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CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND



Welcome to the twenty-sixth edition of our newsletter and the first for 2021.

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

Hello/Kia Ora Clients & Readers of our first 2021 newsletter

Looking at some 10 month to date financial reports, most owners are having a good financial year considering how the year started off. Any clients in the building industry or supporting the industry have been extremely busy. I would expect their 2021 terminal tax & 2022 provisional tax payments to be higher this year.

Clients who have residential rental properties, I feel have been targeted by the government to end the housing crisis. We have seen rental property owners having to ring fence rental losses, increases in the bright line test from 2 to 5 years, and now increasing to 10 years from 27 March 2021. More worrying is the proposed changes to deny interest deductions for residential investment properties.

I have done some "number crunching" on a residential rental, based on a loan of \$400,000 at 3%, rental income of \$400 per week, with rates, insurance & repairs and maintenance. Under this new proposed law, an owner would be paying an extra \$4,000 in income tax per year.

By disallowing rental property owners to deduct interest, this creates an unfair playing field as loan interest continues to be deductible for commercial loans, bare land & farm loans. The Share market will continue to climb, as there is no capital gains tax on the increase in the value of shares. Also, investors might start making more lump sum payments into their kiwi saver accounts.

Along with the increase in the personal tax rate to 39% for income over \$180,000, our tax system is becoming more complex and creates inefficient business decisions.

7th May Provisional Tax—Last instalment for 2020/2021 year

For those clients who get their provisional notice in April—please contact me if you think the amount needs to not be paid, reduced or if you cannot pay it.

2 monthly GST—Feb/Mar 2021 & 6 monthly GST—Oct/Mar

Again this payment (if any) is due by 7th May 2021 to IRD. Please contact me if you think the business may not be able to pay the GST before the due date.

Thank you again,
Darren Parlato



BOOK KEEPING SERVICES

Parlato & Associates have worked & are pleased to be working along side Stella Vockins, who is a XERO & Hubdoc certified partner and Sylvia Kavanagh, who is a XERO certified partner & MYOB partner. Sylvia also does book keeping.

Stella is located in Foxton and her contact details are, email: stella@countmein.net.nz, phone: 021 828 355.

Sylvia is located in Himatangi Beach and her contact details are, email: info@thesortedoffice.co.nz, phone: 027 258 1000.



OFFICE HOURS

8.30am—5.00pm

Monday to Friday



FINANCIAL YEAR END 31 MARCH 2021

The 31 March 2021 year is complete and you would have received your 2020 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.

Asset threshold—The temporary increase in the threshold for assets purchased (\$500 going to \$5000) commenced on 17 March 2020 and ended on 17 March 2021. From 17 March 2021 the threshold will permanently increase from \$500 to \$1000.

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.



Parlato & Associates Ltd

Proposed changes for residential property acquired on or after 27 March 2021 includes:

- Extending the bright line test to 10 years.
- Allowing newly built homes to use a 5 year bright line test
- Amending the main home exclusion which would require tax to be paid on gains made for periods the property is not used as the owner's main home
- Not allowing property owners to claim interest on loans used for residential properties as an expense against their income from those properties. This would start from 1 October 2021, and would be phased in over 4 years for existing properties. There would be an exemption for newly built homes.

Property developers (who pay tax on the sale of property) will not be affected by this change. They will still be able to claim interest as an expense.

If you acquire a residential property on or after 27 March 2021 and take a loan out to acquire it, you cannot claim interest on that loan as an expense. This means you'll pay more tax on any property income you receive. You can still claim other expenses such as the cost of insurance, rates and repairs & maintenance.

Income year	Percent of interest you can claim
1 April 2020–31 March 2021	100%
1 April 2021–31 March 2022	1 April 2021–30 Sept 2021–100% 1 October 2021–31 March 2022–75%
1 April 2022–31 March 2023	75%
1 April 2023–31 March 2024	50%
1 April 2024–31 March 2025	25%
From 1 April 2025 onwards	0%

MOTOR VEHICLE RATES FOR EMPLOYEE REIMBURSEMENT

Your employee will need a record showing their business-related use of the vehicle over the income year, such as a logbook. You then use it to calculate the exempt portion of reimbursement using the kilometre rates we've set.

Tier one rate for the business portion of the first 14,000 kilometres travelled by the vehicle in a year. Tier two rate for the business portion of any travel over 14,000 kilometres.

Vehicle Type	Tier One Rate p/km	Tier Two Rate p/km
Petrol or Diesel	82 cents	28 cents
Petrol Hybrid	82 cents	17 cents

MINIMUM WAGE INCREASE

The Government has lifted the minimum wage from \$18.90 to \$20.00 per hour from 1 April 2021.

The starting out and training minimum wages would also increase from \$15.12 to \$16.00 per hour, which is 80% of the adult minimum wage.

IRD PAYMENT OPTIONS

IRD no longer accept Cheques as a form of payment.

Payment options include:

- Internet banking
- Directly through myIR
- Cash or Eftpos at Westpac—this option requires a barcode. This can be created on the IRD website by searching for 'create a barcode'



When making a payment online, make sure the following information is correct by pulling it directly from the tax notices we issue:

- **Tax year**—select the correct tax year so that IRD can allocate the payment to the correct year.
- **IRD number**—this is unique to each entity and is found on the bottom right of every notice.

By recording all the correct information this means we will not have to track your payment and make transfers to avoid penalties and interest.

Paid Parental Leave applications can now be completed online through myIR on the IRD website making the process quicker.

BUSINESS OR HOBBY

The difference between a hobby and a business is generally something you do in your spare time for pleasure or recreation is a hobby. A business is something commercial, where you aim to make a profit.

Do you:

1. Charge others for the goods/services you provide?
2. Supply goods/services on a regular basis?
3. Intend to make a profit from providing goods/services?
4. Plan, organise and carry out your activities in a business like manner, e.g. keep receipts and records, or have a separate bank account for your business activities?

If you answered yes to some or all of those questions, you probably need to declare your income.

INCOME TAX RATES 2021/2022

Individual Income	Tax Rates	Companies—Any Profit left in the company for the 2021/2022 year will be taxed at 28%, per last year
\$0–\$14,000	10.5%	Trusts —The tax rate on trustee income remains the same as in previous years, at 33%
\$14,001–\$48,000	17.5%	
\$48,001–\$70,000	30%	
\$70,001–\$180,000	33%	
\$180,001—and over	39%	