

Find us on 

KEEP UP TO DATE

To keep up to date on what is happening please follow us on our Facebook page.

While we don't post every day we do share items of interest with you here.



SmartPayroll
It pays to get it right.

Trusts Act 2019 TIME FOR A REALITY CHECK

The Trustee Act 2019 takes effect in January 2021. If you have a Trust its time to start thinking about the implications now.

The Act is far more explicit about Trustee responsibilities and the documents that all trustees must either hold or have access to.

It also includes provisions around providing information to beneficiaries that have implications for both managing the Trust and operating the Trust.

The trustees must know all the beneficiaries and when they are 18 advise them (at a minimum) that they are a beneficiary, who the trustees are (name and contact details) and that they have a right to request a copy of the Trust Deed and trust information. They must also be advised of any changes in trustees.

A beneficiary can be required to cover the cost of enquiries—but the trustees can consider a number of factors in deciding whether or not to release information.

That, of course, can create the need to get legal advice—and challenges from the beneficiary if they get told no.

To manage trustees accessing information we are looking at software options that allow trustees to log in and share centralized information.

Regardless, it will mean that professional/independent trustees will have more to do—which means the cost will increase for running trusts.

We suggest that you start looking at your trust and start with these questions:

- ♦ Why do we have a trust?
- ♦ What are we trying to achieve?
- ♦ What happens if we don't have a trust?
- ♦ How much are we prepared to pay to have a trust?
- ♦ Do we want/need an independent trustee?

MINIMUM WAGE RATE

The minimum wage rate increases from \$17.70 per hour to **\$18.90 per hour** on **1 April 2020**.

Those on the starting-out and training wages will received \$15.12 per hour (80% of the adult minimum wage).

TAX TIME



Missed an income tax payment? Can't pay your income tax?

If you are late paying your provisional income tax by even one day (or short pay) you will potentially incur use of money interest.

Avoid this by speaking to us about accessing tax pooling where you buy "back-dated" tax.

Tax pooling can also be used when you have cash flow issues.

Please contact us if you wish to use this facility.



31 March Is balance date looming for you?

31 March is the standard balance date in New Zealand for tax purposes. (Any other balance dates are "non-standard" and are applied for.) If it's your balance date it's time to be thinking about the implications. Think about:

- ♦ Reviewing your debtor listing and see if there are any on there that should be written off.
- ♦ If you've had a good year is there some spending that you should be doing this year instead of next (remember you can only spend it once!). Buying assets will only give you access to one month's depreciation.
- ♦ Have you any assets that you should be selling off? Also, take a look at the depreciation schedule from last year's accounts and see if there are any that no longer exist—and tell us so we can write them off.
- ♦ If you are planning to pay staff bonuses you may want to ensure you do it before 31 March.

Oh—and fill out our questionnaire and ensure you provide us all the requested information.

Provisional Tax

If you are a provisional tax payer with a 31 March balance date your third provisional tax

payment is due on 7 May. This is paid based on a 5% increase in your tax bill from the previous year (2019) and may or may not be appropriate. If it is too low this isn't an issue UNLESS you have more than \$60,000 in "residual income tax" to pay (the tax payable after deducting "source" deductions).

If it too high there are a few options:

- ♦ Pay, get your tax return done and get the overpayment refunded or transferred to the next year to cover provisional tax, or
- ♦ Estimate what your income is going to be and reduce the tax bill accordingly.

IRD doesn't like it if you re-estimate and pay too little tax but we can access tax finance to pay if the payment is too low.

If you have cash flow difficulties (after all, you may have just had a big 7 April tax bill and GST needs paying on 7 May as well), tax finance can assist you with this as well.

Talk to us about your options.

Inside

New km rate	p. 2
Rental Ring-Fencing	p. 3
Software Options	p. 3
No Cheque Payments at IRD	p. 3
Trustee Act 2019	p. 4

WE KNOW YOU | YOU KNOW US

Peak Chartered Accountants Limited

37 Miriama Street, Taumarunui 3920
PO Box 384, Taumarunui 3946
Ph 07 895 3013 | 0800 858 803
Fax 07 895 8345
www.peakca.co.nz

This newsletter is for general information only and is not advice, and should not be treated as such. Please contact us for guidance relating to your particular circumstances.



New km rate for claiming motor vehicle expenses

General principles for claiming motor vehicle expenses are:

- ◆ If you're using a vehicle for business purposes, you can claim tax back on expenses.
- ◆ If you use the vehicle only for business, you can claim the full running costs. If you use the vehicle for any personal travel, you'll need to separate the running costs of your vehicle between business and private use.

There are two ways to calculate the business usage:

- ◆ Actual costs mean keeping accurate records, including details of private and work-related expenses. You also need to show the reasons for business travel and the distances involved.
- ◆ Use a logbook to record all business trips and then calculate an actual business use percentage for each period. Or keep a logbook for at least

90 consecutive days to work out the business use of your vehicle, which you can then use for the next three years to apportion all of your expenses (as long as the nature of the business varies by less than 20% over that time).

