



Taking you to the **next** level



IN THIS ISSUE:

Page 2

- ▶ GST—P/E 30 Nov 20
- ▶ Prov Tax Payment
- ▶ Christmas holidays 20/21
- ▶ No more cheques

Page 3

- ▶ Entertainment, gifts & bonuses

Page 4

- ▶ Xero Updates
- ▶ Trusts Update

Page 5

- ▶ Covid-19 Tax Updates
- ▶ Other Tax Changes

Page 6

- ▶ IRD Focus

Page 7

- ▶ Tenancy Law Changes
- ▶ Privacy Act Amendments
- ▶ Client Christmas Function

Page 8

- ▶ Key Tax Dates
- ▶ Office Closure

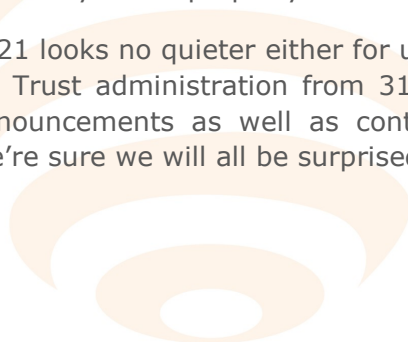
And that's a wrap!

There's a slight bit of relief that 2020 is coming to an end. Don't get us wrong 2020 has flown by but that may be due to it being a short one!

After lockdown hit we had mixed messages of the flow on effect of the pandemic so now, as we head into December 2020 and the new year, we're seeing confidence continuing to increase. Depending on which side of the fence you're sitting on will be a tell-tale sign if 2020 treated you well or if it was a bit of a challenge! For us, we carried on as normal and although there was some disruption we had no choice. The lockdown came right on year end with GST and Income Tax due plus a number of tax relief measures being announced that we needed to keep up-to-date with to ease the cashflow burden of New Zealanders. So never a dull moment.

Post lockdown there appears to be a higher level of business recovery than expected. Interest rates are low and they could still drop further encouraging further spending. There have also been many opportunities created as businesses look to do things differently, either by default or in a planned way. The Government continues to offer support for small businesses with extensions to a number of the Covid-19 tax relief measures. There is still uncertainty around employment and supply pricing as we start to see shortages of stock as demand increases, especially in the property market.

2021 looks no quieter either for us with new legislation coming into force for Trust administration from 31st January 2021, plus post-election tax announcements as well as continuing to get ahead of our workflow. We're sure we will all be surprised come March!



GST—Period ended 30 November 2020



To ensure that we are able to complete and lodge your GST returns by the due date, we required your GST records in the office by **5:00pm on Wednesday 9th December 2020**. GST is due for payment by 15th January 2021.

All clients who bring their records into the office in full by this date will go into the annual prize draw which will be drawn at our client Christmas Function on **Wednesday 16th December 2020**.

Provisional Tax Payments



We will be issuing payment notices for your 2nd instalment of 2021 Provisional Tax on **Friday 18th December 2020**. These are due for payment by 15th January 2021.

There will be no further reminders.

Christmas holidays 2020/2021

The upcoming Christmas public holidays are observed this year as follows:

NZ Public Holiday	Actual Date	Observed Date
Christmas Day	25 December (Friday)	25 December (Friday)
Boxing Day	26 December (Saturday)	28 December (Monday)
New Year's Day	1 January (Friday)	1 January (Friday)
Day after New Year's Day	2 January (Saturday)	4 January (Monday)

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. However, an agreement can be made between the Employer and the Employee 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 as a minimum. If employee Employment Agreements offer a more favorable entitlement then those conditions must override legislation.

Where an employee's normal payday falls on a public holiday then employees must be paid on the last working day before the public holiday. So for this year, where a normal payday is Friday 25th December this is Christmas Day and the payroll needs to be paid on the Thursday 24th December; or if a normal payday is Monday 28th December this is the observed day for Boxing day and therefore the payday must also be paid on Thursday 24th December.

No more Cheques update!

ANZ Bank has announced that they will no longer issue cheques from 30 November 2020 and cheque deposits will no longer be accepted from 31 May 2021 with the exception of foreign cheques. These will still be able to be deposited until further notice.

