



bennettsproactive
CHARTERED ACCOUNTANTS

IN THIS ISSUE:

- ▶ **Audit Shield**
Page 1
- ▶ **Recent Tax Updates**
Page 2 & 3
- ▶ **Clarification around current legislation**
Page 3
- ▶ **Proposed Tax Changes**
Page 4
- ▶ **Tax payments—When received in time**
Page 4
- ▶ **Anti-Money Laundering (AML) requirements**
Page 5
- ▶ **Client Seminar—Tax Updates**
Page 5
- ▶ **Key Tax Dates**
Page 5
- ▶ **Staff Focus—Introducing Laura Drury & Tracy Pinnock**
Page 6
- ▶ **Stacey Farrelly— Away on maternity leave**
Page 6
- ▶ **Office News**
Page 6

NOTICE BOARD

ISSUE 24 | JUNE 2019

Audit Shield

As at 31 July 2019 all the current Audit Shield policies come up for renewal. We invite all our clients to participate in this offer for the 2020 year. Audit Shield is available to all clients, and while we hope that you never have to make use of it, we do recommend it.

The Government continues to provide significant funding year after year to assist with combating the hidden economy, and the Inland Revenue Department has an active programme in place to continue to improve tax compliance for all taxpayers with a specific focus on targeted industries. In addition the Tax Working Group is recommending a strong focus be placed on ensuring inequities are minimised.

Audit Shield covers all professional fees incurred from answering a simple phone call enquiry to an audit and covers all tax types relating to all lodged returns within New Zealand. The invoice for professional fees could range from \$100 - \$10,000 depending on the complexity of the questions asked, the information required or the timeframe required to complete the request or audit.



Upcoming Client Seminars

Check out page 5 for the dates and topics of our seminars this year.



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

All information in this newsletter is to the best of the authors' knowledge true and accurate. No liability is assumed by the authors, or publishers, for any losses suffered by any person relying directly or indirectly upon this newsletter. It is recommended that clients contact us before acting upon this information.

www.bennettsproactive.co.nz

8 Queen Street, Te Puke

Phone (07) 573-8446

Taking you to the **next** level

A snapshot of recent tax changes and proposals

At this time each year a number of tax changes are made. Where we believe tax changes are relevant to our clients and impact on your business we try to keep you in the loop. These are only a snap shot, so we recommend where these may be applicable to you, we discuss these further to consider the full implications of the change, taking into account your specific business circumstances.

Tax changes recently enacted

Payroll — Payday filing – From 1 April 2019 all employers are now required to supply employment income information at each payday rather than submitting the monthly Employer Monthly Schedule form as you have previously done. Correction to payroll errors – Effective from 1 April 2019, this change allows corrections to be made by either amending the lodged return or correcting the error in a subsequent return.

Investment income — Reporting requirements – Effect from 1 April 2020, all payers of interest, dividends, royalties, PIE income and Maori authority distributions are required to file returns frequently with more detailed information and electronically to the IRD (voluntary from 1 April 2019). Interest income details are already being passed onto the IRD by most payers. For a receiver of investment income, the IRD should now have details as payments are made. Non-declaration rates – Effective from 1 April 2020, the non-declaration rate will increase from 33% to 45%, this will be the case when a taxpayer has not provided an IRD number to payers of interest.

IRD automatic refunds — Effective 1 April 2019, the IRD will now automatically release any tax credit balance if they cannot identify any debt due or reason why that credit balance exists provided there is an assessment for that period. Taxpayers do have 20 days to return an amount that has been refunded, without any implications.

This has created concern as credits are being released that are not expected and could lead



to further implications such as penalties and interest for any unpaid tax. Refunds could be as quick as being released within 24 hours.

IRD pre-populated tax disclosures for individuals — Effective 1 April 2019, the IRD will automatically populate a return disclosure if the taxpayer only has “reportable” income. That is: PAYE earnings, Scheduling payments, benefits, NZ Super, interest and dividends. If the IRD is satisfied the disclosure is correct they will proceed with an assessment and either issue the refund or send a demand for the tax shortfall.

This has also created concern as that pre-populated return disclosure may not be correct. It could be missing financial information, has not allocated the investment income accurately or it may not have allowed time for us to consider an inter-entity distribution. Most of our clients will be required to lodge a tax return as their income falls outside of the reportable income requirements. It is the taxpayers responsibility for accuracy of all returns at all times.

Donation tax credits — Effective 1 April 2019, Donations can be submitted electronically through myIR as well as by paper and can be uploaded during the financial year. Processing of tax credits will remain at year end. For a Donation rebate to be claimed

Tax changes recently enacted (continued)

the rules remain the same – it must be an approved organisation where no direct benefit has been obtained, must for \$5 or more, and you must be a NZ resident. The level of the tax credit will also be limited by your taxable income; the claim will be 33.33% of the total donation or your taxable income (whichever is lesser).