Once you have the business proportion, you can use the IRD's kilometre rates to work out how much you can claim (see table below).

Tier One is calculated as a combination of the vehicles' fixed and running costs. It applies for the business portion of the first 14,000km travelled by vehicle in a year.

Tier Two accounts for running costs only and applies for the business portion of any travel in excess of 14,000kms.

To make claiming your business usage easier, make sure you record odometer readings at the end of every year to help determine your business mileage vs personal mileage.



Travel between home and your place of business (e.g. shop or office) is personal travel (obviously doesn't apply if work from home!).

Yes—it's more complicated than what it was!

Remember that shareholders in a company with less than 5 shareholders can use the %age of use / log book approach for motor vehicle expenses (and GST) instead of paying FBT for vehicles purchased.

Kilometre Rates (from 2019 onwards)		
Vehicle type	Tier One rate: First 14,000 kms	Tier Two rate: After 14,000 kms
Petrol or Diesel	79 cents/km	30 cents/km
Petrol Hybrid		19 cents/km
Electric		9 cents/km

RENTAL RING-FENCING

For the year ended 31 March 2020 all residential rental losses will be "ring-fenced" - meaning that losses incurred can not be offset against other income earned (e.g. salaries and wages, business income).

The "excess deductions" will be carried forward to be offset against future taxable income from residential rental properties (includes profits from properties where income becomes taxable under the bright-line test).

There is the option of applying the ring-fencing rules on an individual or a portfolio basis (the default is portfolio).

Regardless, there is the potential for losses incurred on a rental property to be a "black hole" and never be able to be utilised.



Software Options

We want to see our clients using software that works for them and means that you get the best outcomes for the least amount of work!

For some of you this will mean that you just have us using whatever we want to use to gather your bank account information. For others it will mean running your own system.

Cashbooks

BankLink is still the core system we are using with bank account feeds(both internally and coded by the clients). However, for our internal needs we are currently trying out a new product being offered by our software provider called "BankData". At this stage it is for in-house use only, and we are still waiting for some providers to come on board. If you are a client that we do use BankLink for internally we may contact you to sign a new authority form.

Where clients have a large volume of transactions, and are operating themselves, Xero cashbook is a good alternative to BankLink. Using Xero

instead of Banklink means that no desktop software installation (or updating) is needed and there is no need to "swap" the file between us – it's live all the time for you. The monthly cost for Xero cashbook is currently \$21+GST (GST-registered)) or \$12.00+GST (not-GST registered). It can only be accessed via a Xero partner (we are a Xero Silver Partner). Please let us know if you would like to change!

Some of you still like to use excel – please make sure that you have formulae to cross-check as it is very easy for formulae to get moved or removed.

Handy Hint! If you are using a manual cash-book and your numbers are out by a number that divides by nine look for a transposed (reversed) number!

Debtors, Creditors & More

If you are working with debtors (and have quite a few creditors to manage) you may want to look at using software that integrates your bank transaction feeds with your debtors and creditors.

Xero works well for clients – there's a bit of learning to do (like with all software) but it has a nice "user interface".

There are also lots of cloud-based apps that support businesses with job management, service management, retail, document management, expenses, timesheets and the like.

We can help you with setting up and implementing Xero—as well as provide training.

Payroll

Managing payroll obligations (including same day payroll filing) can be difficult to get right, leave needs managing and same-day filing is required with IRD. We really do recommend that you look at using payroll software. There are a number of options on the market.

While there is a cost involved it is worth it! We use SmartPayroll (cloud based) and IMS Payroll (desktop based) for our various clients. For most of you going cloud based is the better option.

Summary

There are a lot of options out there, and the landscape seems to change quickly. We can help point you in the right direction based on what you need.

Yes – there is a bit of work and learning to do to start with but, run well, good software can save you a lot of time and effort.

NO CHEQUE PAYMENTS AT IRD OR ACC



Cheques are now "un-welcome" at both Inland Revenue and ACC. (Kiwibank no longer issues or accepts cheques). While many of you rarely, if ever, use a cheque book for some of our clients this is requiring a bit of a change. There are a few options for paying your taxes:

- ◆ Use internet banking off your computer or smart device (very easy—just use the right tax period as IRD is returning money paid to the wrong place before we get a chance to fix it

- ◆ Use ir-login to pay by direct debit or make online payments (ird.govt.nz/pay). You can pay by debit or credit card but a 1.42% "convenience fee" applies (paid to the bank). Exceptions to the fee apply for payments made from overseas for student loans and child support.
- ◆ Visit Westpac and pay your taxes in person by EFTPOS or cash (non-Westpac cards accepted). You will need a bar code to do this.

Inland Revenue has said they will allow the use of cheques in certain circumstances but our experience is that this is more a PR comment than reality.

If you need a bar code generated or other assistance (e.g. support using internet banking) please contact us.

We are waiting on software upgrades that mean a bar-code is generated on our tax notices automatically.

Did you know we provide a payroll service?

Take your payroll worries away and save your energy and time for what **you** are good at.