Banks and other agencies not already accepting cheques are Kiwibank, NZ Post, IRD, ACC and Farm Source (by mail). Other major banks that will phase out cheques in 2021 include the ASB, BNZ (July 2021), Rabobank (25 June 2021) and Westpac Bank (25 June 2021) with Westpac already not accepting foreign cheques under \$500.

If you are not already using online banking, our suggestion is that you look into this without delay and start using this as your preferred payment function as it can no longer be avoided. We can assist you with this if required although it is not our speciality.

Entertainment, gifts & bonuses - Our annual reminder!

With the festive season approaching, now is an appropriate time to refresh your understanding of the entertainment, gift and bonus deductibility rules.

Entertainment – Business related entertainment expenses are claimable however that claim could be 100% deductible or limited to 50%, depending on the nature of that expense.

The 50% deductibility rule will apply 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 providing entertainment away from the work place or out of usual work hours including corporate boxes or similar; holiday accommodation; recreational boats; also food and drink at work for social events (other than providing light refreshments); food and drink offsite; 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.

Copies of invoices/receipts must be kept to support these deductions.

Entertainment expense	50% Deductible	100% Deductible
Providing food and drinks on the workplace premises—All business 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"/>
Providing food and drinks while off the workplace premises—All business Employees traveling out of town for work, for Employees while away at a conference or other business related event.		<input checked="" type="checkbox"/>
Providing food and drinks while on the workplace premises—Private element Friday night work drinks, after work drinks for employees and/or customers.	<input checked="" type="checkbox"/>	
Providing food and drinks while off the workplace premises—Private element 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 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 GST claim allowed when purchasing 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 or alternatively the IRD website shows how this calculation should be done. Remember that KiwiSaver is also calculated on bonus payments.

Xero Updates



Complementary client seminars for Xero Basics

Our last client drop in session will on Thursday **10th December 2020 at 3:30pm**. Xero Basic's interactive seminar includes an overview of Xero including the Dashboard, coding of transactions, using reports and a few shortcuts.

Training will use the demo version of Xero meaning that you can play with a real life ledger. To be interactive, you must bring your laptop or tablet along with you.

These sessions are part of our free upskilling of clients to assist you to run your business more efficiently and effectively. If you would like more intensive training with Xero using your data then this can be arranged too. Please contact your Accounting Specialist to determine the level of training required, we can then provide an estimate of cost and a suitable time.

Register for these free seminars by contacting the office.

In the new year, we will introduce a series of new Xero complementary training seminars which will include Invoicing, Bills and Payments and Advanced.

Xero Starter subscription

Xero has recently made some changes to their Starter Plan. Previously the Starter plan was restricted to 20 bank transaction lines and allowed a maximum of 5 invoices and bills to be issued for each per month. The recent changes now allow unlimited bank transaction lines and a maximum of 20 invoices and bills for each per month.

With these recent changes there may be clients that wish to upgrade from a Cashbook subscription (currently \$22.50 + GST per month) to allow you to issue invoices to customers through Xero and/ or record creditor payments. Or there might be clients that can now downgrade from a Standard subscription (currently \$52.50 + GST per month) because you exceeded the 20 bank transaction lines or issued more than the 5 invoices or bills within a month. The monthly subscription charge for a Starter subscription is \$23.50 + GST per month.

We have sent correspondence to clients where we think this may be an option. If you would like to discuss this further with us or wish to change subscriptions then please contact Stacey Farrelly or email stacey@bennettsproactive.co.nz

Trusts update



We are currently working through our Trust Review programme that comes into force from 31st January 2021.

Over recent days letters have been issued to all of our Trust clients providing information around the changes so you can understand these changes and your new obligations of being a Trustee. This programme will also give us the opportunity to review your current Trust structure to ensure that it remains fit for purpose.

It is important that you do know and understand these changes as all Trustees will be equally responsible for all Trust decisions.

We will also be hosting client seminars to share these upcoming changes with you during January and February 2021. These dates are included within this newsletter package. All seminars will be limited in numbers to keep the groups small and interactive. If demand requires we will continue to introduce more seminars during March 2021.

All Trustees should make themselves available for one of these seminars.

Covid-19 Tax Updates - they continue!

