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bennettsproactive
CHARTERED ACCOUNTANTS

NOTICE BOARD

ISSUE 25 | SEPTEMBER 2019

Keeping up with Changes

As well as technology constantly changing, Government Departments are also upgrading and changing their systems.

ACC - Upcoming changes to the way ACC CoverPlus invoices are issued for self-employed customers

If you are currently self-employed and on the basic ACC CoverPlus scheme, you will see a change in the way your invoices are issued. Up until now you have received a provisional invoice for the 2019/20 year based on your previous years' earnings. This was then followed by a final notice once your Income Tax Return was assessed by the Inland Revenue Department (IRD) to cover any shortfall or determine an overpayment.

From the 2020 levy year, you will be charged your levies on one invoice. After the levy year has finished, the invoice will be based on your actual earnings, meaning your Income Tax Return(s) for the 31 March 2020 year will need to be assessed by the IRD first. This change should eliminate any over-charging of levies when income levels decrease. For the first year of change there will be a delay in when invoices can be issued and the invoice you receive will be for one larger amount.

If you are currently self-employed and on ACC CoverPlus Extra, there are no changes to the way ACC will invoice you. You will continue to be charged levies in advance on your agreed level of cover. It is our preference that if you are self-employed; are considered to be working full time; and your Shareholder Salaries will likely exceed $60,000pa you consider ACC CoverPlus Extra as an alternative to the basic ACC CoverPlus.

Contact our office for further information or any questions you have in relation to ACC. We also offer a service to manage all of your ACC needs, giving you the confidence you are paying the correct levies and that you will receive cover at the right level in the event of an accident.

Trusts Act 2019 - Recent changes to modernise and clarify trust law

The recently legislated Trusts Act 2019 (the Act) has been given an 18 month transitional period to 30 January 2021 to provide all settlors and trustees a chance to get up to speed with the required changes and time to get the wheels in motion to comply.

The significant parts of the legislation are designed to bind Trustees by mandatory and default duties providing greater accountability, to provide transparency around the Trust activities, to increase compliance, to provide mechanisms to resolve trust-related disputes and the obligation to provide greater levels of information to beneficiaries.

These are summarised below:

- **Introduction of Mandatory Duties** – there are 5 duties that must be performed by the Trustees that are unable to be modified or excluded by the terms of the Trust. The 5 duties include the duty of Trustees to know the Trust, to act in accordance with the terms of the Trust, to act with honesty and in good faith, to act for the benefit of beneficiaries and a duty to exercise powers for proper purpose.

- **Introduction of Default Duties** – there are 10 duties that must be performed by the Trustees unless modified or excluded by the terms of the Trust. The 10 duties include the general duty of care and the duty to invest prudently, to not exercise power for ones own benefit, to consider exercise of power, to not bind or commit Trustees to future exercise of discretion, to avoid conflict of interest, to be impartial, to not profit, to act for no reward and to act unanimously.

- **Information that must be retained and length information must be retained for** – Trustees have an obligation to keep and give trust information. There is a requirement that core documents must be retained, not only do they need to be retained, but each Trustee must be familiar with these documents.

- **Giving information to Beneficiaries** – basic information must be made available including the fact that that person is a Beneficiary, the name and contact details of Trustees, changes to the Trust Deed as they occur, and the right for a Beneficiary to request a copy of the Trust Deed.

- **Indemnities** – restrictions have been introduced around the use of Trustee exemption and indemnity clauses.

- **Ability to delegate powers** – there are circumstances where powers can be delegated, cannot be delegated and circumstances when all powers can be delegated.

Continued ….

Trusts Act 2019 - *Continued*

- The maximum length of a Trust's life has been extended to 125 years from 80 years.
- Introduction of dispute resolutions – alternative dispute resolution mechanisms have been made available such as mediation and arbitration in order to reduce court actions.

As with any legislation, at the introduction, it requires us to fully understand them before we can communicate this through to you. We will continue to develop our understanding with this new piece of legislation and report back in due course. This is not a one size fits all project especially as Trusts continue to hold an important place in estate planning along with protection and management of assets and everybody's circumstances are different. As Trustees, you need to ensure you understand your obligations, with our guidance of course. There is a lot more information to come if you have concerns always feel free to talk with us.

Recent Tax Updates

Employment – legal protections for employees affected by domestic violence – Legislated 30 July 2018

From 1 April 2019, employees who are affected by domestic violence now have the right to take at least 10 days of paid domestic violence leave each year (this is separate from annual leave, sick leave and bereavement leave). They can request short-term flexible working arrangements lasting up to 2 months and they must not be treated adversely in the workplace because they might have experienced domestic violence.

There are employment service requirements that need to be satisfied before domestic violence leave is available and the employee may be required to show proof before granted leave since domestic violence can include not just physical but also sexual or psychological abuse that may not be noticeable by employers. It does not matter when the domestic violence took place to be entitled to this leave.

GST on imported low-value goods (Amazon Tax) – Legislated on 26 June 2019

From 1 December 2019, overseas businesses that sell low-valued goods to New Zealand consumers, as well as online marketplaces and re-deliveries, valued at $1,000 or less are required to register for, collect, and return GST provided their turnover exceeds or is expected to exceed $60,000. The $1,000 threshold relates to the value of the goods only and excludes transport, insurance or any other costs associated with landing the goods.

Continued ….

GST on imported low-value goods (Amazon Tax) – Legislated on 26 June 2019 - *Continued*

The compliance will not affect New Zealanders, however it could affect the price that we pay for low-value assets that have previously been allowed to slip through the GST system.

