



**bennettsproactive**  
CHARTERED ACCOUNTANTS

# NOTICE BOARD

ISSUE 26 | December 2019

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## Client Christmas Function

Invites have been sent for our annual Client Christmas Function to be held on **Wednesday 11th December 2019 between 4:00pm and 6:00pm** at our offices.

We invite you to join the team to celebrate the end of the 2019 year. Finger food and drinks will be provided.

Please advise your attendance for catering purposes by **Wednesday 4th December 2019** by phoning the office on 07 573 8446 or emailing [admin@bennettsproactive.co.nz](mailto:admin@bennettsproactive.co.nz).

## Staff focus—Amanda Hutchings—Chartered Accountant

Congratulations to Amanda for recently completing her professional requirements for the Chartered Accountants programme with Chartered Accountants Australia New Zealand (CAANZ).

Amanda has satisfied the academic and practical experience requirements in order to gain this qualification, put in a lot of hard work studying over the last few years and we now look forward to continuing to work with Amanda on a rewarding future.

## Office Closure for the Christmas Period

Our office will close over the Christmas break to allow the team a much deserved break.

The office will close: **3.00pm Monday 23rd December 2019** and **reopen 8.30am Monday 13th January 2020**.

If you know of any matters requiring our attention please let us know as soon as possible so we can assist without the added pressure of the office closure.

The team wish you and your families a very Merry Christmas, a safe and enjoyable holiday and we look forward to working together for a prosperous 2020.



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## Key Tax Dates

Date	Tax's Payable
20 December 2019	PAYE—Period ended 30 November 2019
15 January 2020	GST—Period ended 30 November 2019 2020 Provisional Tax (2nd instalment)
20 January 2020	PAYE—Period ended 31 December 2019
20 February 2020	PAYE—Period ended 31 January 2020
28 February 2020	GST—Period ended 31 January 2020
20 March 2020	PAYE—Period ended 31 January 2020

### Note: IRD will no longer accept cheques from 1 March 2020 for payment of taxes

Next year we will work through alternative options for payment for those clients unable to, or not wanting to use online banking facilities.

As part of our workflow planning in the lead up to the Christmas break, we need to ensure that we have addressed the GST and Provisional Tax payments by **5.00pm on Monday 23rd December 2019**, both these payments fall due shortly after the office re-opening in January 2020.

#### GST – Period Ended 30 November 2019

To ensure that we are able to complete and lodge your GST return by the due date, we require your GST records in the office by **5.00pm on Monday 9th December 2019**.

All of our clients that bring their records into the office in full by this date will go into the draw for our annual GST prize which will be drawn at our client Christmas Function to be held on **Wednesday 11th December 2019**.

#### Provisional Tax Payments

We will also be sending payment notices for your 2<sup>nd</sup> instalment of 2020 Provisional Tax out the week beginning **Monday 9th December 2019**. For those clients required to make provisional tax payments, please advise us how these will be paid—either set up the online payment to be paid by **15th January 2020** or drop a cheque into our offices by **midday Monday 23rd December 2019** for mailing in the new year.

## Christmas holidays 2019 / 2020

The upcoming Christmas break public holidays are observed this year on the actual day when they fall due:

NZ Public Holiday	Actual Date	Observed Date
Christmas Day	25 December (Wednesday)	25 December (Wednesday)
Boxing Day	26 December (Thursday)	26 December (Thursday)
New Year's Day	1 January (Wednesday)	1 January (Wednesday)
Day after New Year's Day	2 January (Thursday)	2 January (Thursday)

All employees are entitled to public holiday benefits provided it would normally be a working day for that employee whether they are casual, fixed term, part time or full time. There is no minimum period of time an employee has to be employed to get a public holiday entitlement.

An agreement can be made between the Employer and the Employer to transfer the observance of the Public Holiday to another day if the observed date is not convenient for either party.

If an employee works on a Public Holiday then the employee will be entitled to time and a half for the time worked and an alternative holiday day must be provided, otherwise as stated in an Employment Agreement if more favourable.

# Updates in and around tax and IRD

**Changes for reporting of Investment income from April 2020 (2021 year)** – Payers will now be required to return earnings information electronically to the IRD on a monthly basis. These changes affect investment income including interest, dividends, PIE, taxable Maori authority distributions and royalties paid to non-residents.

Payers need to provide to IRD an IRD number, date of birth and address, and no longer need to issue year-end certificates for those that have provided their IRD numbers.

Recipients will need to ensure that payers have your correct IRD numbers (individual or investments held jointly will require all IRD numbers so that the split between taxpayers is correct). It will be critical that the correct IRD numbers are used in order to get income disclosures right. Note: the non-declaration rate increases to 45% when a recipient does not provide their IRD number to the payer.

**Bright-line property rules** – recent IRD feedback indicates a number of Bright-line tax issues starting to appear. Currently this is a manual process for detection but they are not going un-noticed. IRD numbers will, from 1 January 2020, be a Land Information NZ (LINZ) requirement for all property transactions.

A reminder: if you purchased and disposed of a residential property you might be caught (purchased before 1 October 2015 – Bright-line does not apply; purchased between then and 28 March 2018 – Bright-line applies if sold within 2 years; and purchased on or after 28 March 2018 – Bright-line applies if sold within 5 years). There are 3 main exclusions being—your main family home; inherited property; or you're the executor or administrator of a deceased estate.

