# The Flame

**Covering the burning issues and hottest gossip**

**The official newsletter of the**

**FLAMIN' ACCOUNTANTS**

## FEBRUARY 2020

## Cowley Stanich & Co Ltd

### *GETTING ORGANISED FOR END OF YEAR ANNUAL ACCOUNTS*

The most common balance date: 31 March is rapidly approaching. Are you ready for it?

The following reminders are some of the things you should be thinking about:

Please answer all the questions in our questionnaires. If you're not sure, mark those questions and then ask us.

Write off bad debts by balance date or you'll have to include the debts as income for the 2020 year.

If you're claiming for motor vehicle expenses on the basis of kilometre rate, don't forget to read the odometer of your vehicle at the end of the day on your balance date.

Organise stock-taking. It could be a good idea to get rid of old stock before balance date.

If you want to pay out any holiday pay or bonuses, you're allowed 63 days after balance date in which to do this and still claim a tax deduction for 2020.

If you have PIE investments, make sure you're using the correct tax rate, called Prescribed Investor Rate (PIR). If you overpay, Inland Revenue is not going to give you a refund. You look at the 2019 and 2020 tax returns and take the one with the lower income. If the income is less than $48,000 you should not be paying the top rate of tax on your PIE income.

If we want to know how much money is owing to your business at balance date, please remember it includes invoices you have raised after balance date for work done prior to balance date as well as money still owing for jobs done prior to balance date.

If your annual tax bill on income not subject to PAYE is greater than $60,000, Inland Revenue thinks you ought to be able to complete your tax return by 7 May, if you have a 31 March balance date.
That would enable you to get the exact amount of tax you would need to pay. We all know this is not very practical. However, you should do your best to estimate your income and adjust your 7 May tax payment to minimise your risk of incurring Use of Money Interest, which will start accumulating from 8 May.


As from 1st of March 2020 Inland Revenue Department will no longer be accepting cheques, along with ACC, Kiwibank and NZ Post.

There are a number of payment options that are simpler, easier and safer including online payments through your bank account, or directly through your MYIR account where you can pay with a credit or debit card.  Westpac is still accepting over counter payments regardless whether you are a customer or not.  You will need a barcode however so IRD will be adding a barcode to all letters requesting payment.

## CALCULATING FOR USING YOUR HOME FOR BUSINESS

If you want to use a square metre rate to calculate how much you can claim for using part of your home for business, at the moment it is $41.70 per square metre, plus a share of mortgage interest and rates or rent.

Use of home should be calculated on the area separately identifiable as being set aside for business. Any area of the room that cannot be used for a business purpose has to be excluded.

You are entitled to use the actual costs instead of the Inland Revenue square metre rate.

## RUNNING A VEHICLE FROM HOME TO WORK

If you're a plumber running your business from home then it's pretty obvious your vehicle running costs are tax deductible.

Inland Revenue refers to your type of business as an "itinerant occupation".

Suppose you use your car to travel from home to a workplace where you're contracting. There may be more than one workplace like this. Unlike the plumber, you go to the same places continuously.

For you to be able to claim vehicle running expenses, you would need to be able to show there was "a need" for some work to be done at home and it was not merely convenient for you to do so.

If you were travelling between customers, you would be able to claim that particular cost, but not from home to work and work back to home.

## WHAT'S NEW IN EMPLOYMENT


The Minimum wage will increase by $1.20 in April, from $17.70 to $18.90. If you have adult employees earning less than $18.90 an hour you are legally required to increase their wage from 1/4/2020. The minimum adult rate applies to any employee aged 16 years and over unless they are eligible for the starting out wage or the training wage, and whether they work full-time, part-time or casually and whether they are paid a wage for time worked or a salary.

If you employ workers you need to make sure that their total remuneration meets minimum wage requirements for each individual pay period. Employees have to be paid at least the minimum hourly wage rate for every hour worked.

The starting out and training minimum wage rates will increase from $14.16 to $15.12 per hour, remaining at 80% of the adult minimum wage.

There is no legal minimum rate for employees aged 15 years or younger.

## Use Correct Tax rate for Kiwi Saver

If you pay into Kiwi Saver make sure you're using the correct tax rate. Check with the company that administers your Kiwi Saver account to make sure you're not on the default rate of 28%. If you are and this is too high, you still will not get your overpayment back.

