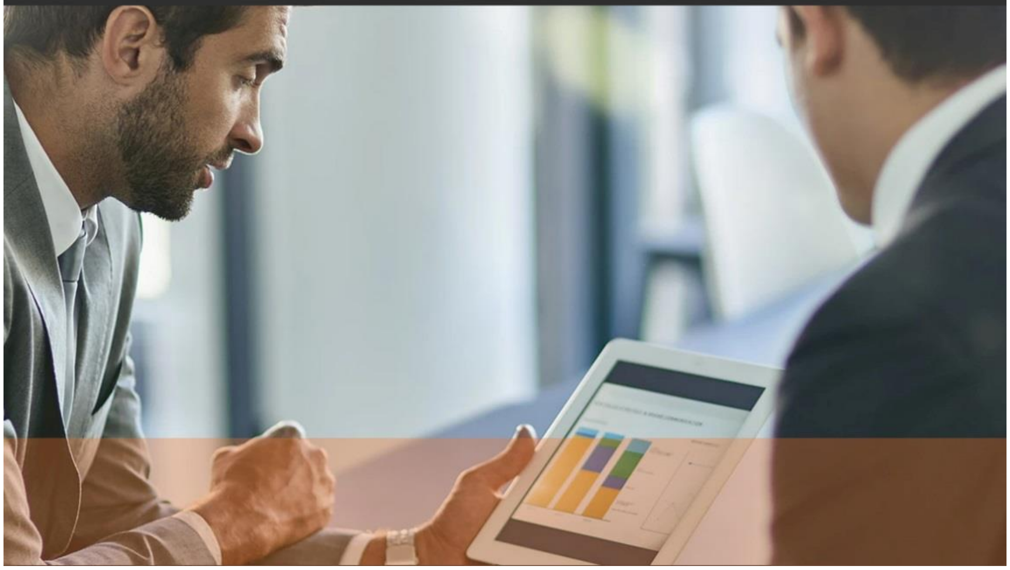
SAWDEN
Tax & Accounting
Chartered Accountants

Newsletter



12.2017

Safe holiday shutdown

Is there a mad scramble to finish last minute jobs before you close down for Christmas? If so, it can be hard to have a clear picture of what needs to be done so that everything is secured before you relax and give yourself over to tinsel and bubbles. It's not just a case of last one out turn the lights off.

Safety and security are so much more on everyone's radar these days. You know what you've always done to close up for the holidays. But take a fresh look just to see if everything really is covered.

Consider whether your premises might be accessible to children over the holidays. Are they likely to be able to do any damage to themselves or your business, for instance, on scaffolding or with equipment? Construction and factory sites are probably already secured with fencing and locks but do you need to think about this for your business?

Don't tempt thieves. A notice in the front window giving your closedown dates may not be the best idea. Communicate closedown details to clients and suppliers. If you still need to let others know, more generalised signage giving a contact number if the office is unattended might be a better idea.

You have no control over extreme environmental events such as earthquake or flood. But think about whether equipment or other items in your workplace setup should be further secured on a 'just in case' basis. You might also subscribe to the Civil Defence emergency alerts or download the Red Cross Hazard app to your phone.

Wishing you a safe and happy Christmas and a wonderful new year ahead!

Holiday Closing Period

Our office will close on 21st December 2017 at 5pm and reopen in the New Year on 8th January 2018 at 12pm.

To all of our clients, business associates and supporters, we wish you a wonderful Christmas and an exciting and successful 2018.

Holiday shutdown checklist

Depending on what kind of business you have and where it's situated, some of the following may be overkill. But take a minute to review. Brainstorm with your team to tailor the best approach for your business.

- ☐ **Mail and deliveries**: If you don't have a Post Office box, contact your postal service and regular suppliers to ask them to hold deliveries.
- ☐ **Alarms**: Check fire and intruder alarm systems, sprinkler systems and fire extinguishers.
- ☐ **Backup**: Make sure your server and any laptops and devices have all been backed up.
- ☐ **Clean-up**: Clean out the fridge and empty all bins. Does someone need to pop round during the holidays to put the bins out?
- ☐ **Emergency contacts**: Update your after-hours contacts list. Include emergency contacts and numbers for building services such as plumber, electrician, and locksmith. Copy it to your team, make sure you have it on your phone and display it in a central area of the office.
- ☐ **Hazards**: Remove or secure any flammable materials. Do you need to assess any potential fire or vermin hazards posed by overgrown vegetation or accumulated waste and rubbish on site? Do guttering, spouting or storm water drains need clearing as potential hazards in the event of fire or flood? Prevent access to scaffolds or formwork by removing ladders. Eliminate or minimise potential trip hazards.
- ☐ **Security**: Secure all valuables. Lock tools away. Make sure any vehicles left onsite are locked and the keys secured. Lock any plant and machinery or remove it altogether.
- ☐ **Onsite access**: Have you planned any maintenance, repairs or special projects onsite over the holidays? Make sure that staff responsible for arranging access and any contractors involved are fully informed of what's required. If any hot work is planned, make sure contractors are aware of and comply with applicable hot work permit and fire protection procedures. Are any staff going to be in over the break? Review procedures for their safety and go over these with them.

