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NEWSLETTER

WINTER 2017

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CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

Welcome to the twenty-first edition of our newsletter and first for 2017

Dear Readers

A warm welcome to clients for 2017/2018 financial/tax year. In April we welcomed Sylvia Kavanagh to our office, she is working with us three days per week, part time, completing payroll, GST returns, Income Tax Returns and Financial Accounts. Sylvia has lived in Tauranga for the past 20 years and now she, her husband and family have bought a home in Himatangi Beach. Sylvia comes from an accounts/office manager background and is currently completing an accounting/book keeping Diploma.

This year we have Leanthra Moore (year 13 Manawatu College Student) doing work experience in the office on a Wednesday morning during school terms. She is studying accounting by correspondence whilst attending college.

Upcoming events include the Xero national roadshow and various other courses. I recently attended an agribusiness seminar and it was interesting to hear that hill country land with Manuka trees (bee's and honey) is selling more per acre than grass land on these properties!

Darren Parlato

FINANCIAL YEAR END 31 MARCH 2017

The 31 March 2017 is upon us and you would have received your 2017 year end questionnaires.

Can you please complete where applicable, sign and bring the questionnaire in with your accounting records.

We are required to have an up to date authority on file and they do help us complete your financial accounts and income tax returns more efficiently.

Tax donation/school fee rebates. Please bring in receipts, you can claim a 33% rebate.

THRESHOLD CHANGE: CORRECTING AN ERROR IN YOUR NEXT TAX RETURN

On 1 April 2017, the threshold for correcting a minor error in your next tax return increased to \$1,000. This applies to:

- Income Tax
- GST: You can fix a minor error in your next GST return when the error was caused by a clear mistake, simple oversight, or a mistaken understanding on your part.



MAY 2017 BUDGET

The government has released the 2017 budget. Main points affecting business owners are :

- From 1 April 2018, the \$14,000 (10.5% tax rate) income tax threshold will increase to \$22,000, this will be a \$560 tax saving (\$8,000 x 7cents)
- From 1 April 2018, the \$48,000 (17.5% tax rate) income tax threshold will increase to \$52,000, this will be \$500 tax saving (\$4,000 x 12.50cents)

So someone earning \$52,000 per year or \$1,000 per week, there will be an extra \$1,060 in their pocket per year, or \$20.38 per week.

- Independent Earner Tax Credit (IETC) will be discontinued
- Increases to Working For Families Tax Credits |(WFFTC)
- From 1 April 2018 the couple rate for Superannuitants will increase by \$13.12 per week.
- Feasibility expenditure or black hole expenditure to become tax deductible.



INCOME TAX RATES 2017/2018

Individuals: Per Last Year

Income	Rates 2017/2018
\$0—\$14,000	10.5%
\$14,001—\$48,000	17.5%
\$48,001—\$70,000	30.0%
\$70,001 and over	33.0%

Companies

Any profit left in the company the 2017/2018 year will be taxed at 28%, per last year

Trusts

The tax rate on trustee income remains the same as in previous years, at 33%.

Maori Authorities

Maori Authorities rate 17.5% for the 2017/2018 year.

HORIZONS ONE PLAN

If you are intending to purchase a farm, please ensure that the farm has current land use consents. Please conduct due diligence on land that needs to be converted to dairy or used for intensive farming purposes.

MINIMUM WAGE UP 50C

The Government has lifted the minimum wage from \$15.25 to \$15.75 an hour from 1 April 2017.

The starting-out and training minimum wages would also increase from \$12.20 an hour to \$12.60 an hour, which is 80 per cent of the adult minimum wage.

Please ensure your payroll system is updated accordingly. If you require assistance, please do not hesitate to contact us.



2018 1ST PROVISIONAL TAX NOTICES

For those clients with provisional tax to pay, the 1st instalment for the year ending 31 March 2018 payment is due by 28 August 2017. The 1st provisional tax notices will be sent out early August 2017.



