



## NEWSLETTER – DECEMBER 2019

### CHRISTMAS CLOSURE

Our office will be closed from Friday 20 December 2019 and will re-open 8:00 a.m. Monday 13th January 2020. Grant and all the team would like to thank all our clients, associates and referrers of work, for your continued support to our business and wish you a very Merry Christmas and a restful and safe holiday season and we look forward to catching up in 2020.

### IRD - NO MORE CHEQUES

Inland Revenue has advised that they will not be accepting cheques from 1 March 2020. If you still use cheques, start preparing to change the way you pay your tax.

**IR has advised us the payment options will be:**

**myIR:** Direct debit and credit card payments can be made from myIR.

**Online banking:** One-off or scheduled recurring payments can be made using online banking.

**Westpac:** EFTPOS or cash payments can be made at any Westpac branch or Smart ATM.

With this policy from IRD, and with ACC & Kiwibank also ceasing to have cheques, the era of the chequebook is coming to an end.

### THE CASH ECONOMY

With a number of successful prosecutions in recent times, the IR will continue with their focus on undeclared income, with their AD campaign **“Cash jobs leave a trail!”**

In particular they are looking at industries that historically have a large “cash” part of their business or known for accepting “cash jobs”, such as the hospitality and construction industries.

Recently an IR compliance team visited more than 30 taxpayers in Queenstown region to talk about their ‘Sleep Easy’ campaign, so be aware that you may get a visit from a compliance officer.

If this IR activity has raised concerns for you, please contact us as you have a number of options as to how to proceed.

### IRD TAX POOLING

Holiday pay payments and Christmas shutdown periods means that December/January is a time of year when many businesses struggle with cash flow.

Many of you will also have GST and Income tax payments due on 15<sup>th</sup> January 2020, so having enough cash to meet all your outgoings can be a struggle.

Tax pooling allows you to pay your Income Tax when it suits your cashflow, eliminates IRD penalties and reduces the interest cost.

Please contact us if deferring the timing of your January income tax obligations would be of benefit.

### HOLIDAY HOMES MIXED USE ASSETS

This time of year is when many people rent out their holiday homes to offset the cost of ownership. There are a number of things to be aware of.

#### GST

If the entity that owns the Holiday home, is GST registered, then the rent received includes GST. EG if your Trust is GST registered and owns a holiday home, then you will need to return the GST on the rent received. This is because the “rent” is for short stay rental accommodation, and is subject to GST.

#### Income Tax

You can opt out of the Mixed Use asset rules if you earn

- (a) less than \$4,000 annual rental income from the property or;
- (b) gross income of less than 2% of the holiday home’s value and make losses because your adjusted deductible expenses were more than the income.

If you don’t qualify for the Opt out provisions, you will need to pay tax on the rent you received. The mixed use asset rules allow for an apportionment between the business and private portion of the expenses.

Just be aware that the extra cash may not be worth the extra hassle.

### AIRBNB INCOME – GST STATUS

If your home or holiday home is owned by a GST registered entity and you rent them out via Air BNB or similar be aware that this might mean that the property will be subject to GST when you sell, even if you didn’t claim GST when you bought the property.

## AIRBNB PAYMENTS – GST STATUS

If you are staying at an Air BNB while away on business, the cost will be tax deductible. However the supplier may not be GST registered, so ask for a tax invoice or receipt so you can claim the GST correctly. If the Supplier is not GST registered, the accommodation may not be as cheap as you think.

Example –

You stay in a GST registered Motel at \$150 per night.

If you are GST registered, then that only costs you \$130, as you can claim back the GST content of \$20.

If you use an Air BNB instead, and the supplier is not registered for GST, a night's stay of say \$135 is more expensive.

## GST ON LOW VALUE IMPORTS

GST on low value imports comes into effect on 1 December 2019.

For business to business transactions, an overseas supplier can zero rate your purchase.

If you are charged GST in error, you have two options:

- Get the GST back from the supplier.
- Get the supplier to send you a tax invoice so you can claim the GST back.

Any item costing \$1,000 or less will be a low value import and the GST will be collected by the supplier, provided their total supplies to this country amount to \$60,000 or more per annum.

There will, of course, be suppliers who are not registered for GST, particularly those whose sales to this country are less than \$60,000 per year, so you will need to take extra care when coding the payments for imports in your accounting software in future.

## TECHONOLOGY

WIFI Signal. If you use a WIFI network for the home or office, and have slow or dead zones, then look into the options for boosting your signal. Poor signal can be caused by a number of things including: modem age, being too far from the modem, or the signal is blocked by metal cabinets or solid walls. So look into your options if always being connected at speed is crucial to your business or home life.

Telephone Systems As the Fibre connections around the country and the world improve, there has been a shift to

using VoIP systems (Voice over Internet Protocol) rather than the traditional telephone systems and landlines. While there can be cost savings, as with any infrastructure you need to evaluate what your business needs, and decide what system meets those needs best.

MYOB Update For our customers using MYOB essentials, there is a new App for your phone to help scan your invoices directly into your MYOB file.

Please contact us to discuss if this is of interest.

## OCR ANNOUCEMENT

The Reserve Bank announcement on the 13 November left the OCR unchanged at 1%.

The next Reserve Bank Announcement is on the 12 February 2020.

For the Reserve Bank summary go to

<https://www.rbnz.govt.nz/news/2019/11/official-cash-rate-unchanged-at-1-percent>

It could be a good time to review your interest rate strategy on your borrowings.

## TRUSTEES ACT 2019

As mentioned in the last newsletter, the new Trustees Act gained royal assent on 30 July 2019, and comes into force 30 January 2021.

Major changes include

- New trustee duties
- Beneficiaries entitlement to information
- Maximum duration extended to 125 years

The Act is going to impact all trusts, so we recommend that all trustees use the transition period to ensure their practices align with the provisions of the Act.

We are liaising with our colleagues in the legal fraternity as to what the full impact of these changes will be.

As part of ensuring your trust is ready for the new rules you should be

- Reviewing your wills
- Reviewing the trust deed
- Reviewing the list of beneficiaries
- Reviewing and updating your Settlers letter of wishes.

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