



OFFICE CLOSED OVER SUMMER

Well Xmas is almost upon us again and as usual it will be a mad rush to get everything completed before the jolly man comes down the chimney. Hopefully you will get the opportunity to take a break, spend time with the family, reflect on the past year and do some planning for 2019.

Our office will shut lunchtime on 21st December and reopen on 14th January 2019. Maree, Ian and the team will take time out to recharge the batteries but if you need to get hold of us in this period contact Maree on 021 2797440 and Ian on 021 2629308.

ANTI-MONEY LAUNDERING

Since 2013 financial institutions and casinos have had to comply with laws to help prevent money obtained through illegal means from entering NZ to be laundered. NZ is considered to be a relatively clean market but it is estimated that some \$1.4b in money laundering occurs here. This year has seen the laws extend to legal and accounting practices and real estate activities will be added from the beginning of 2019.

For us this has meant appointing a compliance officer, preparing programmes to help assess money transactions for laundering and financing of terrorism and manage those potential risk areas. Therefore for all new clients we are required to identify the clients through photo ID's and verify their residential address. Where a company or trust is being used we are required to obtain this information for all directors, shareholders, settlors, trustees, and beneficiaries. At this stage it's not required for our existing clients but we suspect as time goes on we will be required to update our files and obtain this information from you.



TAX PAYMENT NOTICES, TAX INVOICES AND END OF MONTH STATEMENTS



Over the past 12 months we have been emailing to you your tax payment notices, our invoices for services provided by us and our end of month statements. In addition, we have been posting a hard copy to you in case the email does not reach you. From 1 January 2019 we will cease posting copies to you as we have found that the post is not as reliable as it used to be

and by now your computer systems should be recognising emails from us as being valid and not spam. However you should always regularly check your spam box to make sure legitimate mail is not side tracked. Where business emails end up regularly in your spam box can we suggest to tag them as a "safe sender" by right clicking your mouse when sitting on the email to give you this option. With your various tax payments you should also have a diary note to remind you.

ONLINE TAXES

The Government has signalled that it will extend GST on online purchases. Currently when you purchase online streaming services like Netflix there is a NZ GST charge at 15%. This will extend to the online purchase of goods. Many people are buying online and where a parcel of goods arrives which has a value of less than \$400, it has slipped through the GST net, as it has been too expensive to collect the GST. It is proposed that from October 2019



all online sellers of goods to New Zealand buyers will have to charge NZ GST at 15% and pay it to the NZ Govt. This means that buying goods from overseas is likely to cost an extra 15%. Large online sellers like Amazon and Alibaba will have systems in place to identify that the goods are being shipped to NZ and then charge GST. For businesses they will be able to claim back the GST, so they will be no worse off than they are now just the administration to cope with. This online GST system will mainly impact the end user of the good or service.

OVERSEAS PERSONS INVESTING IN NZ PROPERTY

As part of the Government's strategy to free up more homes for New Zealanders they have from October 2018 made it harder for persons from overseas to purchase property in New Zealand. The new rules apply to residential or lifestyle properties. There are exemptions for citizens or permanent residents of Australia or

Singapore who live in NZ. Overseas persons are not totally banned from buying property, but must apply for permission through the Overseas Investment Office for consent. These new rules also apply to NZ residents who normally live overseas and are looking to buy a property in NZ.

DECEMBER 2018

AUDIT SHIELD

Accountancy Insurance is available for clients to purchase to cover those unexpected costs of a tax audit. IRD are using computer systems to collect more and more data and match that information to returns filed by you. Audit Shield is an insurance product to cover accountants professional fees and the fees of experts should you be subjected to an IRD initiated action in relation to a lodged tax return. This includes phone calls, risk reviews and right through to a full audit. If this is something you are interested in please contact either Maree or Ian to discuss it further.



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COMMON REPORTING STANDARDS

The NZ Government has signed up to a worldwide agreement to share information about income earned in NZ by non residents. Other countries around the world have done the same. This means that if you earn income from overseas, it is likely that the country where the income is earned will be telling the NZ IRD details of that income and IRD will be matching your tax return to ensure that you have declared the income here in NZ. In many cases you may have paid tax in the

overseas country, but the income is still taxable in NZ, but a credit will generally be allowed for taxes paid overseas up to the tax payable in NZ. NZ has many immigrants who may still have financial ties to their homeland. This may be as simple as interest earned on an overseas savings account. Accordingly, please ensure we have the details of all your income, local & foreign for inclusion in your tax return.



PURCHASING PROPERTY USING A NOMINEE

When purchasing real estate many purchasers are unsure who will be the ultimate owner of the property at the time they sign the agreement for sale & purchase of real estate. This is because from a structuring point of view the ultimate owner may be their company or trust. Generally, the use of the words on the agreement “and or nominee” gives you the

purchaser time to decide whose name will go on the title. Unfortunately due to the Anti – Money Laundering and Anti-Terrorism laws, solicitors need time to identify the end purchaser, and if faced with only a short time frame, settlements can be delayed until the identity process is complete. It is important to establish and nominate who is to purchase the property early.

BRIGHTLINE TEST

By now most of you will be aware of the “Brightline” test that relates to property. It was originally brought in to tax property speculators on properties brought and sold within a 2 year period. It has been extended now to a period of 5 years as from 29 March 2018. Firstly these laws do not in general apply to your own home, but do affect rental properties and bachs and the like. Every time there is a property sale or purchase the solicitors will be asking for IRD numbers which will make it easier for IRD to ensure that you are returning



any profit on the sale in your tax return.

The Brightline test can have ramifications for property transferred from say Mum and Dad to a trust or company under a restructure scheme. Under this test the transfer to the company or trust triggers the start of a new 5 year ownership test. If they were to sell the property within 5 years of them acquiring the property and they make a profit, then the profit is likely to be taxable. It does not matter that Mum & Dad may have owned the property for more than 5 years prior to the transfer.

PAYDAY FILING

From 1 April 2019 it will be compulsory for all employers to file wage information every time they pay their staff. For those paying staff weekly that will mean filing wage information 4 or 5 times each month instead of the current once.

IRD have started an advertising campaign to encourage employers to try the new system now and get used to it before it is compulsory. For those who run payroll software, you need to check that the programs are updated and will cope with

being able to upload the information to the IRD. We believe the biggest issue will be remembering to do it and the extra time that you will have to spend sending the data to the IRD. There are also issues around errors in a weekly pay which may be corrected in the next pay and how these are passed onto IRD. The actual payment of PAYE will still be on the 20th of the month following and 5th for the larger employers.

The IRD say that the new system will save small businesses various costs, but we have our doubts, at least initially.



TRIVIA

Five things you didn't know about corruption:

1. Every year US\$1 trillion is paid in bribes and an estimated US\$2.6 trillion is stolen/paid through corruption – more than 5% of global GDP.
2. NZ and Denmark are rated by Transparency International as the least corrupt countries.
3. The police force is Nigeria's most corrupt public institution, followed by the judiciary.
4. India banned high value notes in late 2016 in a bid to cut corruption. Transparency International has rated India the most corrupt country in Asia.
5. China will consider the death penalty for those who embezzle or accept bribes of 3 million renminbi (US\$463,000).

