

Newsletter March 2017



Practice Update:

We have been talking to many of you over the last year about Keith reducing his hours and Matthew taking over his share of the practice ownership. We confirmed this in our December Newsletter. For those who have missed this, from 31 March this year Mathew will be the Managing Director and Mary-Lee Hight will become an Associate Director. Keith will continue working with reduced hours as a Consultant to the firm.

2017 Questionnaires:

Enclosed with this newsletter are the 2017 Questionnaires and checklists.

Read the attached letter carefully to pick up on what is required.

Please check which records you need and 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!

2016 Terminal Tax Payments Due 7 April 2017:

IRD have advised us that in an attempt to maximise the gathering of taxes due they will be ringing or texting many taxpayers throughout the country who have tax to pay by 7th April 2017. If contacted, you will be one of many and you have not been singled out for any reason.

Tax Notices will be sent out by us in the next week to all those needing to make payments. Please arrange to make the payment ensuring it reaches Inland Revenue by the 7th April 2017. Remember IRD prefer to receive online payments, and the post takes longer now. Late payment means penalties and interest will apply.

Can't Make a Tax Payment By Due Date?

From the outset we encourage all clients to budget to pay all taxes on time. If you cannot make a payment on the 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; or
3. A combination of 1 and 2 above.

The offer to repay needs to be reasonable, the plan stuck to, and all current and future tax

obligations kept up to date. Interest will still be charged on overdue balances at 8.27% but penalties from the date of the arrangement can be waived. We can help you with this process, just call Sue.

3rd Instalment of 2017 Provisional Tax due 7 May 2017:

During April we will be sending out tax notices for March Balance Date clients with 3rd provisional tax payments due. If you consider that your income may be significantly different from that in the 2016 year, please contact us so we can review the amount you pay.

Some Changes To The Way We Communicate With You: We NEED to Confirm your EMAIL Address Please:

As with the trend in business, during the next couple of months we will be moving to email you our Invoices and Statements for Fees, our Newsletters and your Tax Notice Reminders. It is very important that we have your UP TO DATE Email Address, and that you check this regularly. Where someone does not have a computer please let us know and we will continue to mail items where required.

Please fill this in on your annual Questionnaire. Businesses may prefer that their business entity tax notices and fees go to a business email and their personal ones go to a private email address. This is fine, just make sure it is written on the Questionnaire clearly.

Changes to IRD's GST System:

The change to the way IRD handles GST came in on 7 February 2017. It seems to have been relatively plain sailing due to the host of information and videos etc IRD made available. There have been a few teething problems with clients with Trusts, and Companies needing to set up new MyIR accounts for those entities to access online returns. We have been able to help clients who have phoned for assistance. Please note that although you are doing these returns online, it is still vitally important to keep workpapers that show how you got to the figures you submit. This saves considerable time and money at the end of the financial year.

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.

We NEED to Confirm your Bank Account Number:

Please fill in the bank account number you wish refunds to be directed to by IRD. They no longer pay out by cheque.

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.

Give the Bank The Correct IRD Number:

Where you have accounts and investments with a bank or portfolio manager please make sure that you provide them with the correct IRD number for the Entity that owns the account or portfolio, eg, if the investment is in the name of a partnership give the partnership number, if it is in an individual's name make sure you have given the correct IRD number for the individual concerned. It also pays to check the rate of tax that they are using to deduct RWT as often this rate is incorrect. If you are unsure, check with us.

The Prescribed Investor Rate (PIR) used on your KiwiSaver or other PIE investments, is very important and can be determined by specific circumstances each year. Please do not change these rates without checking with us first. You may find that we advise you to change the rate after completing your accounts.

FBT Changes on the Horizon:

Currently, companies that provide a motor vehicle for the private use of their employees must register for and pay FBT. Draft legislation has been introduced which will enable some small businesses to avoid having to pay FBT.

A proposed amendment will allow close companies (where 5 or fewer natural persons own 50% or more of the shares) that only provide one or two vehicles to shareholder employees (and no other benefits) to apply the rules currently available to sole traders and partnerships (Log Book % claims). Using these rules, the company will claim a deduction for the use of a vehicle to the extent it is used in the business and not pay FBT in respect of the private use.

This will apply on a vehicle by vehicle basis and the option needs to be selected when the vehicle is first used in the business. It must then continue until that vehicle is either sold or is no longer used in the business.

The Bill introducing the change is currently going through its second reading in Parliament and will apply from the 2017- 2018 year. With the new rules coming into play soon, it may be the right time to think about your current business vehicle usage and whether or not it is a good reason to look at vehicle replacement.

Claiming for a 'Home Office':

After many years of uncertainty surrounding what form a home office may take IRD is currently making moves to clarify this. They will amend the law to say that you **must have a room set aside as an office as its primary function**, if you want to make a Home Office Claim. To make this claim simpler the IRD will have set rates for utilities per square metre and we can add the costs of rent or interest etc. You will be able to continue to use the actual costs you incur, but this new model may be easier.

NZ Tax System Not So Bad:

Recent research ranked New Zealand's tax system number two in the world for tax competitiveness. This isn't surprising given NZ's broad based low rate regime and the fact we don't have estate duty, stamp duty or a comprehensive capital gains tax. By comparison the United States ranked Number 32 out of 34. An examination of some of their rules around food could reveal why.

In New York uncut bagels are tax exempt, but an 8% sales tax is added to any altered bagels... Illinois has a candy tax, but not if the candy contains flour. Colorado charges tax on 'nonessential packaging', and as a result, you're paying a 2.9% tax for a takeaway coffee lid. If you thought these were absurd, it gets worse... In California, and 30 other like-minded states, food is subject to tax if eaten on the premises or in a heated condition. It means a hot sandwich to takeaway would be taxable, while a cold takeaway sandwich would not be. Furthermore, if a cold sandwich has hot gravy poured onto it, it becomes taxable. If a store clerk warms a customer's cold sandwich in the store's microwave, it becomes taxable. Therefore, anyone visiting the States, remember: iced coffee, and fresh, not toasted, to go.

Do You Have a Family Trust?

In March 2009 it was announced that the Law Commission, an independent crown entity, would be undertaking a review of Trust Law in NZ. This review has now been completed and publicised in a November 2016 Draft Bill. We are expecting changes to rules governing Trusts, and we will be contacting our "Trust Clients" to update you and recommend changes where necessary. It must be remembered that the creation of a Trust is the creation of a new legal entity, and Trustees appointed have legal responsibilities in the running of the Trust and maintenance of trust assets.

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