

Income tax returns - Don't be late

After Christmas there are only about 10 weeks of work before the deadline to file tax returns.

If you don't get your tax return in by 31 March, Inland Revenue has an extra year in which to examine your return. Also, you could lose your right to an extension of time for filing the return.

Late tax returns have a number of other disadvantages:

- Provisional tax has to be paid based on the year before last +10%. At times, this figure could be too high.
- If you get your accounts done late, it might not be practical to get them completed by 31 March.

Reasons could be:

- sickness or staff leaving
- too many other people have left their accounting too late – overload.
- You can become liable for Inland Revenue interest without realising it. The longer this is left the bigger the bill from Inland Revenue. The interest rate is shortly going up to 10.39%.
- If there is an opportunity to save tax it's better to know about it early and take full advantage of it. Sometimes opportunities reveal themselves when the financial statements are prepared.

Tax change for trading stock donations

Two new sections were put into the Tax Act as a result of Covid-19.

Until that time, if a business donated its trading stock to a charity it had to treat the donation as a sale at market value.

These new sections were due to expire on 31 March 2023. That date has now been extended to 31 March next year.

If a business donates some of its trading stock to a

registered charity or a public authority, it can claim the cost of the trading stock as an expense so long as this is done by 31 March 2024.

Where a business donates trading stock to an entity other than a charity or public authority, there is still no deemed market disposal.

This is provided the person who receives the goods is not associated with the donor. However, the cost of the trading stock will not be tax-deductible.

Reimbursing employees working from home

Inland Revenue has released Determination EE004, which among other things determines that if you reimburse an employee who is working from home you may pay them only their extra costs.

This would include, for example, reimbursement for the extra power they use.

Oddly, you can't pay for a share of the rent, rates or insurance, which allow your

staff member to work from home for your benefit. The department argues the employee is going to incur the cost anyway, so it's a private cost.

There is a perfectly legal solution if you want to contribute to the fixed costs. Your business can pay rent to an employee for the use of their home. This ought to be at market rate, which is not easy to work out.

The internet might find you the

average profit made on domestic rentals, which is probably as good a guide as you can get.

You will need to remind employees that your payments are no longer a reimbursement, but rent for part of their house. They are making a profit and so would need to show this in their personal tax returns.

This new rule started on 1 April.

Non—Resident tax returns

Please note that IRD have updated their Non-Resident tax returns and are now asking for Tax Identification Numbers (TINs) for the jurisdiction of your tax residency. If you are a Non-resident we may ask for your TINs.

Keep on top of slow payers

Perhaps one of the most unethical and unfair things one can do in business is to not pay the bill when it should be paid.

When you get a bill, you have received the goods or services and you hold the upper hand. There is little your supplier can do to get paid without it costing a lot of money.

Of course some people unexpectedly get into a tight spot financially. The reasonable thing to do is to send a message to the supplier apologising for not being able to pay on time and requesting an arrangement to spread payments. Don't ignore overdue bills.

There is talk of a recession looming. This is, if it occurs, likely to lead to more people having difficulty paying their bills.

If you think you might be one of them, consider ordering only what you know you can pay for.

If you're a supplier, you should be planning now, before it's too late, for how you deal with unpaid invoices.

- If your business has a large number of customers, none of them being of a significant size, you are in a much healthier situation than those depending on one or just a few big clients. If not, can you change things now to get more, smaller customers to spread the risk?
- In tough times small businesses can get badly hurt when a big customer won't pay. Continuing to supply that customer to keep them going, in the hope their situation improves so they can pay you can be disastrous.
- Can you get deposits or increase the amount of deposit you ask for up-front?
- Are you spelling out your terms for payment before you take a job and making sure the

customer is aware of them?

- If you want to charge interest on overdue accounts, you need to make this clear at the start.
- A customer who has to be constantly followed up for payment is wasting your time. You might be better off without them. It might be better to get rid of them now, while there's still a good chance of replacing them. You could make better use of your time promoting your business.
- Are you keeping in touch with customers? Emails are such a cheap and easy way to communicate. Develop a system for sending messages to your clients and customers regularly. Set yourself specific dates when this has to be done. Think about special offers, tips and suggestions that could be useful to them.

When you become bank of Mum 'n Dad

In the past responsible parents would consider their job done when their children were fully educated for the work they had chosen.

Increasingly parents and grandparents today are having to help their children buy a first home – they are referred to nowadays as the Bank of Mum and Dad.

Beware the tax man if you're helping out! If you buy a property either jointly with your offspring or in any other way involving your ownership of that property, you can be taxed on any gain in value.

There is a capital gains tax on property sold within five or 10 years of purchase. This time varies depending on when the property was bought, whether it is a new build and the tax law at the time acquired. It's called the Bright Line Test. It was designed to help take the heat out of the property market.

Of course, with falling property prices this might not be an issue.

Travelling Expenses Overseas

The Inland Revenue Department recently proposed updating tax deductibility of overseas travel expenses.

The cost of meals are excluded if you are self employed. This is because Inland Revenue has separate rules to cover meals.

Roughly, a self-employed person would have to eat anyway so should not be claiming the cost of their meals while away on business. The shareholder employee of a company is in the same situation as any other employee and meal costs while travelling away from home on business are tax deductible.

Here are some examples of how Inland Revenue sees the tax deductibility of travel expenses overseas.

Gertrude travels overseas primarily to go to a 50th wedding anniversary. However, she had to go overseas on business anyway so turns part of the trip into a business trip. She spends 11 days out of 42 on business and therefore claims this proportion of her airfares and accommodation.

Fred goes to Australia to buy stock. He is away for three days, one of which he spends visiting an old friend. He is entitled to claim two thirds of his travel costs.