**Ring fencing residential property rental losses from April 2020 (2021 year)** – IRD have recently released correspondence to all taxpayers who have residential rental income (241,000 emails and 135,000 letters) advising them of the changes around no longer being able to offset against other taxable income.

**Making sure you are on the correct tax code** – Changes to the tax system effective 1 April 2019 has resulted in letters being issued recently to employees and employers where IRD believe employees (receivers of PAYE sourced income) are on an incorrect tax code. An alternative to using an incorrect tax code is to apply for a Tailored Tax Code which is an annual process.

A recent situation has come to light where we understand IRD have been making direct contact with Ministry of Social Development (MSD) in regards to incorrect tax rates being used for those who receive a NZ Super/Veteran's pension. We now understand that direct contact with MSD has since been put on hold. If you believe your tax rate has changed and is incorrect please contact us directly.

It is best to discuss these rules further with Lance or Michelle if you are concerned you might fall within the rules.

## Changes for landlords and tenants came into enforcement from 27 August 2019 including:

- **Tenant liability for damage** – This allows the protection for landlords holding tenants liable for damage by them (including guests of tenants) up to the cost of damage, which can be a maximum of 4 weeks rent or the landlords insurance excess, whichever is lower for unintentional damage. Intentional damage or damage that constitutes an imprisonable offence will remain fully recoverable.
- **Insurance disclosure** – This requires landlords to provide an insurance disclosure for a new tenancy in regards to if the property is insured and the level of excess for all relevant policies. This information must also be made available on request in the future. A financial penalty payable to the tenant of up to \$500 if a landlord fails to provide this information.
- **Contamination of premises** – This allows landlords to be able to test for methamphetamine in rental properties. To do so, 48 hours notice must be provided (but not more than 14 days) before entering, for boarding houses the notice period is 24 hours before entering. Landlords must advise the tenant what they are testing for and share test results within 7 days of receipt. There is also the requirement that a residential property not be available when it's known to contain contaminated substances above the prescribed level, doing so could result in a financial penalty of up to \$4,000.
- **Unlawful residential premises** – This requires landlords to meet all legal requirements at the commencement of all tenancies. Failing to do so may force the landlord to repay some or all rent, excludes a tenant from being liable for rent arrears, damages or compensation; or a financial penalty payable to a tenant of up to \$4,000. Tenants will also be able to give 2 days notice to end a tenancy due to unlawful residential premises if unlawful at the beginning of a tenancy and remain unlawful.

# Entertainment, Gifts and Bonuses

## A reminder with the Christmas season ahead of us!



With the Christmas season approaching at an alarming speed, now is an appropriate time to refresh your understanding of the Entertainment, gift and bonus deductibility rules.

You are entitled to claim for business related entertainment expenses however that claim could be 100% deductible or limited to 50% depending on the nature of that expense, it could also be subject to the FBT rules. Entertainment includes gifts, business promotion items (for existing or new business contacts), staff functions, client functions, events or offering freebies. You need to ensure copies of invoices/receipts are kept to support the deduction.

**Entertainment** – 100% deductible business expenses include food and drink while travelling on business; food and drink provided at a conference; light meals provided for senior managers; or promoting your business, products or services.

The 50% deductibility rule will always kick in if the nature of providing those expenses is for the main purpose of entertainment and not business promotion. A deduction will be limited to 50% if entertainment is provided that includes a private element such as away from the work place or out of usual work hours including corporate boxes or similar; holiday accommodation; recreational boats; food and drink at work for social events (other than providing light refreshments); food and drink offsite or gifts of food and drink. Where a deduction is limited to 50%, GST is only claimable on the deductible portion.

Entertainment also could be subject to the FBT rules if the benefit is enjoyed by employees in their own time, at their own leisure and at a place they choose to enjoy it, for example gift vouchers. There are further rules around FBT to consider here too.

Entertainment expense	50% Deductible	100% Deductible
<b>Providing food and drinks on the workplace premises—All business</b> Tea, Coffee, light morning or afternoon tea celebrations for the team, for employees while working overtime, during work training events , during work meetings (board room or executive dining as part of the job).		<input checked="" type="checkbox"/>
<b>Providing food and drinks while off the workplace premises—All business</b> Employees traveling out of town for work, for Employees while away at a conference or other business related event.		<input checked="" type="checkbox"/>
<b>Providing food and drinks while on the workplace premises—Private element</b> Friday night work drinks, after work drinks for employees and/or customers.	<input checked="" type="checkbox"/>	
<b>Providing food and drinks while off the workplace premises—Private element</b> Work Christmas parties, work dinner and/or drinks at a restaurant, Customer and/or supplier entertainment.	<input checked="" type="checkbox"/>	

**Gift Vouchers** – This cost is 100% deductible, however, will be subject to the FBT rules as the recipient is able to spend and enjoy the voucher or gift as they like - in their own time, at their own leisure and at a place they choose to enjoy it. This may also be applicable for membership and subscriptions paid on behalf of employees.

There is no claim for GST purposes when purchasing gift vouchers as there is not a supply of a good or service. The redemption of a voucher will, however, trigger a GST disclosure.

**Bonuses** – These payments made to employees are deductible to the business and taxable at the lump sum or “extra pay” rate as part of the employees wages. These payments could include annual or special bonuses; cashed in annual leave; retiring or redundancy payments or back pay. Your payroll software should be able to calculate a lump sum payment tax deduction alternatively the IRD website shows how this calculation should be done.



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