Kiwisaver — Effective 18 March 2019, changes to Kiwisaver now allow for over-65 year olds to join KiwiSaver. For participants over 65, their Employers are not obliged to contribute by way of Employer Contributions but may do so voluntarily and the Government contribution will not be available. The lock-in period has been removed which required a minimum five year contribution period after commencement of a Kiwisaver account for those aged over 65. The “contribution holiday” period will change its name to a “savings suspension” along with reducing that period down from five years to one year. There has also been the addition of new Kiwisaver contribution rates being 6% and 10% (3%, 4%, and 8% remain available).

Boarders — There have been changes to how we determine the tax treatment for boarders. The rate where boarding income needs to be disclosed for tax purposes reduces from \$266/week (for first two boarders) and \$218/week (for each subsequent boarder) to \$183/week (up to four boarders). There are two methods available to work out the tax disclosure, being the Standard Cost Method (up to 4 boarders)

and the Actual Cost Method, along with the ability to include Transport Standard Costs when the tax payer is required to provide transport.

Short-stay guests - A similar calculation method has been introduced for Short-stay guests that stay for no more than 100 room nights per year. (eg. Airbnb)

Mixed Use properties – These rules still apply for properties that are used both for income earning and privately. (eg. Bookabach)

Motor vehicle mileage rate changes — Where a reimbursement is calculated for the business use of a private motor vehicle the rates have increased from 76c/km to 79c/km up to 14,000km in a year. Where the business related use exceeds 14,000kms then the rate is 30c/km for a petrol or diesel vehicle.

Error correction for Income Tax, GST and FBT returns — Effective 18 March 2019, the threshold amounts have been relaxed in order to be able to make changes in a subsequent return when an error has been identified, if the tax amount for a single return is \$1,000 or less; and if the error is not material (total errors are less than \$10,000 and less than 2% of taxable income or output tax liability). If these thresholds are not met then taxpayers need to continue to amend the assessed return(s).

Clarification around current legislation

Brightline test (for properties sold within 5 years) – Clarification around the “Main Home” exclusion have been provided to state that the exclusion can only be used twice within a period. There has also been the introduction of a “Area and Use” test, which will become applicable for subdivisions of the family home. Transactions should not be caught in Brightline tests if more than 50% of the area of land has been used for the main home and more than 50% of the time of ownership the land was used as the main home.

There are many fishhooks within the brightline rules so talk to us if you are considering a property transaction where you think you may be caught. This will allow us the opportunity to consider and advise.

Proposed Tax Changes

GST on imported low-value goods (Amazon Tax) - From 1 October 2019 it is proposed that offshore suppliers will be required to register (provided they meet the registration threshold of \$60,000), collect and return GST in New Zealand on goods valued at or below \$1,000 supplied to New Zealanders. This change will have an impact for the price NZ consumers pay for goods once introduced.

Ring-fencing residential property losses - From the 2019-20 income year it is proposed that ring-fencing losses on residential rental properties will result in no longer being able to offset losses against other taxable income (wage/salary earnings, business income, investment etc). It is suggested that losses will be available to offset future year profits; if a taxpayer is liable for tax on the sale of land; and losses can be available to offset profits in a year where there is a portfolio of properties.

Tax Working Group (TWG) - Business tax proposals - These suggestions are being considered by the TWG and include: Changes to the Provisional Tax RIT threshold to increase from \$2,500 to \$5,000; to extend the Legal Fees approach for tax purposes to not split between deductible and non-deductible expenditure for combined fees of up to \$10,000 of all professional fees; changes to the Depreciation calculations and to include allowable depreciation claims for commercial buildings; revisit the tax treatment for deductions in relation to building compliance costs; simplify the FBT regime; simplify the entertainment rules; and relax continuity rules.

.....

Tax payments—When received in time

There has been changes to the interpretation of when tax payments are received, this is to update the legislation to incorporate technology changes with a shift to digital methods of payment.

These apply from 1 March 2019 and include:

Post dated cheques – These are now accepted by the IRD, the IRD will however make their best efforts not to bank a post dated cheque. This is a change from the proposed publication that we have previously issued stating that from February 2019 IRD would no longer accept post dated cheques.

Payment received in time – For a payment to be received in time it must be received by the IRD on or before the due date. For electronic payments (which is the preferred method of payment) the funds must be cleared so please check your banks processing schedule; for cheques this will be the date the cheque is received by the IRD (Post dated cheques must still be received before or on the due date); for Debit or Credit Cards this will be when the funds are paid or direct credited to an IR account (note: a 1.42% fee is incurred except for payments of Student Loan and Child Support debt); or for cash/eftpos paid at a Westpac Bank branch it will be the date the funds are processed (note: no returns are accepted at a Westpac Bank branch, only payments).

Kiwibank has announced it is phasing out cheques for its customers. It will stop issuing cheque and deposit books from 30 September 2019 and will go cheque free from 28 February 2020. We expect other banks to eventually follow suit.

