

OFFICE CLOSED OVER SUMMER



Xmas is almost upon us again. 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 2020.

Our office will shut at lunchtime on 20th December and reopen on 13th January 2020. Maree, Ian and the team will take time out to recharge their batteries but if you need to get hold of us in this period contact Maree on 021 2797440 and Ian on 021 2629308.

IRD NO LONGER TO ACCEPT CHEQUES

IRD have signalled from 1 March 2020 they will no longer accept cheque payments for all tax types. IRD say that there are a number of other ways to pay them including:



- myIR – pay by direct debit
- in person at Westpac but only pay in cash or Eftpos
- online banking
- money transfer if you are overseas.
- credit or debit card

DECEMBER 2019

IRD CHANGE INTEREST RATES

From 29 August 2019 IRD changed the interest rate that they charge on overdue tax from 8.22% to 8.35%. For those who overpay IRD will pay you interest that has dropped from 1.00% to 0.81%. That's a lose lose for you.

IRD say that is just what the market interest rates are.

ACC CHANGES

ACC are making some changes to how they levy self employed customers. If you are self employed and on the standard Cover Plus policy, you won't receive a 2019/2020 invoice this year.



Previously, ACC levied you based on the previous year's income whereas now they will base your invoice on the current year's income. For the year ended 31 March 2020 we expect invoices to be issued after July

2020 based on the income shown in your 2020 tax return.

Each year ACC adjust the minimum and maximum income amounts that a fulltime person pays (more than 30 hours work

per week on average).

For the 2019/2020 year:

- the minimum is \$ 36,816
- the maximum is \$128,470

If you work less than 30 hours per week on average and your business profit is less than the minimum amount (\$36,816) you need to check you are being levied as a part-timer. This means the levy will be based on your net profit.

Make sure ACC have your current mailing address particularly if you are using CoverPlus Extra. They will cancel your CoverPlus Extra policy if not.

TAX RATES ON PIES

IRD announced earlier this year that a large number of people were having tax deducted on their KiwiSaver accounts at the wrong tax rate. This meant some were not paying enough tax and some paying too much. If your taxable income in either of the 2 previous tax years was:



Under \$14,000	use	10.5%
Between \$14,000-\$48,000	use	17.5%
Over \$48,000	use	28.0%

If the taxpayer is overseas the tax rate will be 28% unless you have applied to the KiwiSaver provider as a "notified foreign investor". If so you can use a tax rate that would have applied had you been living in New Zealand. For a person who has no other New Zealand income, the tax rate could be 10.5%.

RING FENCING FOR RESIDENTIAL RENTAL LOSSES



If you have a residential rental property and it makes a tax loss for the year 31 March 2020 and beyond, the loss can no longer be offset against your other income like wages. The loss can

only be used against future residential rental profits.

If you have had losses in the past and offset them against business income or a shareholders salary, then the provisional tax being paid for 2020 may not be enough. We encourage you to consider this and contact us to discuss future tax payments.

Better to be forearmed than get an unexpected nasty tax bill.

BRIGHTLINE TEST (PROPERTY SALES)

IRD are reviewing all residential property sales to see how long you have owned the property. If it was purchased after 1 October 2015, two years of ownership was required and if purchased after 29 March 2018 it is now five years to consider the gain non-taxable.

In some cases we have received phone calls from IRD to check whether a sale is caught and that clients will be completing the necessary forms to declare any income or loss. Beware.



DEATH & BRIGHTLINE TEST

If a beneficiary inherits a rental property under a Will and sells it to 'cash in' their inheritance, our tax experts believe this would not be taxable under the Brightline test as death is an unplanned event.

CROSS LEASE PROPERTIES

Beware if you convert your cross-lease title to a freehold title as this may trigger a new acquisition date under the Brightline test and start the five-year clock again.



IRD PENALTIES & INTEREST

Please ensure tax payments are set up and paid on or before the due date. The impact of the IRD's penalty and interest system has a cascading effect. If you are one day late for the first instalment of provisional tax the penalties and interest charged are deducted from your payment of the second instalment, incurring further penalties and interest and so on until the terminal tax, penalties and interest are paid in full. A client was only one day late paying \$7,551 and was charged \$616 in interest!

CRS - COMMON REPORTING STANDARD

In September 2018 New Zealand agencies commenced the annual automatic exchange of financial information with other OECD countries. This means the NZ IRD are receiving financial information about NZ tax residents offshore financial activities. We have received a letter for a client asking for voluntary disclosure under these provisions. As a NZ tax resident, you are required to return all your worldwide income in your NZ tax return, even if you think tax has already been

paid in the foreign country on that income or the income is tax free in that country. Please ensure you make us aware of all your financial activities when providing the information for us to complete your tax return, this can include obscure things like foreign life insurance policies, superannuation, deferred property settlements, loans with interest at maturity, foreign currency bank accounts and share investments with no dividend income.

TRUSTS ACT 2019

After many years of discussion it is finally law. While it was passed into law on 30 July 2019 most of it will not start applying until January 2021.



A number of those who have Trusts are now starting to review how the new law will impact them. We are also seeing a review of Trusts to determine if they are still necessary today.

Some changes under the new Act include:

- extending the life of new Trusts up to 125 years. This can affect some existing Trusts as well.
- Clearly spelling out Trustee duties.

- Requiring records to be kept for duration of Trust.
- Beneficiary to be told they are a beneficiary.
- Beneficiaries to be provided regularly with Trust information.

It is important that all Trust documents are in a safe place. For many clients we maintain a Minute Book but often documents are at a solicitors office or in some cases at home.

It is very important for the settlors to leave the Trustees with a letter or Memorandum of Wishes. This gives Trustees an idea of what the settlor wants to happen to the Trust on their death. This is particularly useful where an independent Trustee does not know the family well.



IRD REFUNDS

IRD will now only refund to a Bank Account. It is important that you have your current bank account loaded at IRD.

You can do this using myIR or contact us.

LEAKY BUILDINGS AND REPAIRS CLAIM

There are currently two cases going to the courts planned for 2020. These will likely provide precedence for the law regarding deductibility of repairs for leaky buildings. At present the IRD are suggesting mediation conferences to settle disputes

regarding deductibility of repairs. We suggest you stall any discussions with the IRD pending these cases decisions. Please contact us to discuss the options available and the legal process to hold the IRD off.

BOARDERS

If you have Boarders staying in your home, IRD have released new methods for declaring income for the 2020 year.

If you have up to 4 Boarders you can use the standard cost of \$186 plus a CPI adjustment per boarder. You may also be entitled to further allowances. If the income is greater than these deemed costs you are required to declare the net income in your tax return. Alternatively, you can use a proportion of your actual home costs.



XERO

Are you thinking of going onto Xero for your business accounting software. Talk to us now as we have some special plans not available in the public domain.