At the present time the Government is still planning to defer changing the law for a further year. It's very unfair and it probably isn't necessary to defer the change, but that's the way it goes. When they do change the law, they are proposing to credit your tax account with the overpayment rather than send out the money to you. In the long run, you will get it back, but not this year.

### *CORONAVIRUS - WORKPLACE INFECTIOUS DISEASE PREVENTION*

Employment issues associated with responding to the coronavirus outbreak are not always clear-cut and should be considered on a case-by-case basis, but there are some basic rules.

Employers could start by identifying any risks and make an emergency plan. An employer should talk to their employees about what they and their families would need to get through an emergency – a personal workplace emergency plan could help. Employees should know who to contact at work in an emergency and how they should take care of themselves. An employer should also make sure that they have a communication plan to keep employees informed.

It is fundamental that businesses plan for employment during civil emergencies, including pandemics, as these situations can potentially affect the health and safety of their employees and their ability to run the business.

### *IMPORTANT CHANGES TO THE RING FENCING OF RENTAL LOSSES*

New rules apply for the tax treatment of rental losses from 1 April 2019 (for standard balance date taxpayer) for the 2019/20 and later income years.

For rental properties that make losses, owners can no longer offset those losses against other sources of income such as salary or wages. However, owners who incur losses on their rental property can carry those forward and use them against future income or profits from the property. Owners with more than one property can also use those losses to offset income from other rental properties.


### *NEW TRUST ACT 2019: WHAT YOU NEED TO DO*

If you're protecting your family property in a trust, there may be changes you need to make before the new Trusts Act comes into force in January 2021. The major changes are:

- **Trustee Duties:** The new law differentiates between mandatory duties and default duties. Mandatory duties cannot be modified (such as duty to know the terms of the trust, duty to act in accordance with the trust terms etc.) but the default duties can be excluded by the deed of trust. This includes duties such as duty to have a general duty of care, duty to invest prudently etc.

- **Beneficiaries:** under the new rules all trustees must inform every beneficiary they are a beneficiary of the Trust. They must be informed of the names and contact details of the trustees, whether there are any changes to the trustees, and of their rights to request trust information. This is a significant change and it must be emphasised that the trustees have a positive duty to do this.

- **Disclosure of Trust information:** this is defined as information regarding the terms of the Trust (ie the deed of trust and all amendments), the administration of the trust and the trust property but does not include trustee decisions. There is a presumption towards disclosure to beneficiaries unless there are exceptional circumstances and this is following modern common law principles.

**We anticipate that a number of clients will look very closely at whether a trust best meets their requirements so it is important to discuss the impact of these changes before January 2021**

## *YOU HAVE TO PAY FOR IT*

Be very careful to make sure if you have a company or a trust and you want to claim an expense, this expense has actually been paid by the company or trust – not by you.

For example, sometimes people organise a bank loan for their company, but the bank makes the loan out to you. The interest on the loan is not a tax-deductible expense of the company. If you have just done this, don't be too concerned, there are two solutions:

- ✓ You could draw up an agreement between yourself and the company, which would state that you have borrowed the money as agent for the company. Make sure you have the correct wording. Hand the job to an expert.
- ✓ A nice easy way is to charge the company for your loan. Again, some sort of document confirming this arrangement and signed by the directors of the company is advisable. Make sure you are making a small profit on the transaction. That profit has to be included in your personal tax return.

## *THE IMPORTANT REASON YOU SHOULD ALWAYS WRITE 2020 IN FULL THIS YEAR*

**NZ Police have warned people not to abbreviate 2020 especially on legal documents because if you do, it could open you up to scammers. If you date something 1/2/20 it could be changed to 1/2/2018**

## *TAX CALENDAR*

***7 April 2020***

2019 Terminal Tax - (March, April, May and June balance date) for all clients except those who have lost their extension of time privilege

***7 May 2020***

3rd instalment of 2020 Provisional Tax - (March balance date)

GST for March 2020

***28 May 2020***

1st Instalment 2021 Provisional Tax - (December balance date)

***31 May 2020***

Deadline for Fringe Benefits Tax returns


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