Further extensions have recently been made for tax relief measures that were introduced as a result of Covid-19, these latest changes include:

Small Business Cashflow Loan

Initially the loan applications closed on 31st December 2020 however these have now been extended a further three years to 31 December 2023. The initial loan was said to be interest free if repaid within one year and this interest free period has since been increased to two years. The initial loan principal was to be used for core operating costs which has since been broadened so that the loan can be used for other business related costs such as capital expenditure or digital infrastructure. All other conditions of the initial loan have remained unchanged at this point however it is possible that further changes may still happen - other conditions include being available to businesses with 50 or fewer FTE employees, the requirement to being in business on 1 April 2020 and having experienced the 30% decline in revenue as a result of Covid-19, within the maximum loan amounts being \$10,000 per business plus \$1,800 per FTE employee and the loan period being 5 years with interest charged at 3% if not repaid within the required interest free period. All existing loans applied for prior to this announcement will automatically update to incorporate these changes within the current loan conditions that have already been accepted.

Debt Hibernation Scheme

This is a mechanism to assist Companies, Trusts, Societies, Partnerships and Charitable Trusts (not Sole Traders) with relief from existing debt obligations which over a period may have triggered a situation of insolvency. The scheme was available until 24th December 2020 and has now been extended until 31st October 2021.

Low Cost Assets threshold reminder

The Low Value Asset threshold is currently \$5,000 + GST for any single asset purchased up to 16th March 2021. On or after 17th March 2021 this threshold permanently decreases to \$1,000 + GST. This means that if you fall within the threshold limit you will be entitled to a full deduction for tax purposes in the year of purchase rather than having to depreciate the asset over its useful life. Our recommendation is that if you need to replace minor assets and you intend to do so over the coming months, do so before the threshold drops on 17th March 2021 if possible.

Other Tax Changes

The Write-Off threshold for individuals' automatically calculated income tax assessments has increased from \$50 to \$200 from 3 June 2020.

Other proposed Tax Changes - pre-election promises!

Sick Leave

The Bill to expand employee sick leave from 5 days to 10 days per year is expected to be introduced to Parliament. This change not only comes at an additional cost for businesses for those extra unproductive days but also there is the cost of an extra 5 days of lost production per employee per year and extra resources possibly needed to cover sick employees. Over a larger business this could require a new employee to cover the lost capacity under the Amendment Bill or over a smaller business it could mean other employees need to now work harder to compensate for the lost capacity.

Top Tax Rate

The introduction of a new 39 per cent top tax rate has been introduced into Parliament. It is expected that this top rate will apply from 1st April 2021 and for individual earners that receive income over \$180,000 in a tax year. The expected catchment is only around the top 2% of NZ earners, however the tax collection is expected to be an extra \$550m a year. There should be no other changes to the current tax rates and income bands.

Other proposed Tax Changes - continued

Increased disclosure requirements for Trusts

The recently introduced Amendments Bill also allows for increased disclosures for Trusts giving the power to collect information. The background behind this is to test compliance especially now that a higher tax rate of 39 per cent has been introduced, there is a fear that some taxpayers may use Trusts to shelter tax liability.

Increasing the Minimum Family Tax Credit Threshold

The recently introduced Amendments Bill includes changes to the current threshold which should result in increasing the tax credit by about \$32 per week for the 2020/21 year. The Bill also includes a number of other consequential changes.

Privacy Act Amendments

Privacy Act amendments came into force on **1 December 2020** under the new Privacy Act 2020. The major changes include mandatory reporting of serious data breaches, mandatory compliance, greater controls on sharing of personal information and consequences of breaching the Act. Our suggestion is that if you hold personal data in relation to customers, employees or any other affected person and if you have not already done so then please take the opportunity now to review what is required to comply with the new legislation.

IRD focus!



We have recently seen increased activity from IRD requesting further information on residential property transactions.

The information sharing ability allows IRD access to all property records and it appears they have recently cracked down on matching transactions with tax return disclosures that may fall within the Bright-line rules meaning that a disposal/transfer could well be taxable. There are exclusions from the rules and the rules apply to properties sold within a specified time period.

The tax revenue recovery could be significant with an estimated 25 per cent of investors not disclosing a disposal/transfer so we expect further focus within this area to continue.

