



## NEWSLETTER DECEMBER 2015

*Seasons Greetings to all our clients and business associates. We hope you have a safe, happy and relaxing Christmas holiday whether it be a couple of days off or a well-earned holiday. We appreciate that you choose to trust us with your accounting, tax and business affairs and value the relationships we build. We always welcome new clients and appreciate your referrals.*

Maybe **CHRISTMAS**,  
he thought,  
*doesn't come*  
**FROM A STORE.**  
Maybe **CHRISTMAS**,  
*perhaps,* **means**  
**A LITTLE BIT MORE.**  
~ The Grinch ~

### ***In this Issue:***

Holiday Office Closure  
October/November GST Returns  
Provisional Tax Payments 15/01/16  
KiwiSaver – For the Self Employed Too  
Staff News  
Interest Rates Still Low – Fix or Float  
ACC Levies to Further Reduce  
What is The Bright Line Rule?  
Working For Families – In Work Tax Credit to Increase  
Health and Safety at Work Act – We are All Responsible  
Changes in The Wind – GST & PAYE Processing  
IRD Approved Vehicle Mileage Rate Reduction  
Is Your PIE Income Taxed Correctly?  
GST on Foreign Supplies  
The \$, Dairy and Tough Times  
Have A Laugh With Us

### **Holiday Office Closure:**

Our office will close at 1pm on Wednesday 23 December 2015 and reopen at 8.30am on Monday 18 January 2016. Arrangements will be made with individual clients who require any regular services during this time.

### **October/November GST Returns:**

With our Christmas closedown all GST returns that we prepare will need to be done before we close on 23 December 2015. Please make a special effort to bring your papers in early and answer any queries promptly.

### **Provisional Tax Payments 15/01/16**

Tax Payment Notices will be sent out mid December for payment by **15 January 2016**. **DO NOT FORGET THEM!** If you have any queries regarding the amount you are being asked to pay, please contact us before Christmas so we can resolve these. Remember November GST payments are also due on this date.

### **KiwiSaver – For the Self-Employed Too:**

We are often asked if self-employed people can join KiwiSaver. Yes they can, they just need to register with a scheme provider, then negotiate and make payment contributions. If you are over 18 and live in New Zealand you will be entitled to the Member Tax Credit which is 50 cents per \$1.00 contributed up to a maximum of \$521. The \$1,000 kick start bonus offered by the government from the outset of the scheme has been discontinued from 21 May 2015.

Obviously a self employed person or children who don't work will not receive any Employer contributions to their KiwiSaver Fund.

#### **Note:**

*The information contained in this newsletter is of a general nature only and readers are cautioned not to act or rely on it without first consulting a senior representative of this firm for specific advice relative to individual circumstances.*

## Staff News:

This year has seen **Anjum Rahman** achieve 15 years working for our firm in August. Anjum has built up a great knowledge base during her years as a senior in our firm, and we are grateful for her continued enthusiasm and loyalty to the firm and our clients. Both **Avi Ratnam** and **Neilen Govender** have been successful in their studies, Avi completing his Bachelor of Business Studies Degree and Neilen his modules for the Chartered Accountants Program.

In early November the whole team at Robertson Fulton completed the Round the Bridges 6km event. This has become an annual team challenge, and enjoyed to varying degrees....

Matthew represented our team at the Rugby World Cup semi-final and final games at short notice. He got the call up a week before New Zealand were to play Australia, and couldn't resist. His attendance as 'moral support' was obviously just the catalyst needed to ensure an All Black victory.

Its been a busy year, with many clients looking at new projects and/or options. We appreciate the stable, dedicated and highly competent team we have who go the extra mile for our clients.

## Interest Rates Still Low – to Fix or Float

As Floating Mortgage Rates hover above and below 6%, fixed rates are still falling...some to the mid 4-5% range. If you are considering a switch between fixed and floating or re fixing...the decision should be based on:

- The cashflow cost to do so;
- The final negotiated break fee if applicable;
- Whether interest rates are expected to increase or decrease; and
- When or if a tax deduction can be claimed on the fees incurred.

Break fees are generally charged as compensation for the loss the bank will suffer if the interest derived from an existing fixed rate loan reduces as a result of a switch to a lower rate. It is usually calculated on the difference in the bank's margin on the interest rates the borrower is moving between, over the term of the fixed contract. These are usually negotiable if you are staying with the same bank.

If this is a 'tax deductible' loan, there may be a bonus in that the break fee may be tax-deductible just like the interest on the loan is. However this depends on the situation. Don't assume it will be, contact us to discuss the situation before you commit.