OFFICE HOURS

8.30am—5.00pm



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SECONDARY TAX RATES/CODES

If a person has two PAYE jobs, for the main job the correct tax code should be M and for the second/part time job, there is a choice of four secondary tax codes to choose from, depending on the income from the main job:

Income	Tax Code	Tax Rate
\$0–\$14,000	SB	10.5%
\$14,001–\$48,000	S	17.5%
\$48,001–\$70,000	SH	30.0%
\$70,001 and over	ST	33.0%

NEW ACC RATES

The ACC levies have been set by regulation for the 2017-2018 tax year.

The earners levy is set at \$1.39 (GST inclusive) per \$100 liable earnings.

The maximum liable earnings has increased from \$122,063 to \$124,053

NATIONAL STANDARD COSTS FOR LIVESTOCK 2017

The IRD has just released National Standard Costs for Livestock. This is the cost of rearing/raising an animal.

A quick summary:

- Lamb \$ 32.20
- Bobby Calf \$143.00
- Rising 1 year dairy heifer \$404.10
- Rising 1 year beef steer/heifer \$343.80
- Goat \$ 26.60
- Deer \$101.20
- Weaner Pig \$ 97.50



CALCULATING BUSINESS MOTOR VEHICLE USE IF YOU ARE SELF-EMPLOYED

There are three ways you can calculate the proportion of business use of your motor vehicle:

- A logbook, or
- A mileage rate of 73cents (Electric car 81cents per km) for distances of 5,000km or less a year.
- Claim a flat rate of 25% of all vehicle expenses



USE-OF-MONEY INTEREST (UOMI) RATE CHANGE

On 8 May 2017 the UOMI rates for underpayments and overpayments of tax changed.

The new rates are:

- Underpayments—8.22% (down from 8.27%)
- Overpayments—1.02% (down from 1.62%)

BUYING & SELLING PROPERTIES

The IRD came to the conclusion that while there are no hard and fast rules about the number of times a taxpayer can buy and sell and do up property, there would generally need to be a regular pattern of such transactions.



DAIRY'S MOJO RETURNS

- Fonterra has set its opening 2017/2018 milk price forecast at \$6.50/kg
- Meanwhile, Fonterra's 2016/2017 milk price forecast has also lifted 15cents to \$6.15/kg

A positive sign for all business owners.



EMPLOYMENT AGREEMENTS

There are three types of employment relationship:

Permanent: A permanent employee is one who is employed for an indefinite period (until resigning or dismissed). They will have regular, predictable work patterns and must be paid holiday, sick and bereavement leave.

Fixed Term: A fixed term employee is one who agrees to a temporary position ending with a fixed date, period or event. The reason for the fixed term must be genuine and clearly explained in the agreement.

Casual: A casual employee has no expectation of employment and no guarantee of work from one offer of employment to the next. Work is offered on an "accept or decline" basis. Holiday pay is added to each pay at 8% of each pay and must be clearly specified on the payslip.

It is **VERY** important that the written agreement accurately reflects the true relationship.

IRD'S DIRECT APPROACH



There has always been an unwritten agreement between IRD and tax agents, that IRD will not contact clients directly.

However IRD appears to be going directly to our clients for not only outstanding tax but also calling clients re unfiled tax returns and seeking explanations re expenses claimed!

We think it's got out of hand!

You could be putting yourself at a disadvantage by dealing with IRD directly and therefore suggest that, should you be contacted by IRD directly, your response should be 'talk to my accountant first' and please notify us as well.

APPLYING FOR A NEW IRD NUMBER JUST GOT EASIER!

If you need to get an IRD number for a new club, trust, society or other company entity, we can now complete an online registration, allowing us to get an IRD number within 48hours and this also includes GST and PAYE registrations.

2017 YEAR END WRAP UP

Cleaning up your fixed asset register: This should be reviewed for accuracy, with business assets which are no longer used (and not intended to be used in future by the business) written-off before year-end.

WORK-RELATEDS VEHICLES

There is a common misconception that an employee can take a vehicle home, without the employer having to pay fringe benefit tax, provided the vehicle is sign written and the employee is instructed to do this.

The travel to and from work has to be necessary in and the condition of employment. If it is not necessary for the vehicle to be taken home, it doesn't matter whether the vehicle is work-related or a car, the rules are the same. Fringe benefit tax applies.

This extra step of requiring the employee to take the vehicle home for work purposes can be covered in a letter prohibiting private use in the employment agreement.

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 particulars situation.