Non-working days – Where a return and payment date fall on a non-working day, then both the return and payment will be due the next working day. Changes have been made to clarify non-working days which include: Saturday or Sunday's; regional holidays (within that area only); national public holidays and the period from 25th December through to 15th January. Essentially these are days where the IRD or Westpac Bank would not be open to receive payments.

Anti-Money Laundering (AML) requirements

We are currently working with all our clients to gather the required information needed to satisfy the AML legislation which came into effect 1 October 2018.

You will be required to bring identification and proof of address documentation to the office, either as requested or at your annual Financial Statement meeting. To save you time and money please take some time to prepare this beforehand to ensure you have the right documentation. We will provide a detailed list of information for the sources of documentation required to keep this as simple as possible.

We are also required by law to fully understand the reasons and background to the work that we are undertaking for you. We need to be confident that we know the source of your wealth, so we may need to ask further questions and on some occasions request further documentation.

With this extra work required initially and each year after by our administration team, and with the implementation of appropriate software required to hold all this information, we will look to recover those costs by way of a minimal annual disbursement charge. We do apologise for this additional cost.

Client Seminar—Tax Updates

We are planning to host a series of client seminars over the coming year. These are a good opportunity to share with you what is happening out there in the tax space and to be able to provide additional resources for you to improve your knowledge.

Topics include:

Xero (Basics) – Tuesday 25th June 2019 and Thursday 11th July 2019

Xero (Advanced) – Tuesday 2nd July 2019 and Thursday 18th July 2019

Motor Vehicles – changes around tax deductions for tax payers

Personal home deductions - Farm House Expenses and changes to Use of Home Office

Property – Boarders and Short-term accommodation; Ring fencing of rental losses; Brightline rules; and Mixed Use rules

Employment updates – Recent changes, Payday filing, ACC

If you are interested in attending any of these please let Tracy from our administration team know by email tracy@bennettsproactive.co.nz, otherwise phone our office on (07) 573 8446.

Key Tax Dates

Date	Tax's payable
8 July 2019	Income Tax return due to tax payers that do not have a tax agent or lost Extension of Time
22 July 2019	PAYE – Period ended 30 June 2019
20 August 2019	PAYE – Period ended 31 July 2019
28 August 2019	GST – Period ended 31 July 2019
	2020 Provisional Tax (1 st Instalment)
20 September 2019	PAYE – Period ended 31 August 2019
30 September 2019	GST – Period ended 31 August 2019

The first instalment of Provisional Tax for the 2020 year is due for payment on 28 August 2019. We will issue notices closer to that payment date for all client's that are required to make a payment. If you are planning on being away during that time please let us know so we can arrange to issue you a notice at an earlier date.

Staff Focus—Introducing

Laura Drury



Laura is a welcome addition to the accounting team as an Accounting Specialist. A new role to the firm in May 2019, we are hopeful this will allow the rest of the accounting team a bit of breathing space to relieve some pressure points and allow the team to pick up special projects for clients.

Laura has worked in the industry since 2009 and comes with previous experience from two medium sized accounting firms based in Whakatane and Tauranga. Laura has also recently completed her Bachelor of Business majoring in Accounting (BBA) and is currently working towards becoming a Chartered Accountant.

Laura enjoys a challenge and has a passion for wanting to help clients and businesses strive to their best financial ability. As well as her passion for being an Accountant, Laura enjoys spending time with her family and their first child, Heidi who was born in June 2018.

Tracy Pinnock



Tracy has joined the team as a Client Services Administrator. She will be the friendly face you see in reception when you next visit our offices.

Tracy was born in Greymouth and lived there until moving to the Bay of Plenty in January 2017.

Tracy has worked in administration roles most of her working life and when she first moved to the Bay we were lucky enough to have her complete a large project for us behind the scenes for five months on a fixed term contract. She now looks forward to the challenges that Bennetts Proactive hold for her the second time around in a slightly different role.

Tracy has two children who are both active and independent young men, one of whom lives in Brisbane and the other here in the Bay.

In Tracy's free time she enjoys walking and keeping fit along with gardening, going to the beach, listening to music and spending time with her boys, which includes going to Brisbane as often as possible for a visit.

Stacey Farrelly—Away on maternity leave

Stacey, our Client Services Team Leader, will be taking maternity leave from 28th June 2019 until 13th January 2020. During her absence our administration team will ensure that the office continues to operate in an efficient manner. We wish Stacey and Matt all the very best for the safe arrival of their little bundle of joy. We will update you all in the next newsletter.

News in and around the office

When you next call into the office you will notice the building is currently under construction. We are working on the fit out of the office block next door to prepare for a tenancy. We expect that this will not have any impact on us at all, except for a little more noise and the left side of the property being unavailable for parking. We ask that you bear with us over this 14 week construction period and to please be mindful of any health and safety issues that will present themselves.



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND



bennettsproactive

CHARTERED ACCOUNTANTS

(07) 573 8446