



Taking you to the **next** level



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End of Year Tax Planning For 31 March Balance Date Clients

With the 2021 year fast coming to an end, as we do every year, we remind you of the tasks that need to be considered on or before 31 March as part of your tax compliance responsibilities.

Things that need to be considered and actioned on or before 31 March:

- A review of all your Debtors and ensure you write off any bad debts dated 31 March or earlier from your ledger before year end.
- Issue all credit notes to customers if applicable so these adjustments are taken up in the correct financial year.
- Ensure all expenses are incurred before year end (invoices issued by supplier) so that a deduction is allowed in that financial year.

Things that need to be considered on 31 March:

- Ensure stock counts in your accounting system are accurate, that is trading stock, valued at cost price; also write off any obsolete stock.
- Determine the Work in Progress, valued at cost price. Work in Progress is work that has been performed but not yet invoiced (materials and labour should be included).
- Determine any raw materials held on hand. Raw materials are unprocessed material used to produce goods not yet used.
- Record cash/ banking received but not yet deposited.
- Confirm Petty Cash and Till Floats.

We are currently working through our 2021 year end work scheduling and will look to finalise that mid April 2021, at which time we will be able to let you know when your work is expected to be completed. If for some reason you wish your work to be at a specific time or if your work is urgent, please let us know and we will try our best to accommodate your request.

For those clients that maintain a paper copy of financial records, we will also be getting ready for you to collect your 2022 annual folders during April 2021. We have seen a move towards electronic record keeping over the last year or two. If this is something of interest then we suggest you contact your Accounting Specialist to assist you with this transition.

Office Closures

Our office will be closed for the **Easter Break** from 5pm Thurs 1st April and reopening 8.30am Tues 6th April 2021.

And also for **Anzac Day** on Mon 26th April 2021.

We wish our clients a safe and enjoyable break over these upcoming long weekends.



Tax Updates

Tax changes continue to evolve, here is a snapshot of the latest updates!

Employment Law changes

- The annual increase in the **minimum wage rates** will apply from 1 April 2021

Type of Wage	Old Rate/ Hour	New Rate/ Hour
Adult (16 and over)	\$18.90	\$20.00
Starting-out *	\$15.12	\$16.00
Training **	\$15.12	\$16.00

* Starting-out applies to employees aged 16 - 19 entering the workforce for the first time

** Training applies to employees 20 years and over who are involved in relevant industry training to become qualified.

Certain requirements apply to both Starting-out and Training wage rates. Both of these are calculated at 80% of the adult minimum wage.

- The amendment bill to increase **sick leave** from 5 days to 10 is still in the reading stage (not yet legislation).
- Visitor visas** have been further extended by two months from the date of expiry for those:
 - In New Zealand on 19 February 2021, and
 - Who hold a temporary visitor visa that expires between 19 February 2021 and 31 March 2021 inclusive.

Other tax changes

- The introduction of a **new top tax rate of 39%** for personal incomes applies from 1 April 2021.

Individual taxable income	Tax Rate	Maximum tax payable within this range
\$0 - \$14,000	10.5%	\$1,470
\$14,000 - \$48,000	17.5%	\$5,950
\$48,000 - \$70,000	30%	\$6,600
\$70,001 - \$180,000	33%	\$36,300
\$180,001 upward	39%	

With the introduction of the new tax rate, this will also affect other tax types such as FBT, RWT, KiwiSaver ESCT and Residential Land Withholding Tax. The 39% tax rate for RWT will be available from 1 October 2021. There has been no changes to the PIE tax rate (currently maximum of 28%) for individuals or to the RWT rate on dividends.

- Working For Families** and social policy changes include:
 - The Minimum Family Tax Credit (MFTC) for wage and salary earners increases from \$27,768 to \$29,432 a year after tax (or \$34,487 before tax).
 - The removal of the minimum number of hours for eligibility to the In Work Tax Credit (IWTC) (from 1 July 2020).
 - Allowing the continuation of the IWTC's for those who are taking a break from paid work for up to 2 weeks (from 1 April 2021).
 - Information sharing - An extension of Inland Revenue Department powers to request information.



COVID-19 Tax Updates - they continue to continue!

The tax relief measures that were introduced as part of the Covid-19 response continue to be amended. The latest changes include:

- The small balance tax write off threshold for individuals will revert back to \$50 for the 2021 Income Tax year. Previously this was \$200 for the 2020 year for tax payers who receive an automatic income tax assessment.
- The change in the Provisional Tax threshold from \$2,500 to \$5,000 was previously for the 2021 Income Tax year. This has now been made a permanent change. This means taxpayers with residual income tax of \$5000 or less in a tax year will not need to pay provisional tax for the next tax year. However, you may now have larger terminal tax payments (due 7 April the following year) needing to be made which previously would have been offset with provisional tax credits made in three instalments throughout the year.
- The Low Value Asset threshold changes from \$5,000 down to \$1,000 (GST excl) effective 17 March 2021.
- Information Sharing - the increased ability for the Inland Revenue Department to assist other government departments in response to the Covid-19 matters.

