you no longer need to file nil returns
- The due date for payments remains the same 20<sup>th</sup> of the month or 5<sup>th</sup> & 20<sup>th</sup> of the month for large employers.
- Payday filing on paper is only available from 1/4/19 if your annual PAYE/ESCT deductions are less than \$50,000. You will have 10 working days of the payday to file your paper returns
- **THERE MAY BE PENALTIES IF YOU'RE NOT READY FOR PAYDAY FILING.**

**(Note: Having already begun payday filing here at Cowley Stanich & Co, we urge our clients to ensure they are ready for payday filing and to start early if possible. It's not an entirely simple process and like all new changes it may take time for you to get familiar with the process).**

## **ARE YOU OWED A REFUND FROM ACC?**



If you were in your first year of self-employment between 2002 and 2017, or paid provisional ACC levies after ceasing trading, ACC may owe you a refund. Customers receiving refunds will also receive an interest payment.

### **ACC will refund:**

- All first year levies collected between 2002 – 2017 from self employed customers who worked full-time (averaged over 30 hours per week over the financial year), did not have a mix of employee and self-employed earnings and did not cease being self-employed in the same year.
- All businesses that paid provisional invoices and weren't required to do so because they later ceased trading or changed their business structure.
- ACC expects the refund process to be completed by 31 March 2019

## **WHAT'S NEW IN EMPLOYMENT**



The Minimum wage will increase by \$1.20 in April, from \$16.50 to \$17.70. The starting out and training minimum wage rates will increase from \$13.20 to \$14.16 per hour, remaining at 80% of the adult minimum wage. The government has also indicated that the minimum wage will rise again to \$18.90 per hour from 1 April 2020 and to \$20 from 1 April 2021, subject to the respective year's annual review.

### **LEAVE FOR VICTIMS OF DOMESTIC VIOLENCE**

From 1 April 2019 victims of domestic violence and those living with a child who is a victim may take up to 10 days leave in any 12 month period. The employer may request proof of the domestic violence. Victims may also request flexible working hours for up to two months to deal with the effects of domestic violence. The employer must respond to such requests within 10 working days and may refuse only if requested proof is not provided or where request cannot be accommodated on certain grounds. Now is the time to think about how you'll approach requests for domestic violence leave. It's a good idea to put together a practical plan to ensure you respect and protect your staff members' privacy throughout the process. Keep in mind you could get requests for leave for a range of reasons including physical, sexual and psychological abuse, harassment, threats, intimidation and financial abuse.

**FACT:** New Zealand police respond to 270 domestic violence incidents every day and it's estimated that's only the tip of the iceberg – with 80% of incidents going unreported.

**FACT:** Did you know domestic violence already costs NZ workplaces at least \$368 million a year due to higher turnover and lost productivity? Addressing the problem directly will be better for business and victims of domestic abuse.

### **FINANCIAL SERVICES UPDATE**

The Financial Services Legislation Amendment Bill is expected to pass into law in the first half of 2019, repealing the Financial Advisers Act 2008. The purpose is to establish a level playing field of regulation for all who provide financial advice. New compliance costs will include the licence fee payable to the Financial Markets Authority (FMA). Prior to Christmas, the Ministry of Business, Innovation and Employment released a discussion document on fees and are calling for submissions.

### **TURN RENTAL LOSS INTO PROFIT AND SAVE TAX**



**As you will probably know, 31 March 2019 (or equivalent balance date) is the last year you will be able to offset losses on rental properties against other income.**

Could you rearrange your finances so your rental property no longer makes a loss and the interest on borrowed money is absorbed elsewhere?

If you have an ordinary company (not an LTC), you might be able to borrow money for your company and use it to reduce the debt on your rental property.

Some clients have built up a substantial credit in their company. This often arises because they have used some of their own money to get into business. It can also come about if salaries attributed to them are more than they are taking out as drawings.

The company balance sheet shows how much the company owes to the shareholders. You are entitled to refinance this amount by borrowing (from the bank for example) so the company can repay its debt to you. You can then use this money to reduce the debt on the rental property. Your company now pays more interest but your rental property pays less and you don't finish up with an unusable loss.

Just in case there is a reason, in your case, why you should not do this, please check with us first. You should also think about completing any needed repairs and maintenance before 31 March as opposed to afterwards.