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Risk and

Reward

Selling across the ditch - GST on low value goods

Do you sell goods to Australia? If so, you may be affected by new Australian tax rules. At present, goods valued under AUD$1,000 do not generally have Australian GST applied to them where they are sold into Australia directly to the end customer. However new rules will now apply from 1 July 2017 to impose Australian GST on goods valued at $1,000 or less ('low value goods'), where the supplier's GST turnover (on low value goods sold into Australia) in a given year exceeds the threshold ($75,000 for most entities and

$150,000 for non-profit bodies).

If this sounds like a slice of your business, you will be required to register for Australian GST, charging Australian GST (currently 10%) and remitting it to the Australian tax system. This applies whether your customers purchase goods from you online, over the phone or in person in a retail outlet here where your business ships the goods over to Australia. It applies whether the goods are physically here in New Zealand or sourced elsewhere overseas.

For New Zealand businesses exporting low value goods to Australia, the Australian Taxation Office (ATO) is talking about a GST registration process whereby you elect to be a 'limited registration entity' and return GST that way.

Along with registering for GST, you will need to look at how your software and record systems are set up and rethink your pricing and marketing.

GST: in the crystal ball

You'll remember that from October last year, we now have to pay GST on 'remote services' supplies from overseas vendors that were previously not subject to New Zealand GST – the so-called Netflix tax. Businesses in the 28 member states of the European Union already have to charge VAT at the rate applying in the customer's country.

'If a small shop in Levin or Gore is expected to account for and pay GST, there's no good reason for the Government to give global mega-retail businesses an easy ride.'

Greg Harford, General Manager for Public Affairs, Retail NZ

The latest move in Australia to collect GST on low value goods bought from overseas suppliers is part of a global drift towards capturing tax cross border and ensuring the internet is no longer above tax.

However, in New Zealand, goods worth less than $400 purchased from overseas suppliers don't have GST imposed on them (though duty may apply). Retail NZ states that this exposes Kiwi businesses to unfair competition, as they are subject to GST while foreign businesses undercut them on low-value goods.

Some two-thirds of all goods sold to New Zealanders come from the 20 biggest global retailers. (Like Amazon, rumoured to be establishing a base in Sydney, potentially making shipping cheaper for Australian and New Zealand customers). Retail NZ estimates that the Government is missing out on at least $200 million in GST this way.

Retail NZ is calling for all overseas companies selling to Kiwis to be required to register for GST. It seems the next logical step. We're watching with interest and will keep you posted.

Tax Talk

Faster GST refunds

It is now compulsory for Inland Revenue to provide GST refunds by direct credit to a taxpayer's identified account, resulting in faster GST refunds. Obviously it's important that Inland Revenue has your correct banking details. If you would like us to confirm they have your current account details please let us know.

From here on, Inland Revenue will only make GST refunds by cheque if they do not have a customer's bank details or if there are extenuating circumstances, such as hardship.

Upcoming changes

There has been a raft of legislative change recently introduced which will affect businesses when it becomes effective. At present we are just flagging the changes to you without going too deeply into detail. That said, let's sketch in how it's looking.

Miles to go - changes proposed for motor vehicles

Currently close companies (such as LTCs and QCs) providing a motor vehicle for the private use of shareholder-employees must pay FBT on the value of the benefit provided. This value is based on the availability of the vehicle rather than its actual private use and this means higher FBT compliance costs for close companies.

New option for close companies

The recently introduced legislation changes this for the 2018 tax year (i.e. from 1 April 2017 for standard balance date taxpayers).

Under the new rules close companies which provide one or two vehicles to shareholder-employees could elect to use the motor vehicle expenditure rules instead of paying FBT. This would mean that, like sole traders and partnerships, close companies could measure the business use of a motor vehicle and calculate the tax deductions allowable for motor vehicle expenditure based on business use.