With all debt, look to convert some of your loan to a rapid repay (voluntary) option, and concentrate on repaying lump sums or regular amounts in addition

to the minimum required payments on the basic interest and principal options.

## ACC Levies to Further Reduce:

Your ACC Work Levy currently includes two components: (1) a current portion and (2) a residual portion. The residual portion covers on-going costs of pre-1999 claims. Since 1999, ACC has collected sufficient funds each year to cover the on-going costs of the claims in each year. The current portion of the work levy is adjusted each year to reflect the most recent injury experience within the specific industry. The residual portion has been fixed since 2005 based on the remaining cost of pre-1999 claims. A recent revaluation of the ongoing claims has seen the Government propose the removal of the residual levy charge from the 2016/17 year which could result in 75% of businesses paying reduced levies.



## What is The Bright-Line Rule?

The Bright-Line Rule Government proposed as part of Budget 2015 has just passed into law. This rule will apply to residential property bought on or after 1 October 2015.

This new legislation gives IRD another way to tax some property transactions – clarifying that 'Capital Gains' are sometimes not tax free.

The rule requires that people selling residential property **within two years** of buying it to pay income tax on the gain on sale price, unless:

- It is their main residential home
- They inherited the property
- They receive a property as part of a relationship settlement.

All existing property tax rules, for example the intention test, still apply. Business premises and farmland are not subject to the Bright-Line Rule. The 'main home' exclusion cannot be used if it has been used twice in the last 2 years.

To gather information required anyone buying or selling land, both New Zealand residents and non-resident vendors will be required to provide NZ IRD numbers as part of the sale and purchase process to complete a Land Transfer Tax Statement. Yes, IRD will have this information in their system now, and it is a simple case of 'watching for the red flag' to come up when there is a sale within two years.

Non-residents will also have to provide their country's equivalent to an IRD number and open a NZ bank account. Resident Land Withholding Tax (RLWT) will be payable by 'offshore persons' who sell New Zealand Residential land that is taxable under the 'Bright Line' test in line with the special rules within this change for Non-residents.

## Working For Families - In-Work Tax Credit to Increase:

It is proposed that the maximum In-work Tax Credit will increase by \$12.50 per week from 1 April 2016. This will mean the maximum payment will be \$72.50 a week for families with up to 3 children. The rate that these credits abate will increase in 1.25% steps until the current 21.5% reaches 25%. The abatement threshold will decrease in \$450 steps until it reaches \$35,000pa. Each of these steps will be timed to match increases in the family tax credit rate. This means that those with up to 3 children earning under \$35,000 in family income will receive the maximum of \$72.50 per week of In-Work Tax Credit. It will begin to abate once family income is above \$35,000pa.



## Health and Safety at Work Act - We Are All Responsible:

This Act will come into force on 4 April 2016 and is the recommendations of the Independent Taskforce on Workplace Health and Safety, following the Pike River Coal Mine tragedy in 2012. This law will beef up penalties for non-compliance, share the responsibility across people at all levels of the business and improve worker participation. For detailed guidelines to support and educate businesses, keep an eye on [www.business.govt.nz/worksafe/about/reform](http://www.business.govt.nz/worksafe/about/reform)

## Changes in the Wind – GST & PAYE Processing:

The Government has published a new discussion document proposing a number of measures to improve and modernise the administration of PAYE and GST. For example, introducing new digital services to allow the submission of PAYE information to IRD directly from payroll packages at the time the business process is run; changing procedures for supplying and amending PAYE information; change the way GST returns are communicated – direct from business software.

Trials are commencing soon with a testing group of MYOB and Xero users to assess results. The full details of the proposals are at [www.makingtaxsimpler.ird.govt.nz](http://www.makingtaxsimpler.ird.govt.nz). You are welcome to make submissions, consultation is open until 12 February 2016.

## IRD Approved Vehicle Mileage Rate Reduction:

For those who are claiming or paying business-use mileage travelled in privately owned motor vehicles. The rate allowed by IRD was 77 cents per kilometre. For the 2015 income year this has reduced to 74 cents per kilometre. This reflects lower fuel and registration costs and an overall review of the actual costs.

## Is your PIE Income Taxed Correctly?

Most KiwiSaver Schemes are Portfolio Investment Entities (PIE's). Tax paid by PIE's is usually a final tax and their top tax rate is 28% even though the individual personal top tax rate is 33%. When you enter into a PIE investment, you have to provide your Portfolio Investor Rate (PIR) which should be the top tax rate applying to your personal income, up to 28%. If the rate you give is too high you do not get a refund as PIE income can not go on your tax return at this rate. BUT if your PIR is too low then the income has to be included in your tax return and you may lose the benefit of being in a PIE, ie pay tax on that income at 33%. Go to [www.ird.govt.nz/toii/pir/workout](http://www.ird.govt.nz/toii/pir/workout) to see how to choose your correct rate or phone us to help you.

