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NEWSLETTER

SUMMER 2018

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CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

Welcome to the twenty-second edition of our newsletter and the last for 2017.

I would like to take this opportunity and thank all existing and new clients for your continued support throughout this, our eighth 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.

OUR OFFICE WILL BE CLOSED FROM 5PM FRIDAY 22 DECEMBER 2017, AND WILL RE-OPEN 8.30AM MONDAY 15 JANUARY 2018.

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

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



Darren Parlato



Our staff are Xero Certified Advisors, Xero Payroll Certified and MYOB Banklink Certified Specialist.

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 Monday and Tuesday this December, so these days are statutory holidays for those employees who would normally work on these days.

APPLYING FOR AN IRD NUMBER JUST GOT SIMPLER

If you need a new IRD number for a club, trust, society or other company entity, there's now a simple and fast way to apply.

Apply online and you'll have the IRD number in 48 hours. You can attach all documents needed in myIR instead of having to post or fax them. You can also apply online for GST and PAYE registration.

Go to www.ird.govt.nz

MILEAGE RATE



In case you've missed it, IRD announced the new mileage rates in May. The rate is now \$0.73 cents per km.

OFFICE HOURS

8.30am–5.00pm

Closed 22 Dec 2017

Re-open 15 Jan 2018

GST OCTOBER/NOVEMBER 2017

Just a reminder that this period's GST payment is due on **15 January 2018**. 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.

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.*

2018 2ND PROVISIONAL TAX PAYMENT— DUE 15 JANUARY 2018

We have sent 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 2017 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.

2017 Terminal Tax is due 7 April 2018.

RESIDENTIAL RENTAL



We remind you: As soon as a tenant vacates your house and you switch the house to personal use, repairs and maintenance become non tax deductible, regardless of whether damage to the house has been inflicted by the tenant.

It therefore follows, as soon as you make your house available for renting, maintenance costs of the property become tax deductible.



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.

TAX CHANGES FROM 1 APRIL 2018

Use-of-money Interest (UOMI)

- No UOMI will be applied to Provisional Tax Payments 1, due August and 2, due January if the provisional tax calculation used was based on prior years income plus 5% and are outside safe harbour and all tax payments have been paid on time.
- Safe harbour will be \$60,000 for individuals and also \$60,000 for companies and trusts



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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.

KiwiSaver YEARLY MEMBER TAX CREDIT

The member tax credit (MTC) is a government contribution to Kiwisaver retirement savings. If members qualify, the Government contributes 50 cents for each dollar a member saves, up to the maximum MTC of \$521.43 to their KiwiSaver account

Members who qualify for MTC

- Are aged 18 to 64, and
- Mainly live in New Zealand

Members should qualify for the maximum MTC if they're in KiwiSaver for the full year (from 1 July to 30 June) earn more than \$35,000 and save at least 3% of their gross salary/wage. If members haven't saved a minimum of \$1042.86 before 30 June each year, they can top up their KiwiSaver account to bring it up to \$1042.86 of contributions before 30 June.

MANAGE YOUR ACC ACCOUNT ONLINE

In an effort to improve their online experience, ACC have launched a new online service for business customers to manage their account and levies online, 24/7 from any device.

Businesses are encouraged to register now. Once registered you can view invoices and transaction history, update business and contact details, invite others to view or manage your account and pay unpaid invoices.

Making sure your details are all updated will help ensure you're charged the right amount of ACC levies to cover you and your employees.

Visit acc.co.nz/myacc-for-business to register

NO BANK ACCOUNT NUMBER, NO REFUND!

IRD have indicated that in the very near future, any refunds due, will only be paid by direct credit to the taxpayer. Therefore if you are due a refund and IRD do not hold a valid bank account number for you, your refund will not be released. Please advise us or IRD of your bank account number.



TAXING SCHEDULER PAYMENTS MADE TO CONTRACTORS

If you pay a contractor for work under a scheduler payment activity, you must deduct tax from their pay. You will find the scheduler payment activities on page 3 of the Tax rate notification for contractors (IR330C)

AUDITS: WHAT TO DO WHEN IRD CALLS

When Inland Revenue says your business is to be audited, the most important things to remember are:

- Be Prepared
- Don't panic
- Contact our office.

BACK-PAID HOLIDAY PAY TAXED AS A LUMP SUM

If you're back-paying an employee or ex-employee holiday pay, tax will be applied as a lump sum. This includes back-pay for underpaid holiday pay. Lump sums are also called extra pays.

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.

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.