New method for calculating business use to claim deductions

Also introduced is a new simplified method of calculating business use for vehicles. The new option would allow you to choose to calculate your business usage and resulting deductible expense differently. The new method does not have a ceiling (currently the ceiling in place is 5,000 kilometres of business use).

What you need to know

If you are self-employed or if you operate through a close company and this applies to you, you would need to know the total mileage travelled each year and be able to work out what proportion of that is business use.

The actual requirement would be for you to keep a vehicle logbook for three months every three years.

When it comes to calculating the tax deductible amount, the calculation is 'two tier':

- ✓ for the first 10,000 kilometres, the rate is calculated on the proportion of business use for the vehicle (say 60%) multiplied by Inland Revenue's first tier rate (for example 75 cents/km but the IRD will advise the rates each year)
- ✓ for every kilometre after that, the rate is calculated on proportion of business use for the vehicle (e.g. 60%) multiplied by Inland Revenue's second tier rate (for example 25 cents/km but again subject to change)for

What you need to do

To gear up for the change, at close of business on 31 March, record your odometer reading. Diarise to do the same thing next year. You want to be able to tell us the total number of kilometres travelled in the tax year when you bring in your records. And, sometime during the year starting 1 April 2017, keep a logbook for each vehicle for a three-month period to record mileage, costs and when the vehicle is being used for business or private purposes.

If you're in any doubt as to whether this affects you, please contact us.

Home office

There is also a new alternative option for calculating home office applying from 1 April 2017 (for standard balance date taxpayers). Under the new option, home office deductions can be determined by using a 2-step calculation. The first step involves taking the ratio of the area of the premises used for business purposes to the total area and multiplying this by a specified rate set by the IRD. The second step then requires the mortgage interest, rates and rent paid for the year to be multiplied by another specified rate set by the IRD and adding this to the amount calculated in the first step. Depending on your circumstances, this new option may be beneficial to you and we will discuss this with you if it applies to you.

Get ready, get set - End of year tax checklist

Work through the points below to straighten things up for the end of the tax year. Ask us if you would like more information.

Think about	... Deductions
Bad debts	Write bad debts off in your debtor ledger before balance date so you can claim a deduction. Make sure your records show you have taken reasonable steps to recover the debt prior to write-off. Note the details so we can check the GST adjustments
Employee expenses	You can claim deductions for holiday pay, bonuses, redundancy payments, long service leave etc., if you commit to them before year end and pay them within 63 days of balance date. Check holiday pay has been calculated correctly.
Expenses	Can you pre-pay expenses such as stationery, postage and courier charges before 31 March? You may be able to claim for them. Check with us. There are limits to how far some prepaid expenses are claimable, such as on rent, insurance, plant and equipment maintenance contracts, travel and accommodation.
Fixed assets	Are you still using all of them? Can some be written off?
Discounts	If you offer prompt payment discounts to debtors and maintain a discount reserve, this may be deductible. Make sure your records are clear. In the first year a deduction of the actual discount percentage is allowed. In subsequent years, the deduction is calculated as an approved percentage. Different rules apply if the credit period offered to customers is more than 93 days.
Repairs/maintenance	Complete planned maintenance or repairs before year end for a tax deduction. Ask us if you aren't sure whether the expenditure is classified as repairs and maintenance (which would be deductible) or as a capital expense (which wouldn't).
Stocktake	Dispose of obsolete stock by year end or write it down to its net realisable value (the lesser of cost or market value). If your stock is worth less than $10,000 and turnover for the year less than $1.3m, you won't need to include your stock movement for tax purposes.
Vehicles	Don't forget to note your odometer reading at year end. If you keep logbooks noting business and personal use, mileage and costs, ensure these are all in order.
	... Income
Credit notes	Look for credit notes issued to customers after balance date but related to sales made prior to balance date. Note these so you can reduce your taxable income for the current year.
Increased income	Is this year's income a lot higher than last year's? If so let us know. It might be a good idea to consider making a voluntary provisional tax payment.
Losses	Did your group of companies have losses in 2016? Groups of companies may offset profits and losses against each other if you make loss offset elections and subvention payments by 31 March. We can help you with this.
Retentions	Check contracts for the terms on retentions owing. Have you invoiced retentions but they are not payable till work is complete in a subsequent tax year? They won't count as assessable income for this year. However, If they are payable this year they are assessable income. Note retentions you have invoiced which are not receivable till the next tax year.
	... Penalties
Dividends	Review planned dividend payments. Your imputation credit account must be in credit at 31 March or penalties arise. Contact us before 31 March so we can help you.