## GST on Foreign Supplies:

Imposing GST on the digital economy has been a hot topic this year, as New Zealand retailers push for equal GST treatment between local and foreign suppliers.

At present, foreign providers of cross-border services and intangibles (including music, e-books, videos and software purchased from offshore websites) do not have to pay GST on sales to New Zealand based consumers. This puts local based providers at a substantial disadvantage because they have to charge GST, which will, at a minimum, increase their prices by 15% when compared to foreign competitors.

Currently, whether or not GST applies to a particular transaction depends on a number of factors, such as the location of the supplier or where the services are performed. Because most e-tailers are not based in New Zealand, and their services are not performed from New Zealand, GST does not apply.

The New Zealand Government has now released its own discussion document titled 'GST: Cross-border services, intangibles and goods', which broadly proposes to align New Zealand with reforms undertaken by a number of other countries. The key suggestions include:

- Introducing a new 'place of supply' rule so that services and intangibles supplied remotely by an offshore supplier to New Zealand-resident consumers will be treated as performed in New Zealand and therefore subject to GST.
- The new rules would apply to a wide range of 'services', which capture both digital and traditional services.
- A requirement for offshore suppliers to register and return GST when they supply services and intangibles to New Zealanders, if their services exceed a given threshold in a 12 month period.
- In situations where offshore suppliers do not directly supply services to their customers, and instead use electronic market places to market and sell their services or intangibles, the electronic marketplace may be required to register for GST instead of the principal offshore provider.

The expectation is that the proposed changes will not require offshore providers to return GST when they make supplies to New Zealand businesses (who would normally be able to claim the GST back). The new rules would focus on taxing business-to-consumer supplies.

At present, GST not collected on low-value goods imported into New Zealand is also an issue. The Government intends to align, where possible, the collection of GST on imported goods, with the changes relating to cross-border services and intangibles. The New Zealand Customs Service is looking at options for simplifying the collection mechanism and reducing the threshold before GST is charged on imported goods (currently \$400), while balancing the cost to collect that GST.

Businesses should also be mindful of similar changes being implemented in other countries that may result in GST/VAT being required to be paid.

## The \$, Dairy, and Tough Times:

The NZD/USD exchange rate has moved significantly through this year starting at \$0.775 early in January 2015 moving generally down to start December at \$0.646. The falling NZD rate has helped to a small extent to mitigate falling dairy prices, but on the bright side, 'dairy' comprises 20% of New Zealand's exports, so although it is material, it is not the only egg in New Zealand's basket. The remaining 80% of exporters will enjoy the benefit of the lower NZ dollar. The tourism sector is also expected to grow as a result of the change in the exchange rate, but also many of our imported goods will begin to get dearer as forward contracts expire.

As the dairy sector has a huge effect on many New Zealand businesses and communities, the lower payouts and possible drought will affect most people to some extent. To survive these tough years, it is essential that all businesses that are reliant on the dairy industry ensure they are resilient and well prepared. Being proactive and talking to your banker and accountant early is essential. Forecasted cashflows and budgets should be reviewed and revised to ensure they are still realistic. Further, methods for creating cost efficiencies and diversification should be implemented to ensure your business remains competitive.... and survives. For many, these are very challenging times. Don't forget that we can all offer help, moral support and loyalty. If you think someone you know is struggling, don't think 'he'll/she'll be right'...., see if you can offer practical help or ensure that they are talking with their advisors and working with the many district support networks.

## Have a Laugh With Us:

- Due to a water shortage in Ireland, Dublin swimming baths have announced they are closing lanes 7 and 8...
- Paddy thought his new girlfriend might be the one but after looking through her knickers drawer and finding a nurse's outfit, a French maids outfit, and a police woman's uniform, he finally decided if she can't hold down a job, she's not for him...
- Paddy is doing some roofing work for Murphy. He nears the top of the ladder and starts shaking and going dizzy. He calls down to Murphy and says "I tink I will ave to go home, I've come all over gidly and feel sick." Murphy asks "Ave yer got vertigo?" Paddy replies "No I only live round the corner"...
- After 100 years lying on the seabed, Irish divers were amazed to find that the Titanic's swimming pool was still full...



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