Newsletter

Autumn 2017

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We are approaching the end of the tax year and will soon be sending out our year end reminders to those of you with March balance dates. But rather than go on about business in this part of our newsletter we'd like to take the opportunity to ask you all for some help.

LIV'S WISH

Liv Fountain is the 11 year old granddaughter of Carnie Nelson and Ivan Paterson. Most of you will know Carnie as she is one of the longest serving members of the Coates Team. We have a family culture within Coates and Liv has been a part of our family since she was born. She is a truly inspirational child.

Liv has spastic diplegic cerebral palsy which means her leg muscles are really tight, making it hard to balance and she needs a walker to walk.

Liv has a wish…to be able to walk with crutches, so she can go places with steps. She also really loves cooking, so it would be great for her to have the balance to stand at the bench to cook and also to be able to shower and dress without any help.

Liv has been given an amazing opportunity to undergo life changing surgery in the USA. It will result in a permanent reduction in spasticity and will improve her balance, sitting and standing posture and Liv will be able to walk with crutches.

Unfortunately the surgery isn't funded and comes with a hefty price tag of $120,000. The Fountain/Nelson families are working hard to try and raise this money. In support of their efforts the Coates team are helping them to host a fundraising auction. This will be held on the 7th April 2017 at the Waikanae Surf Club. Tables of 8 are available at a cost of $500 per table. This includes an hour of complimentary drinks and continuous platter food throughout the evening.

If anyone would like to buy a table or contribute to the auction list we would truly appreciate your support. The Sunrise Foundation is also accepting donations for Liv. Donations made through the Sunrise Foundation are eligible for the 33% tax credit. (www.sunrisefoundation.org.nz ref: Liv's Wish)

Our thanks for your support in advance.

Robyn and Mitchell

GST: in the crystal ball

You'll remember that from October last year, we now have to pay GST on 'remote services' supplies from overseas vendors that were previously not subject to New Zealand GST – the so-called Netflix tax. Businesses in the 28 member states of the European Union already have to charge VAT at the rate applying in the customer's country.

'If a small shop in Levin or Gore is expected to account for and pay GST, there's no good reason for the Government to give global mega-retail businesses an easy ride.'
Greg Harford, General Manager for Public Affairs, Retail NZ

The latest move in Australia to collect GST on low value goods bought from overseas suppliers is part of a global drift towards capturing tax across borders and ensuring the internet is no longer above tax.

However, in New Zealand, goods worth less than $400 purchased from overseas suppliers don't have GST imposed on them (though duty may apply). Retail NZ states that this exposes Kiwi businesses to unfair competition, as they are subject to GST while foreign businesses undercut them on low-value goods.

Some two-thirds of all goods sold to New Zealanders come from the 20 biggest global retailers. (Like Amazon, rumoured to be establishing a base in Sydney, potentially making shipping cheaper for Australian and New Zealand customers). Retail NZ estimates that the Government is missing out on at least $200 million in GST this way.

Retail NZ is calling for all overseas companies selling to Kiwis to be required to register for GST. It seems the next logical step. We're watching with interest and will keep you posted.

Faster GST refunds

It is now compulsory for Inland Revenue to provide GST refunds by direct credit to a taxpayer's identified account, resulting in faster GST refunds. Obviously it's important that Inland Revenue has your correct banking details. If you would like us to confirm they have your current account details please let us know.

From here on, Inland Revenue will only make GST refunds by cheque if they do not have a customer's bank details or if there are extenuating circumstances, such as hardship.

Miles to go – changes proposed for motor vehicles

Currently close companies (such as LTCs and QCs) providing a motor vehicle for the private use of shareholder-employees must pay FBT on the value of the benefit provided. This value is based on the availability of the vehicle rather than its actual private use and this means higher FBT compliance costs for close companies.

New option for close companies

The recently introduced legislation changes this for the 2018 tax year (i.e. from 1 April 2017 for standard balance date taxpayers). Under the new rules close companies which provide one or two vehicles to shareholder-employees could elect to use the motor vehicle expenditure rules instead of paying FBT. This would mean that, like sole traders and partnerships, close companies could measure the business use of a motor vehicle and calculate the tax deductions allowable for motor vehicle expenditure based on business use.

New method for calculating business use to claim deductions

Also introduced is a new simplified method of calculating business use for vehicles. The new option would allow you to choose to calculate your business usage and resulting deductible expense differently. The new method does not have a ceiling (currently the ceiling in place is 5,000 kilometres of business use).

What you need to know

If you are self-employed or if you operate through a close company and this applies to you, you would need to know the total mileage travelled each year and be able to work out what proportion of that is business use.

The actual requirement would be for you to keep a vehicle logbook for three months every three years. When it comes to calculating the tax deductible amount, the calculation is ‘two tier’:

- for the first 10,000 kilometres, the rate is calculated on the proportion of business use for the vehicle (say 60%) multiplied by Inland Revenue’s first tier rate (for example 75 cents/km but the IRD will advise the rates each year)
- for every kilometre after that, the rate is calculated on proportion of business use for the vehicle (e.g. 60%) multiplied by Inland Revenue’s second tier rate (for example 25 cents/km but again subject to change)

What you need to do

To gear up for the change, at close of business on 31 March, record your odometer reading. Diarise to do the same thing next year. You want to be able to tell us the total number of kilometres travelled in the tax year when you bring in your records. And, sometime during the year starting 1 April 2017, keep a logbook for each vehicle for a three-month period to record mileage, costs and when the vehicle is being used for business or private purposes.

If you’re in any doubt as to whether this affects you, please contact us.

Home office

There is also a new alternative option for calculating home office applying from 1 April 2017 (for standard balance date taxpayers). Under the new option, home office deductions can be determined by using a 2-step calculation. The first step involves taking the ratio of the area of the premises used for business purposes to the total area and multiplying this by a specified rate set by the IRD. The second step then requires the mortgage interest, rates and rent paid for the year to be multiplied by another specified rate set by the IRD and adding this to the amount calculated in the first step. Depending on your circumstances, this new option may be beneficial to you and we will discuss this with you if it applies to you.

Get ready, get set - End of year tax checklist

We will soon be sending out the end of year questionnaires for those of you with March balance dates.

Work through the points below to straighten things up for the end of the tax year. Ask us if you would like more information.

Think about	… Deductions
Bad debts	Write bad debts off in your debtor ledger before balance date so you can claim a deduction. Make sure your records show you have taken reasonable steps to recover the debt prior to write-off. Note the details so we can check the GST adjustments.
Fixed assets	Are you still using all of them? Can some be written off? Refer to your 2016 Financial Statements for the list of fixed assets we have recorded to check for obsolescence.
Repairs and maintenance	Complete planned maintenance or repairs before year end for a tax deduction. Ask us if you aren’t sure whether the expenditure is classified as repairs and maintenance (which would be deductible) or as a capital expense (which wouldn’t).
Stocktake	Dispose of obsolete stock by year end or write it down to its net realisable value (the lesser of cost or market value). If your stock is worth less than $10,000 and turnover for the year less than $1.3m, you won’t need to include your stock movement for tax purposes.
Vehicles	Don’t forget to note your odometer reading at year end. If you keep logbooks noting business and personal use, mileage and costs, ensure these are all in order.

Minimum Wage

Minimum Wage increases 01/04/2017 from $15.25 to $15.75

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