Oscar buys an airline ticket to go to the United States on holiday. While he is there he takes the opportunity to visit potential clients and promote his business. At the time he bought the ticket his intention was just to have a holiday, so no tax deduction is permitted for the airfare but if he hired a car specifically for the business related activities that would be deductible.

In a 1984 court case, a qualified electrician and his wife were in partnership. They visited a factory in Australia for four days that made the electrical units on which the electrician was doing contract work. The electrician's travel costs were tax-deductible. His wife's costs were of a private nature and therefore not tax deductible.

Find files with search functions

Losing computer files can be frustrating, but they can usually be found using search functions.

Let's look at both Windows and Mac.

To search for files on Windows, open File Explorer by clicking the File Explorer icon on your taskbar (or shortcut Windows+E). A search box will be in the upper right of the Explorer window. Type in the file name you're looking for. The location will default to "This PC", so it will look in all the folders and sub-folders in your PC.

If you can't remember the exact file name of a document file, you can refine your search by typing in a word or phrase you know is in the file.

You can also further refine it by sorting the list by "Date Modified" to find the most recent files.

Another useful function is to look for everything with a file extension such as docx or jpg, because you can type in *.docx,

*.jpg etc, which will give you all the files with those extensions.

On Mac computers, the default search function is Spotlight, which is the magnifying glass at the top right of the home screen. It allows you to search for any apps, files, and folders on your Mac.

However, since it scans all the files in your external hard drives, Time Machine backups, and more, Spotlight can slow your Mac down.

For most file searches, many Mac users just use Finder (Command+F or the icon in the dock). Options allow you to look for the kind of file (name, content, last opened etc) and whether it's a document, image, folder, app etc.



TAX CALENDAR

31 May 2023

Deadline for Fringe Benefit Tax returns

30 June 2023

Last day to apply for annual FBT returns

28 July 2023

3rd instalment 2023 Provisional Tax (June balance date)

28 August 2023

1st instalment 2024 Provisional Tax (March balance date)

Note: where a tax date falls at a weekend or on a public holiday, the tax needs to be received by Inland Revenue by the following working day. If you pay electronically, you should plan accordingly.

Selling a loss-maker

Until recently, when the shares in a company were transferred to another owner, which resulted in a change of ownership of more than 51% of the shareholding, the new owners could not use the losses incurred before the ownership change.

Not long ago, the law was changed. If the new owners carried on the business in the same way as the old owners they could use up the company losses as long as they didn't relate to prior to 31 March 2014.

While there's a benefit by being able to pass on company losses, there's also a downside for the buyer of the company shares. Any undisclosed company debts, including if Inland Revenue discovers the company has not accounted for all its profits, will continue to be debts of the company. This includes any penalties or interest Inland Revenue cares to come up with.

Many potential buyers will prefer to buy the business and not its shares. So while this is useful in some situations eg passing a family business to the next generation it may not be as attractive to arms-length buyers.



Reboot to start the day

Are you getting regular error messages on your computer of device, or apps not launching quickly?

You might have some serious problems, but a simple reboot often fixes things. Close your programs and apps, shut down and wait 10 seconds before restarting.

Most PCs will go for weeks without needing a restart, but it's a good habit to close down at the end of the day (then you're not tempted to do work after hours) and restart each morning.

STAFF NEWLETTER

We have changes :



Ross Whitmore

Ross has decided to cut his hours down to 20hrs a week. He wants to spend a bit more time doing what he wants outside of the business (not always on the Golf Course). Ross has been an Accountant for over 40 yrs starting in the IRD moving up through the ranks until he was an investigator. Then he was approached by Touche Ross to become a manager, which he did for many years. An opportunity for him to become his own boss arrived in the form of joining Vanburwray Chartered Accountants and running his own practice within this company. He was there for 28 years. While he was working full time, he also was the treasurer for, Vogeltown Cricket Club, NPOB' Sports Club, TRFU, NT Rugby Referees, Fitzroy Golf Club, Woodleigh School BOT. and currently NP Golf Club. Sport has always been important ranging from early on Cricket in the Summer and Rugby Referring in the Winter, and now the great love of Golf.

Ross also has a strong interest in Rental Properties and has been a member of Taranaki Property Investors Association since 2006 , and understands the many tax issues relating to this changing environment (on a lighter note when the draft exposure about changes to Brightline came out -he read all 143 pages of this technical draft and stayed awake!)

On 1/4/2019 Ross & Trent started Balanced Accounting Taranaki Ltd with the ethos of having a work/life balance. As with any new business the first few years required hard work to get it up and going. Now we are at a stage were Ross can reduce his hours.

So Ross's new hours of work are Monday, Tuesday (at Waitara) and Thursday, 8am to 2pm, and Wednesday 8am -10am

Danielle Hoyle

Hello Everyone,

My name is Danielle Hoyle and I am Balanced Accountings newest team member. I am super excited to be on this new venture in my life as an Accounting Assistant. I am currently studying towards my Bachelor in Accounting through the Open Polytechnic and am 5 papers away from achieving this degree which I am hoping to have finished by the middle of next year. I was born here in Taranaki before moving deep to the bottom of the South Island when I was two and returned when I was 13. I have grown up in the dairy industry and from a young age have always been an outdoors girl who is obsessed with numbers. When not at work you will find me studying, exploring our country side, hanging out with friends or watching movies at home (but mainly studying). I look forward to talking and meeting some of you sometime in the future.

Danielle Hoyle

We will still be providing the same level of service we do now but just a change in who will be available. With the reduction of his hours, Michelle will be increasing her hours. Trent and Michelle will still be working full time to make sure our clients still have access to us.

Ross, Trent & Michelle