Barraclough
& Associates Ltd.

NEWSLETTER – FEBRUARY 2019

We are expecting a year of exciting changes ahead as the Politicians' debate the recently released report of the Tax working group, and the IRD transformation process rolls out the next stage of their four year programme. We are all now back into it and looking forward to a busy 2019. Questionnaires will be going out in late March and we invite all clients who prefer to meet with one of the team with their 2019 year end information, to contact Heather, who will be happy to make an appointment with one of the team (Jo, Lisa, Melissa or Grant).

PRE BALANCE DATE CHECKLISTS

2019 pre-balance date checklists for 31 March balance dates will be posted or emailed to clients in early March. Please ensure you read these and action any matters you need to before 31 March 2019, e.g. ensure any bad debts are written off before 31 March 2019 and make any necessary prepayments for expenses you wish to claim this year.

WHAT ARE THE GOVERNMENT'S TAX PRIORITIES?

The Tax Working Group has released its final report, with a raft of recommendations, including a capital gains tax.

As always with tax changes, the devil is in the detail. We wait for the Governments feedback on the TWG report in Early April.

PAY DAY FILING

Much has been said and written about this transformational change to the PAYE system, and the implementation is nearly upon us. If you are an employer, make sure you have put in place the changes to your systems to be ready for this change, as it is compulsory for all employers from 1 April 2019. Please contact us if you need help to make sure you are ready.

The IR website for My IR will be offline from 18 to 25 April as IR move more tax types onto the new system.

The March 2019 PAYE will be due on 26th April instead of the 22 April.

EMPLOYEE OR INDEPENDENT CONTRACTOR?

The new requirements for payday filing may have you considering the use of independent contractors rather than employees. There a number of criteria to meet to ensure that they are subcontractors and not deemed as employees or subject to Withholding Tax obligations. Contact us to discuss if you need further information.

CASHFLOWS AND BUDGETING

It's that time of year that businesses should be planning for the year ahead. That said, a lot of small businesses focus on new work and increasing their business profits, but pay little attention to the impact these plans have on their annual cash flow and banking facilities required to get them there. We have some really good software to help create cash flow forecasts that include a profit and loss, cash flow and balance sheet position on a monthly basis. If you are struggling to get your business to that next level and don't think your current cash flow facilities will allow you to achieve your goals, then get in touch and let's see how we can help.

TREATMENT OF COSTS OF RESOURCE CONSENTS

IR recently released an interpretation statement on the tax treatment for resource consents. Depending on the circumstances, expenditure may be deductible under the principles in IS 17/01: "Income tax – deductibility of feasibility expenditure", as expenditure on revenue account or under a specific provision in the Income Act

2007. In terms of depreciation, the Act treats certain resource consents as items of depreciable intangible property and allows the cost to be depreciated over the fixed life of the consent. Where resource consents are not depreciable intangible property the expenditure may be able to be capitalised into the cost base of another item of depreciable property and depreciated.

MAXIMISING YOUR CHARITABLE GIVING

The cap on qualifying donations was lifted in 2008 from $1,890 and is now only capped by your Taxable Income.

That means that if you wish to support a charity, you can get a tax rebate of 33.33% of any qualifying donations.

You may qualify for a tax rebate if you made a donation of $5 or more to an approved donee organisation, where the payment is voluntary and there is no identifiable direct benefit to you or your family in return for making the payment.

To see a list of approved donee organisations, go to https://www.ird.govt.nz/donee-organisations/

You can either lodge the donation rebate yourself, or give us the donations receipts for the year, so we can lodge the claim for you. If you haven't claimed the rebate before, you can claim for the previous four years.

By claiming the tax credit you can either reduce the cost of your donation, or free up some cash to be even more generous.

FARM OR BUSINESS TOURS

Whether the costs of a farm or business tour is tax deductible depends on each taxpayers circumstances. In particular we need to consider the relationship between the tour undertaken and the taxpayers business and those travelling on the tour.

For example, while on a three week tour around the UK, you visit one business closely aligned with yours, the tax deduction will be limited.
However a 2 week-long trip to Melbourne, visiting 6 sites similar to yours to compare business practices, the tax deduction claim would be a lot higher.

If you are considering an organised tour for the business, please contact us so we can help maximise any tax deduction.

BUYING AND SELLING

When buying or selling a business or property, the tax treatment of certain items depends on the valuations agreed to by the parties. The key is to get the valuations agreed to in the Sale & Purchase Agreements, so that there is no confusion or conjecture on what values to use. The Inland Revenue can review the values if the parties use different allocations for tax purposes, which may result in unexpected tax costs.

Please contact us to discuss before formalising any agreements so we can help create certainty for your tax obligations.

REPAIRS OR CAPITAL

You can usually claim deductions for repair work and general maintenance to your assets. But there are some circumstances when the cost of repairs can't be deducted:

When the nature and extent of the work means it has gone beyond repairs, changing (improving) the character of the asset (or substantially the whole of the asset).
When the work involves substantial reconstruction, replacement or renewal of the asset (or substantially the whole of the asset).
This kind of work is considered to be a capital improvement and not tax deductible.

RENTAL LOSS RING FENCING

31 March 2019 (or equivalent balance date) is the last year that you can offset residential rental losses against other income. If you are likely to do any repairs soon, it would be advantageous to do them before 31 March. It also may be possible to rearrange your finances so that any interest on borrowed funds can be offset against other income types.

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