Trust Changes

The new Trusts Act 2019 came into force 31 January 2021 which incorporates a number of changes that all Trustees need to know. We have held Trustee client seminars over January and February 2021 to share these changes. If you were unable to attend those events, we will have a recording of the seminar available from 12 April. To receive the link to this recording, please contact our office.

Information sharing - we will see an increase in disclosure information being required by Trusts to be made available to the Inland Revenue Department with effect from the 2022 Income Tax year. We don't yet know what this will look like until legislation is written. However, this is likely to focus on areas around distributions, settlements and associated party transactions.

Xero

Are you interested in moving to a cloud-based product for the 2022 financial year?

Xero is an online based accounting software package that allows you access from work, home or on the go - putting you in control! Using Xero, you will know at any point in time your financial position and as your accountant we can provide valuable real-time advice right when you need it.

If you are interested in attending an upcoming client seminar or require further information about Xero, please talk to your Accounting Specialist.



Upcoming Xero client seminars

Xero Basics Every 3rd Thursday of the month at 3.30pm

Xero Advanced 22nd April 2021 at 3.30pm

Please register your interest for any Xero event as soon as possible as numbers will be limited. To register your attendance please either phone the office on 07 573 8446 or email admin@bennettsproactive.co.nz

Banking changes - these continue too!

ANZ Bank will no longer accept cheque deposits from 31 May 2021 with the exception of foreign cheques.

ANZ Bank Te Puke will close it's branch on the 18th March 2021 as part of it's branch service offering restructure. This is certainly a disappointment for our ANZ banking clients, us included, as well as the staff within that branch who we have worked with closely over the years. Papamoa is the nearest branch and is currently open Monday to Friday between the hours of 9am and 4.30pm for customer enquiries and banking requirements.

Key Tax Dates

Date	Taxes payable
7 April 2021	Terminal Tax – 2020 Year
7 April 2021	FBT - Income Year return and payment
20 April 2021	PAYE – Period ended 31 March 2021
7 May 2021	2021 Provisional Tax - 3 rd Instalment
7 May 2021	GST - Period Ended 31 March 2021
20 May 2021	PAYE – Period ended 31 April 2021
20 June 2021	PAYE – Period ended 31 May 2021
30 June 2021 – Suggest 10 June 2021	KiwiSaver minimum contribution of \$1,042.86 for maximum tax credits of \$521.43

Terminal Tax notices (Payable 7 April 2021) – We will print and release these notices over the next week.



Provisional tax review – Prior to the 3rd instalment of Provisional Tax falling due, we are able to undertake a review of your last 12 months of trading to consider if your tax payment can, or should be, adjusted either upwards or downwards so it is more in line with what we expect the actual tax to be, especially if there is significant change in the 2021 trading year. Once the GST return is completed for the February/March 2021 period we can obtain the appropriate information from your GST records.

If you are scheduled for a Provisional Tax review, you will receive a reminder soon. If you would like a review done and you do not receive a reminder then please contact us with urgency and prior to the Easter break.

Kiwisaver - To be eligible for the full member tax credit of \$521.43 you have to contribute at least \$1,042.86 a year. The Government will contribute 50 cents for every dollar of member contribution annually. If you have not yet contributed the minimum amount we suggest that you arrange a voluntary contribution prior to the beginning of June 2021 to ensure time for your credits to be transferred to your KiwiSaver fund by the due date of 30 June 2021. Payments need to be made online by choosing the "Pay tax" option and including your IRD number, the tax type "KSS", and recording the period "0" (zero) or by any other means of paying taxes.



Audit focus - what we've seen and heard!

We understand there has been a recent significant increase in activity from the IRD around the request for further information particularly in relation to GST verification, property and Bright-line disclosures and general tax compliance.

The Inland Revenue Department have also indicated that they will undertake a review project of tax payers that are GST registered who have been filing \$Nil GST returns for a 6 month period or more. This is expected to be an on-going review project. What the Department are aiming for here is to recognize tax payers where their business activity might have either ceased or has had a significant downgrade such as from a business activity to more of a hobby activity. This review may also include ensuring correct disclosures have been made for a change in apportionment or a change in use.

It is important where there is a request for information and the Inland Revenue contact you directly, that you do not respond to the IRD directly but you pass on any request to us

immediately. This will allow us time to consider, address any implications to give you the heads up first and then respond.

In the above GST review, if there is a change within the business activity that has previously been ignored then there could well be tax output implications.

Audit Shield is a product we offer clients and highly recommend for these situations where the IRD request further



information in relation to any tax type. With Audit Shield cover, this comes with a minimum cost, and covers all professional fees including our fees when a request has been made by the IRD. If you wish to participate in the Audit Shield cover then please contact Alana at our office on 07 573 8446 or alana@bennettsproactive.co.nz. It is not too late to participate.