

Newsletter March 2016



2016 Questionnaires:

Enclosed with this newsletter are the 2016 questionnaires and checklists. **Please be sure to go through these to ascertain which records you need to bring in and to make sure that you have taken any required action/s at year end, eg, counted stock, and noted lists of debtors and creditors as at balance date. If a question doesn't apply please put "N/A". It is very important that the completed and signed questionnaires accompany your records into the office. They save us time and ultimately you money!**

2015 Terminal Tax Payments Due 7 April 2016:

Tax Notices will be sent out in the next week to all those needing to make payments. Please arrange to make the payment to ensure it reaches Inland Revenue by the 7th April 2016. Remember that Westpac Bank no longer accept payments for IRD by cheque, the post takes longer and penalties and interest will apply if the payment arrives at IRD after the due date. Set up payments online for 6 April to avoid problems.

Can't Make a Tax Payment By Due Date?

From the outset we encourage all clients to budget to pay all taxes on time – setting aside cash regularly for this. If, for some reason, you cannot make a payment on due date it is wise to set up an arrangement with Inland Revenue prior to the due date. This arrangement can be an offer to make:

1. A lump sum payment at a later date, or
2. Recurring regular payments until the debt is cleared
3. A combination of 1 and 2 above.

The offer to repay needs to be reasonable. If you enter the arrangement and stick to it IRD can waive the ongoing late payment penalties incurred but not late penalties already incurred prior to the arrangement. Interest will still be charged at 9.2%. An arrangement will only be agreed if the taxpayer acknowledges and makes provision to pay the future tax obligations on the due date.

We can help you prepare a cash flow budget and set up an arrangement with IRD, just call Sue.

3rd Instalment of 2016 Provisional Tax due 7 May 2016:

During April we will be sending out tax notices for March Balance Date clients with 3rd provisional payments due. If you consider that your income may be significantly different from that in the 2015 year please contact us so we can review the amount you pay.

We NEED to Confirm your Bank Account Number:

IRD are moving to require all refunds be made by internet transfer directly to a client bank account. You will see on our questionnaires this year we are asking you to nominate the bank account you wish refunds to be directed to. **Please fill this in.**

When you receive a refund from IRD please check it is the amount we indicated on your tax return. If not let us know immediately. There are cases where requested transfers are not done, or entitlements are incorrect and money must be paid back. If this is sorted out within 20 working days no penalties occur. Please do not think... oh great, I've got a bigger refund! Only very occasionally will this be correct. IRD will want the money back. Or if you receive less than expected it is likely that may also be incorrect.

KiwiSaver Funds Shrinking?

Some clients may have noticed their KiwiSaver funds mysteriously going backwards, ie decreasing. It's not a great feeling to see your retirement fund dwindling. But before you panic, consider: Many KiwiSaver funds invest money in shares here or overseas to a greater or lesser degree depending on the fund type you have chosen. When share prices fall they affect the value of the fund. Remember that KiwiSaver is a long term investment. The value of shares will rise and fall over time, Remember that in 2008 the NZ sharemarket fell by 32%, the NZX 50 index has since more than doubled from that low, soaring well past its original value on the way back up. The strategy of riding out volatility only works over long timeframes, which KiwiSaver is designed for. That's because in the long run, across almost any period, markets have historically gone up. Before you make a knee jerk reaction, seek some personal investment advice, talk to a financial advisor (which we are not) and do some of your own research. It all depends on your tolerance to risk. Conservative investment schemes will yield conservative results etc.

Paid Parental Leave Increases to 18 weeks:

Paid parental leave will increase from 16 to 18 weeks in April. To be eligible the baby must be due or born on or after 1 April 2016.

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.

Register for myIR to file PAYE and GST faster:

Filing GST and PAYE returns is simple, secure and easy online with myIR. myIR lets you manage your tax matters online, allows you to enter and check your returns at your computer, and saves you worrying about postal delivery times. You can set up a myIR account by going to www.ird.govt.nz and registering in the turquoise box at the top right corner of the home page. From then on that is where you will log in.

Please keep a copy of what you have filed and the workings. Keeping good workpapers saves time (and money) when we are doing reconciliations

The Changing Face of Tax Residency:

When a New Zealander leaves the country to live elsewhere they need to determine their obligations for Income Tax into the future. This is not as straight forward as in the past as countries try to prevent the erosion of their tax base. If you are a NZ tax resident, you need to declare your 'worldwide' income on your NZ tax return and you will get credits for almost all tax paid in other countries. New Zealand has double tax agreements with many countries that ensure that residents are not 'double taxed'. There are a series of tests that are applied to the situation of each departing tax payer by the Inland Revenue to determine if they become a 'Non Resident' of NZ. There is no one size fits all. You may still be a NZ tax resident while living overseas – yes having to file a NZ tax return with say your UK income on it. The situation has become a lot clearer with the determination of the Diamond Case in October 2015. This was high profile and was settled by the Court of Appeal. Simply being out of NZ for 183 days is not now meaning you will be a 'non resident for tax purposes'. Considerations are made to you having a Permanent Place of Abode (PPoA), in NZ and your family, financial and other ties to NZ.

Also if you or your children are planning to leave NZ permanently you should contact us to discuss your circumstances to see what your tax obligations are likely to be.

Inland Revenue Compliance Focus, the Construction Industry

IRD Statement:

We're Black and White about undeclared cash jobs – Its Tax Crime.

IRD have received increased funding to concentrate on detecting undeclared income, 'Cash Jobs'. At present the main focus is on the construction and related industries, but it is not limited to these. They have many avenues of detection operating. All income must be declared

on GST and tax returns no matter how big or small. The consequences of being caught not declaring income can include tax penalties and interest, criminal convictions that can lead to prison, and adverse publicity which impacts business and personal circumstances.

If you have any situation you are unsure about please contact us for advice.

FBT – Employer Provided Carparks.

Employers are required to pay FBT on non-cash benefits provided to staff. Provision of 'free' car parks on the premises to employees has been a grey area.

Historically, what qualifies as 'premises of the employer' has been uncertain. For example, if an employer is located next door to a carpark building and pays for employees to have access to carparks in the building, do these carparks qualify as being provided on the employer's premises?

The IRD has recently changed its position on what qualifies as 'premises of the employer'. Previously, the legal form of the car parking arrangement was the determining factor Lease/License.

IRD has now softened its view. This will increase the number of situations that fall within the exemption by allowing license agreements, as well as leases to be regarded as being 'on premises', provided that the employer has a 'substantially exclusive' right to use the carpark. IRD has defined the phrase 'substantially exclusive right' to mean that no one, including the carpark operator or any other third party, can use or control the carpark in a manner inconsistent with the employer's substantially exclusive right.

A list of practical considerations will help to determine whether a 'substantially exclusive right' exists. The FBT exclusion is likely to apply if the employer has unrestricted access to the carpark, the carpark remains vacant when the employer is not using it, the employer may permit others to use the car parking space, if an unauthorised person parks in the space the employer has the right to tow the vehicle and, the employer can decide how the car parking space is used.

Now the nature of the agreement, rather than the label on the document will determine whether the exclusion applies. In recognition of the change in position, IRD are allowing employers to request refunds of previously paid FBT where employers have relied on the old approach.

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