



# Parlato & Associates Ltd

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# NEWSLETTER

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CHARTERED ACCOUNTANTS  
AUSTRALIA • NEW ZEALAND

Welcome to the twentieth edition of our newsletter and the last for 2016.

I would like to take this opportunity and thank all existing and new clients for your continued support throughout this, our seventh year in business. Your custom is greatly appreciated.

Dear Reader

Another year is about to finish and for most clients three quarters of the financial year has gone by. At this stage of the year, you should have a good idea how well your business is performing — compared to last year and to budget. We can re-estimate your provisional tax payments up or down depending on your trading results to date.

A warm welcome to Roberta Stothart to our office over the summer holidays. Roberta is completing a Bachelor of Commerce from Otago University majoring in Accounting & Marketing, having just completed her third year at Otago.

**OUR OFFICE WILL BE CLOSED FROM 5PM THURSDAY 22 DECEMBER 2016, AND WILL REOPEN 8.30AM MONDAY 9 JANUARY 2017.**

I will be contactable on my cell phone and email during this time.

During this period I hope to spend some time fishing and diving, running and camping with my family.

From time to time Stella, or I, will also call into the office to check emails, telephone messages, collect mail and process payroll for some clients.

Stella and myself wish you and your families a Very Merry Christmas and a Prosperous New Year to you all.

*Darren Parlato*

## HOLIDAY PAY OVER CHRISTMAS & NEW YEAR

We can be of assistance here if you are not sure how to calculate holiday pay entitlements.

Christmas Day and Boxing Day fall on Sunday and Monday this December, so these days are statutory holidays for those employees who would normally work on these days.

## WHAT ACCOUNTING SOFTWARE IS BEST FOR MY BUSINESS?

This depends on a number of factors, such as:

- \* Do you invoice clients
- \* Carry stock on hand
- \* Are GST registered
- \* An Employer



There are a range of software products and pricing in the marketplace: e.g. Xero, MYOB, Banklink, Quickbooks. Please contact us to discuss what product would best suit your business.

### OFFICE HOURS

8.30am—5.00pm

Closed 23 Dec 2016

Re-open 9 Jan 2017



## KiwiSaver AND DONATION REBATES

**Maximise your opportunity:** are you getting all you can from KiwiSaver? Are you contributing \$1043 each year to get the \$521 member tax credit from the Government?

For more information go to [www.sorted.org.nz](http://www.sorted.org.nz) search: how kiwisaver works

**Payment to schools:** did you know that you can claim a donation tax credit for some payments to schools? Are you claiming correctly for the payments you make? You can claim 33% back.

For more information go to [www.ird.govt.nz](http://www.ird.govt.nz) search: school donations

## FOOD AND DRINK AT WORK

Updated October 2016:

You can claim/deduct only 50% of the cost of food and drink you provide at your business premises (other than light refreshments, morning & afternoon teas 100%):

- At a social event, eg: celebration meal, party, reception or
- In an area restricted to senior employees, such as an executive dining room.

This rule applies whether the entertainment is provided to staff or to guests from outside the business.

**Example** AAA Ltd puts on a Christmas party for its employees. It holds the party at work. The company can claim 50% of the costs.



## 2017 2ND PROVISIONAL TAX PAYMENT— DUE 15 JANUARY 2017

We will be sending out the 2nd provisional tax notices to those clients who are required by IRD to pay their 2nd instalment. Please contact me if you think you may have difficulty in paying this instalment.

I realise that the GST payment for the period ending 30 November 2016 is also due on this date.

If there are any clients who think or would like to make a voluntary provisional payment, please contact our office.

**2016 Terminal Tax is due 7 April 2017.**

## GST OCTOBER / NOVEMBER 2016

Just a reminder that this period's GST payment is due on **15 January 2017**.

For those clients who's GST returns we complete, we would like to finalise your GST return before we close for the Christmas and New Year period, so that you know how much (if any) GST you have to pay well in advance of this payment date. This will also assist with cash flow planning.

## EMPLOYING CASUAL STAFF OVER THE HOLIDAY PERIOD

With the holiday period approaching, we thought it timely to remind you about your obligations if you employ students or casual staff over this period.

Like any new employee, students or casual staff need to complete a Tax code declaration (IR330) form that includes their IRD number and tax code.