Ring-fencing of rental losses – Legislated on 26 June 2019

From 1 April 2019, taxpayers with a residential rental property activity will no longer be able to offset rental losses with other taxable activity such as wages or salary earnings, business income and investments etc.

To be included in the new rules, the land must be residential or able to be used for residential dwelling purposes and a dwelling must be predominantly used as a place of residence.

There are exclusions to the legislation such as business premises, mixed-use assets or employee accommodation and situations where the answer may not be black and white. For example a situation where there is dual use or a mix of residential and commercial rental activities as well as tax implications to consider; such as Company continuity issues, tax treatment on disposal of properties or being able to utilise losses in the future.

The two approaches available to tax payers are the portfolio approach which calculates income and expenses over the entire portfolio, or the property-by-property approach which calculates income and expenses on each property.

IRD Changes

Inland Revenue
Te Tari Taake

Moving on from Cheques

The Inland Revenue Department (IRD) have released a notification that from 1 March 2020 they will no longer be accepting cheques if taxpayers have an alternative payment option.

The alternative ways of making payments are:

- Online Banking (our preferred)
- MyIR either Direct Debit or Credit Card payments (*not our recommendation at all*)
- At a Westpac Bank branch (Eftpos or cash only)
- By Money Transfer for overseas taxpayers

Continued ….

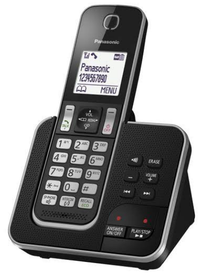
Moving on from Cheques - *Continued*

IRD are also moving away from issuing cheques for tax refunds and will now require bank accounts to release tax credits. Please ensure when changing your bank account details, that the IRD system is updated immediately – all bank accounts added with IRD remains the taxpayers responsibility at all times.

Direct communications with IRD

With new and improved IRD systems and taxpayer access to myIR, taxpayers now have the ability to actively communicate with the IRD directly.

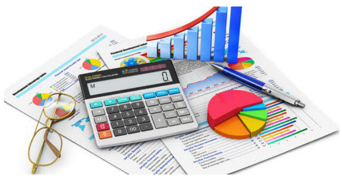
This is encouraged in straight forward matters, however we do recommend when you are unsure you make contact with us and let us handle it as your tax agent. Also, where you are authorising an action with the IRD ensure you obtain the name and call centre location of the IRD staff member, that way if there is any error we are able to rectify the matter quickly.



This message comes about from recent experiences where clients have given or received advice through the IRD communications channel in error and we have had to get involved to rectify. Using additional time and creating additional fees for clients.

Prescribed Investor Rates (PIR) for taxpayers with investment income

PIR rates are required to be selected at the time of commencing an investment deposit such as PIE or a KiwiSaver scheme; as well as during the term of that investment if your personal circumstances change in regards to your taxable earnings. There are 4 rates available being 0%, 10.5%, 17.5% and the maximum 28% and this will be determined based on your level of earnings.



It is important when selecting your PIR rate that you get the right deduction rate. If you select the correct rate then the income and PIE credits are not required to be included in your Income Tax return.

If you select an incorrect rate and it is lower than your marginal tax rate, then we are required to include your earnings in your Income Tax return, if you select a higher rate then we can’t include and you are not able to obtain the surplus tax credits back that you have paid in error.

To determine your PIR rate, for individuals, if in the last 2 years your taxable income was $14,000 or less and your taxable income plus your PIE income was $48,000 or less select 10.5%; if in the last 2 years your taxable income was $48,000 or less and your taxable income plus your PIE income was $70,000 or less select 17.5%; if your taxable income exceeds $70,000 select 28%. PIR rate for companies is always 0%. Trusts have complex choices so please ask your Accounting Specialist if you have any concerns.

Excise Duty Refunds

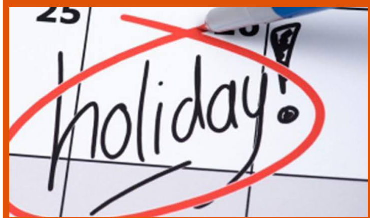
Do you have significant fuel costs for vehicles that are not used on public roads such as ATV's, Tractors, machinery and equipment?

If so, you could be eligible to an Excise Duty refund (currently $0.63 per litre) for petrol, LPG and CNP. Claims are processed quarterly and must be completed by submitting the prescribed Land Transport form.

If you believe you may qualify for this please contact either your Accounting Specialist or Lance and Michelle to discuss further.

Labour Weekend Office Closure

Our office will be closed from **Thursday 24th October 5:00pm** and reopening on **Wednesday 30th October at 8:30am.**



This break is longer than the normal national holiday period by two days. We shut the doors to provide a well deserved extended break to our team after a busy winter period, time to breath again and spend quality time with family, before we head into the crazy Christmas period rush.

Key Tax Dates

Date	Taxes payable
21 October 2019	PAYE - Period ended 30 September 2019
21 October 2019	FBT - Quarter ended 30 September 2019
29 October 2019	GST - Period ended 30 September 2019
29 October 2019	Provisional Tax - 6 mthly GST filing frequency
20 November 2019	PAYE - Period ended 31 October 2019
20 December 2019	PAYE – Period ended 30 November 2019
15 January 2020	GST - Period ended 30 November 2019
15 January 2020	2020 Provisional Tax (2nd instalment)

Where a payment falls due on a weekend or public holiday

Since Labour Day falls this year on 28 October 2019, the due date for any tax payments currently due on 28 October 2019 will now fall due the following working day, being 29 October 2019. Inland Revenue will accept a payment as being in time if it is received or credited by that extended date.

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