Parlato & Associates Ltd

NEWSLETTER

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CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Welcome to the twenty-third edition of our newsletter and the first for 2019.

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

Hello/Kia Ora Clients & Readers of our first 2019 newsletter

A Warm welcome to clients for the 2019/2020 financial year. This financial year is nearly completed.

Staff Training

Iona & Skye have completed a half day course on 2019 tax update/changes recently. Skye continues on her UCOL accounting diploma this year. I have just completed a CAANZ ethics course and retained my Xero Advisor Certification.

Capital Gain Tax

The Government proposal has been released. It contains far reaching changes for all New Zealanders, especially more so if you're self-employed, a rental property owner or landowner. If these law changes come into effect, there is virtually nothing left to be taxed except for the family home and other personal assets.

My personal view is that this is going to be a complex tax to administer, the extra tax gained will be minimal overall compared to the work involved. What I can foresee happening is, that homeowners will want to purchase an expensive house to live in and so any future capital gain in their own property won't get taxed. This will cause a non-productive investment in private houses rather than funds going into investment properties or businesses.

IRD Transformation

Currently we work under two different software systems. From 26th April, there will only be one system which will contain Income tax, GST, PAYE and all other tax types. Let's hope this goes smoothly.

PayDay Filing—1 April 2019

This is relevant to all employers. Please contact our office if you need help.

Fee Increase

Our accounting fees will be going up by 5-10% in most instances this year. We have kept our fees the same for the past 5 years but due to increasing compliance costs from technology, software, licenses, wages, compliance costs and IRD processing procedures. Generally for all owners, the costs of running a business are increasing.

Thank you again,

Darren Parlato

FINANCIAL YEAR END 31 MARCH 2019

The 31 March 2019 year is upon us and you would have received your 2019 year end questionnaires, with this newsletter.

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 for these donations as you can claim a 33% rebate.

Come in We're OPEN

OFFICE HOURS

8.30am—5.00pm

Monday to Friday

MYOB APPROVED   MYOB BankLink   xero   myob ace PAYROLL

2019 3RD PROVISIONAL TAX NOTICES

For those clients with provisional tax to pay, the 3rd instalment for the year ending 31 March 2019 payment is due by 7 May 2019. The 3rd provisional tax notices will be sent out in early April.

SMART YEAR-END TAX TIPS

Can you fix it? If you've got any significant maintenance or repairs on the cards, do it before year-end and save on tax.

Look at your fixed assets: Do you have any you're no longer using or don't plan to use in the future? If so, you may be able to write off the book value.

While you're at it, check your stock: Look at your stock as well, especially obsolete stock. There may be an opportunity to write off some of this off as well—check with us on what could be done in this area. For March balance dates, remember to complete your stock take on 31 March.

Home office: It's also a good time to review what home office expenses may be available for deduction, especially your home office. We can help with calculating this.

Accounts Receivable: Review your accounts receivable ledger and ensure any bad debts are written off prior to balance date.

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.

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MINIMUM WAGE INCREASE

The Government has lifted the minimum wage from $16.50 to $17.70 an hour from the 1 April 2019.

The starting out and training minimum wages would also increase from $13.20 to $14.16 an hour, which is an 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

NO MORE CHEQUES FOR IRD

Do you send post-dated cheques for tax payments? It's time to go digital! IRD is encouraging payments to be made online. Plus, if you're one to put your tax payments in IRD's drop boxes, you'll now have to head to an IRD office reception area (during office hours) to do so.

PAYDAY FILING

Payday filing for employers is compulsory from 1 April 2019. Many of you who are currently using a manual payroll system and filing paper returns might like to consider switching to an online (cloud based) system.

There are quiet a few different options available. The following are the common options but be aware, each have different pricing models with some being quiet a bit cheaper than others. You can check out the different options on their websites—most have trial periods and demos you can use / view.

MYOB Essentials Payroll

ACE Payroll

iPayroll

Xero Payroll

Thankyou Payroll

Smart Payroll

INCOME TAX RATES 2019/2020

Individual Income	Tax Rates
$0 - $14,000	10.5%
$14,001 - $48,000	17.5%
$48,001 - $70,000	30%
$70,001 and over	33%

Companies—Any Profit left in the company the 2019/2020 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%

RING-FENCING RENTAL LOSSES—Will this affect you?

Under current tax legislation, tax is applied on a person's net income, meaning that there is generally (with exceptions) no restriction on losses from one source reducing income from other sources. Ring-fencing would apply in full from the outset of the proposed application date to tax losses produced by residential rental property held by investors. This means that investors will no longer be able to offset tax losses from their residential properties against their other income (i.e. salary, wages, business income etc.) to reduce their income tax liability. Tax losses accumulated prior to application date are not ring-fenced however.

RESIDENTIAL PROPERTY "BRIGHT-LINE TEST"

Where residential property is held for five years or less (two years or less if the property was acquired before 29 March 2018), it may be subject to the "bright-line test" with any profits on sale subject to income tax. There is an exemption for the family home in most circumstances.

If you are considering selling residential property held for five years or less, or considering transferring ownership as part of a restructure, we recommend seeking advice first as the rules are complex and the consequences can be significant.

CAPITAL GAINS TAX PROPOSAL—TAX WORKING GROUP

Will apply to all land and improvements (except the family home), shares, intangible property, goodwill & business assets.

Personal use assets (e.g. cars, boats, art, jewellery, personal household items) to be exempt.

Only gains and losses that arise after implementation (1 April 2021) will be taxed.

Tax will only be imposed on sale in most cases.

All capital gains wil be taxed within the current tax system at each tax payer's marginal rate—likely to be 33% for most individuals or 28% for companies (i.e. not a separate tax regime).

Capital losses should generally be able to be offset against other income.

House on farms & surrounding land up to 4500 square metres exempt, calculated as a percentage of total farm value.

Other recommendations

Consider restoring depreciation on buildings if Capital Gains Tax introduced.

A number of compliance savings measures including increasing the threshold for provisional tax to $5k, increasing the closing stock adjustment to $30k and increasing the automatic deduction for legal fees while broadening to include other types of professional fees.

Where to from here?

One potential outcome could be that the Government choose to adopt the TWG minority view and only extend a capital gains tax to residential rental investment properties only.

By world standards, the Government has set an ambitious timeframe to introduce a broad Capital Gains Tax especially considering the IRD has been steadily reducing their staff levels. As they say, the devil is in the detail and this will need time and consultation to achieve the objectives and outcomes desired. Then it will be up to the voters to decide if in fact it comes in to force after the next election.

SIMPLIFIED TAX FOR SHORT-STAY ACCOMMODATION PROVIDERS PROPOSED

If someone gets money from renting out their house, a room, holiday home or a sleep-out—it's income, and they have to file a tax return.

People renting out a room in their home can claim costs like advertising and a proportion of the expenses for the time the space is rented including things like rates, insurance and cleaning. What we're proposing in our draft determination is a standard, nightly amount to claim as costs. The proposed amount is $50 a night if the host is the home owner. They may qualify if the space is rented for up to 100 days each year.