### **PLAN FOR CAPITAL GAINS TAX**

**If Capital Gains Tax is introduced (and there is now some debate about this), all assets affected by the tax will have to be valued at the time the new tax starts.**

A rental property will be worth more if it has recently been renovated, repainted etc. Other people are going to cotton on to this idea, so expect some difficulty getting tradesmen as the deadline for getting a valuation approaches. You will minimise capital gains tax by maximising the value of your assets at the start of the regime.



You will probably get a better result by using a professional valuer than relying on government valuation.

Expect a stampede to get valuers. They are likely to be overworked. Too much work equals increase in fees. You could get in early and get the valuer to complete his/her job early. It might be a simple matter to update the figures later, without the need for a second site visit.

Capital Gains Tax, if it comes in, is likely to be as wide-ranging as possible and include your business, your boat, your bach and so on. You may need to value hobby assets such as stamp collections, art etc.

Above all, documentation is going to be extremely important. Inland Revenue would have the right to ask you how you arrived at the value at the start of CGT and require you to prove it.

## **ENSURE DONATIONS ARE ABOVE BOARD**



**If you donate large sums to charity, you should check to ensure the entity is still approved by Inland Revenue. To find out, see:**

**<https://www.ird.govt.nz/donee-organisations/donee-complete-list.html>**

You can pay donations through your company, but there must be a profit at the end of the year after deducting the donations. Losses resulting from donations paid are not tax deductible.

You can claim school donations, so long as they are not designated for a specific activity such as for your child to go on a school trip.

If your child goes to a state integrated school, you may be asked to make donations to various funds such as a building donations fund. These payments would be OK for claiming the rebate. The important issue is that the child cannot be banned from the school if the parent fails to pay the donation. This is a requirement for a school to be integrated.

For non-integrated schools, the general principle is that any donations made must be voluntary. If it is really in the nature of a fee for attending the school, the rebate is not claimable.

The *New Zealand Herald* reported recently “the vast majority of parents are not claiming the tax rebate for donations even though they are entitled to it”.

Part of the reason would appear to be many parents are on salaries and don't have to put in a tax return. They are overlooking their entitlement to the donations rebate.

## **ARE SPAM EMAILS DRIVING YOU CRAZY?**

**Whenever you sign up to a subscription service or buy something online, it's likely you'll be put on a mailing list – whether you like it or not.**

Sometimes, your email address will be given to third parties, such as advertisers and marketing agencies. After a while, you'll be getting invitations, “special” offers and plenty of ways to enhance your life or your body.

If you want to ensure you don't receive any more (it won't stop what you already have), one effective way is to create an email account secondary to your main account.

Your main email address will be the one you use for work or to communicate with friends and family. Set up another email address and use it for web activities such as online shopping, booking a hotel or subscribing to a news site.

The second email address won't stop spam from arriving, but those unwanted messages will appear in your secondary email account, rather than your primary one. After a while, you'll probably ignore it completely.

The beauty of this is it will keep your main inbox free from clutter.

Email providers such as Gmail, Yahoo and Outlook can be used to set up a decoy account for free, following the same process you used to establish your original account.

*I saw the following math equation on a social media site and thought it was worth sharing.*

### COINCIDENCE OR NOT??

IF:

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

EQUALS

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26

THEN

$$K + N + O + W + L + E + D + G + E \\ 11 + 14 + 15 + 23 + 12 + 5 + 4 + 7 + 5 = 96\%$$

$$H + A + R + D + W + O + R + K \\ 8 + 1 + 18 + 4 + 23 + 15 + 18 + 11 = 98\%$$

Both are important, but fall just short of 100% - BUT

$$A + T + T + I + T + U + D + E + \\ 1 + 20 + 20 + 9 + 20 + 21 + 4 + 5 = 100\%$$

### TAX CALENDAR

#### **8 April 2019**

2018 Terminal Tax - (March, April, May and June balance date) for all clients except those who have lost their extension of time privilege

#### **7 May 2019**

3rd instalment of 2019 Provisional Tax - (March balance date)  
GST for March 2019

#### **28 May 2018**

1st Instalment 2020 Provisional Tax - (December balance date)

#### **31 May 2018**

Deadline for Fringe Benefits Tax returns



#### **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*

