

# Newsletter

## Summer 2022

Seasons greetings to you all!

We hope you have an enjoyable Christmas break and a Happy New Year. We're closing our doors at 3pm on Thursday the 22<sup>nd</sup> of December and will reopen in the New Year on Monday the 16<sup>th</sup> of January at 8am.

We anticipate that 2023 is going to be very challenging for business. As the Reserve Bank attempts to reign in stubbornly high inflation by increasing interest rates, the Ukraine/Russia war shows no sign of ending and Covid continues to impact on supply chains we expect to see falling consumer spending and decline in the building industry. The housing market has cooled significantly already, and both the Reserve Bank and Treasury are now predicting a recession.

We urge our clients to prepare for this by taking a hard look at spending and forecasting what things may look like through short-term cashflows. Remember cash is king!

Our team will be available to help in the New Year if required.

2022 has been a long year, although we saw the end of lockdowns, Covid-19 continued to impact on us all. We thank you for your ongoing support and look forward to a restful break.

Meri kirihimete ki a koe me te whanau



The Coates team were very excited to have the opportunity to visit the RocketLab Launch Complex on the Mahia Peninsula last week.

We combined this trip with our end of year Christmas function which was hosted by Robyn and Mark.

It was a great day, enjoyed by the team and their families.

## Manage your Christmas cash

Christmas can cause a cash flow crisis for small businesses, but you can prevent problems from spilling into the New Year:

1. **Get your invoices out early.** Ensure December and January invoices go out well before Christmas to give your customers the chance to pay before the break. Encourage customers to pay before Christmas if they are closing over summer.
2. **Chase up your invoices.** Don't let unpaid invoices linger over summer. Politely ask your customers to settle overdue bills before the break to prevent further delays.

## STAFF ADDITIONS

Tracey Lloyd joined our team in September 2022. Born and bred in Wairoa, Tracey moved to Gisborne about 10 years ago. Her extensive experience in administration and accounting roles has proved to be invaluable to the team at Coates.



Victor Beach has been a team member since May 2022 having formerly been a client of Coates. Vic is currently studying towards his Bachelor of Business (Accounting) degree. He and Erica recently welcomed their third child, so have a very busy household. Vic enjoys going to the gym and diving when he has the chance.

## Tax Facts

### Clients Affected by COVID-19

From 9 January 2023 we will no longer be able to notify IRD that a client's business operation is significantly affected by COVID-19. This concession has allowed for penalties and use-of-money interest to be remitted. If your business continues to be affected by COVID-19 please let us know prior to the 9<sup>th</sup> of January.

### FBT Prescribed Interest Rate Increases

The prescribed rate used to calculate fringe benefit tax on low-interest, employment-related loans has increased. Effective 1 January 2023, the rate will change from 4.78% to 6.71%. The list of prescribed interest rates is available on the IRD Website <https://www.ird.govt.nz/employing-staff/paying-staff/fringe-benefit-tax/types-of-fringe-benefits/employer-provided-low-interest-loans/prescribed-interest-rates-for-fringe-benefit-tax>

### Trust Income Tax Return Disclosures

For filing of Trust income tax returns for the 31 March 2022 year there is a requirement to make a raft of disclosures to IRD that have previously not been required. When distributions are made to beneficiaries their full name, date of birth and IRD number are required to be submitted to IRD. Sometimes the beneficiaries are not clients of Coates Associates so we may need to ask you for these details.

## Tricky Tax Questions at Christmas time

Here are some answers to common tax questions at this time of year.

### Is our Christmas work party tax deductible? Does it matter whether it is held on business premises?

Expenditure on entertainment is only 50% deductible for tax purposes. This applies to deductions for spending on food and drink or celebration meals, whether they are on or off premises. There are exceptions — light refreshments for employees, such as afternoon tea, are fully tax deductible.

### How about hiring items for a Christmas party?

The 50% tax limitation applies to any expenditure on hiring wait staff, crockery, glassware, utensils, furniture, music, or entertainment associated with a Christmas party.

### If I take my clients or staff out for Christmas lunch, is it tax deductible?

The cost of taking colleagues out for an end-of-year lunch or dinner would be 50% tax deductible.

### Are my gifts to staff and clients tax deductible?

The cost of gifts other than food or drinks is generally tax deductible. If you buy food, drinks, or even supermarket vouchers, this expense is only 50% deductible.

Remember, gifts to staff must be under \$300 per quarter (including GST) to be fully tax deductible. If the cost exceeds this amount, or if total gifts or discounted services to staff for the year exceed \$22,500 FBT will be payable to Inland Revenue. In this instance, costs can still be claimed.

## KEY TAX DATES – DECEMBER 2022/JANUARY 2023

| Date            | Category        | Description   |
|-----------------|-----------------|---|
| 5 December      | PAYE            | Large employers returns for November. File employment information within two working days after payday.                                       |
| 20 December     | NRWT            | Payment and return for November.  |
| 20 December     | RWT             | RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during November.                  |
| 20 December     | PAYE            | Small employers returns for November. Large employers returns for December. File employment information within two working days after payday. |
| 16 January 2023 | PAYE            | Large employers returns for December. File employment information within two working days after payday.                                       |
| 16 January 2023 | Provisional Tax | Instalment due.   |
| 16 January      | GST             | Return and payment for November   |
| 20 January      | PAYE            | Large employers returns for January. Small employers returns for December. File employment information within two working days after payday." |
| 20 January      | FBT             | FBT return and payment for quarter ended 31 December due  |
| 30 January      | GST             | Return and payment for December   |

**Note:** provisional tax due dates apply to clients who have a March balance date. Different dates will apply for those clients who have different balance dates. Check with us if you're not sure.

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