The upgrade of an IRD computer system!

With the continuation of a \$1.7b upgrade of the IRD computer system, it has been the intention that processing will continue to automate. With the information sharing capabilities populating most disclosures and the increased frequency of submission disclosures now required, it aims to take away the human intervention of making sure the answer is right. It also doesn't take into account the complexities of individual taxpayers as it assumes that all taxpayers are simple and repetitive year-on-year.

We continue to see increased correspondence being issued by the IRD with most of it being released by automation, both to our offices and directly to you as taxpayers - some right and some wrong. Releasing incorrect correspondence creates confusion and concern, it also consumes time looking into the issues identified with 9 times out of 10 being able to be rectified simply with correspondence.

The frustration comes when we end up doing the job of the IRD where that cost burden is either absorbed by us or passed on to you. Our suggestion is to forward on to us any correspondence that you receive directly and are unsure about so we can address without time delay and in the quickest manner. The fee cost for time spent responding to these IRD queries can be paid by your Audit Shield cover if you opted in - it's not too late!

Tenancy Laws are changing!



Recent amendments have been introduced around tenancy laws and will roll out over 3 phases.

Phase 1 (12 August 2020) includes transitional and emergency housing provisions as well as the limitation on rent increases being restricted to once every 12 months, previously this was 180 days (6 months).

Phase 2 (11 February 2021) includes the majority of the changes around security of rental tenure; allowing minor changes to be made on the property; prohibition of rental bidding; allowing Fibre broadband insulation; provisions for privacy and access to justice; provisions for the request of an assignment for a Tenancy; landlord records and what must be provided; enforcement measures of the RTA and changes to broaden the Tribunal powers. With these changes also comes a penalty for failing to comply.

Phase 3 (11 August 2021) includes changes for when tenants experience family violence and withdraw from the tenancy as a result, along with provisions for landlords where a tenant has assaulted a landlord, the owner, a member of their family or the landlords agent and where the Police have laid a charge in respect to the assault.

These changes are not detailed in full in this issue however we will be sending a separate specific newsletter in the new year that will be more detailed. In the meantime we recommend that you either consult with a Rental Property Manager or refer to the Residential Tenancies Amendment Act 2020 for further clarification around these changes.

Client Christmas Function



Our annual Client Christmas Function is to be held on **Wednesday 16th December 2020 between 4:00pm and 6:00pm** at our offices.

The Team at

Bennetts Proactive Accountants

invite you to our

Christmas Function

Wednesday 16th December 2020

4.00 pm – 6.00 pm

8 Queen Street, Te Puke

Finger food & drinks
provided

We invite you to join the team to celebrate the end of the 2020 year. Finger food and drinks will be provided.

Please advise your attendance for catering purposes by **Wednesday 9th December 2020** by either phoning the office on 07 573 8446 or emailing admin@bennettsproactive.co.nz.



Key Tax Dates

Date	Taxes payable
20 December 2020	PAYE—Period ended 30 November 2020
15 January 2021	GST—Period ended 30 November 2020 2021 Provisional Tax (2nd instalment) for March balance date
20 January 2021	PAYE – Period ended 31 December 2020
28 January 2021	2021 Provisional Tax (3rd instalment) for December balance date
20 February 2021	PAYE—Period ended 31 January 2021
28 February 2021	GST—Period ended 31 January 2021 2021 Provisional Tax (2nd instalment) for May balance date
20 March 2021	PAYE—Period ended 28 February 2021
28 March 2021	2021 Provisional Tax (2nd instalment) for June balance date

It is important to make your payments on or before the due date. For a payment to be received “in time” it needs to be electronically paid or direct credited to an IRD account on or before the due date. For payments that are due on a weekend or public holiday (including a provincial anniversary day), payments will be “in time” when it is received on or before the next working day.

As part of our workflow planning in the lead up to the Christmas break, we will have addressed all the GST and provisional tax payments by **5:00pm on Tuesday 22nd December 2020**, as these payments fall due shortly after the office re-opening.



CHRISTMAS OFFICE CLOSURE

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

The office will close: **midday Wednesday 23rd December 2020** and
reopen 8.30am Wednesday 13th January 2021.

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 2021.