**KIWISAVER** If you hire employees on a temporary contract for less than 28 days, you do not have to enrol them for KiwiSaver. However, if they want to join KiwiSaver, or they are already a member and they want you to make KiwiSaver deductions, they must give you a KiwiSaver deduction form (KS 2)

## IRD TARGETS LOCAL "CASHIES"



At a recent presentation in Palmerston North, IRD representatives outlined their plans to target "Hidden Economy" in our local area. They'll be out and about visiting businesses from now on and will be using a variety of "cold-calling" and pre-arranged visits.

Their initial focus is on three areas:

- Hospitality (cafes, takeaways, etc)
- Construction/Tradies
- Property Compliance (inc. the new "Brightline Test")

In the Hospitality area they are focused on gross margins and levels of cash income declared.

## IRD NOTIFICATION Use-of-money Interest (UOMI) rate change

Effective 8 May 2016 the UOMI rates on underpayments and overpayments of tax changed.

The new rates are:

- Underpayments - 8.27% (down from 9.21%)
- Overpayments - 1.62% (down from 2.63%)

Rates are reviewed regularly to ensure they are aligned with market interest rates.



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## KEEPING RECORDS FOR TAX RETURNS

With increased IRD audit activity, it's important that you keep accurate and complete business receipts for completing income tax returns to support your claims. I suggest that you keep all business receipts/invoices in month order, file all statements and loan statements in date order. For any expenses \$50 and over, you must have a tax invoice.

Your records can be kept electronically but they must be backed up!

You need to keep records for at least seven years.

I also recommend that you operate a separate business bank account from your own personal bank accounts. This way, all business income and expenses are received and paid through the one account.

## REVIEWING GST REGISTRATIONS

IRD are currently reviewing and contacting (by telephone) GST registered customers who do not appear to have any taxable activity and have been filing nil returns for some time. Just remember if you keep any business asset for yourself, you MUST pay GST on the market value, to IRD. You cannot delay GST deregistration just because you don't want to repay the GST back to IRD!

## FOOD AND DRINK EXPENSE CLAIM

Food and drink provided away from your business premises is only 50% deductible.

**Example** Hannah invites a supplier to a business lunch at a local restaurant and pays the bill, which comes to \$60. She can claim 50% of the cost (\$30) in her income tax return.

**Gifts of Food and Drink** Gifts of food and drink that will provide a private benefit to the recipient and a business benefit to the taxpayer are only 50% deductible.

**Example** Bob, a real estate agent, sends a gift basket containing a bottle of wine, some cheese and various household items, such as tea towels and soaps to the purchaser. He can deduct the full cost of the tea towels and soap but he can only deduct 50% of the cost of the wine and cheese.



## CASH BACK ON TAKING OUT A MORTGAGE

If you own a rental property and your bank gives you cash back at the time of arranging the mortgage, (normally a payment towards legal expense) the amount received will be taxable.

## WHAT HAPPENS WHEN YOUR COMPANY CEASES TRADING?

Please let us know when you cease trading. We have to deregister the company for GST and PAYE (if you are an employer), complete a final income tax return for the company, even if you only traded for part of the year! Pay out any final dividends to shareholders if there are retained earnings in the company. Notify IRD and then stop paying the annual company return filing fee.

## NEW FINANCIAL REPORTING STANDARDS FOR CHARITIES

If a registered charity under Charities Services has expenses below \$2,000,000, it will fall under Tier 3, even if a charity has expenses under \$125,000 (Tier 4) we are compiling the financial accounts under Tier 3 basis (accrual basis), readers to the financial accounts are more familiar with these reports.

If your charity expenses are under \$500,000, there is no legal obligation to have your financial accounts audited or reviewed, unless it is stated in the Trust Deed or Constitution.

## SCAM ALERT

The most common methods used by fraudsters to collect someone's personal information are email and phone scams. These include phoning claiming to be from Inland Revenue, or sending an email that appears to come from Inland Revenue or a tax refund agency.

Scammers claiming to be from Inland Revenue are cold calling people to say they are being investigated for tax fraud. The scammer requests personal information including the person's IRD number, before threatening them with legal action. In some cases people are told they must pay a debt urgently or face jail!

IRD NEVER ring or email you to tell you that you have a tax refund due! If you receive a call or email, please notify this office.



## MILEAGE RATE

In case you've missed it, IRD announced the new mileage rates in May.

The rate is now \$0.72 cents per km.

### Disclaimer

This newsletter has been carefully prepared but has been written in general terms only and therefore should not be relied upon to provide specific information without also obtaining professional advice of each particular situation.