

# NEWS & VIEWS

SHAND THOMSON



Accountants who know Agri business

AUTUMN 2019

## ■ ■ GAYE IS OUR NEWEST FELLOW



We had some exciting news just prior to Christmas – Chartered Accountants Australia New Zealand awarded a Fellowship to Gaye. Fellowships are conferred on practitioners for outstanding contributions to the accountancy profession, business and their communities.

Gaye has a passion for supporting local enterprise through good governance and the empowerment of rural women. She is currently the Deputy Chair of Clutha Development Incorporated, an economic development agency based in the Clutha district that facilitates, enables, initiates and drives development and change in the Clutha District. She has also delivered outstanding service to the education sector, with many years in leadership roles at both local and Dunedin schools and, prior to that, in the polytechnic sector.

More recently Gaye has joined the facilitator team of the Agri Womens Development Trust (AWDT) and been co-opted onto the Tuapeka Community Health Co, which she now chairs. AWDT is a national organisation which seeks to encourage rural women to actively participate in the management and governance of their farming businesses and provides resources and training opportunities to enable this. Gaye travels throughout the South Island delivering content on financial literacy and interpretation to groups of women from a wide range of rural backgrounds. Her 'down-to-earth' style and clear content are helping rural women feel confident about their ability to contribute to agri-business decisions and strategy.

Fellowship is the highest accolade that our professional body awards and we are very proud of Gaye as she joins a line of Shand Thomson fellows – A W Thomson, Brian Dodds, Bill Thomson, Susie Johnstone, Jim Johnstone and Jeff Seymour.

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*While we believe the information in this newsletter is accurate, it must of necessity be of a general nature. We recommend that you obtain specific advice on matters of concern to you, and that you do not rely solely on this newsletter.*

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## ■ ■ Newsletter by Email?

If you would prefer to receive this newsletter electronically please let us know at [newsletters@shandthomson.co.nz](mailto:newsletters@shandthomson.co.nz). You will be able to refer back to older newsletters through our online library which you can find at our website: [www.shandthomson.co.nz/publications](http://www.shandthomson.co.nz/publications).

## ■ AML (ANTI-MONEY LAUNDERING)

You have already heard from us about how the AML/CFT legislation now directly involves legal firms, accountancy firms and, most recently real estate firms. We are working through the requirements and many of you who have trusts and companies will have been corresponded with directly about providing us with due diligence documents. There are deadlines to meet for the new rules and we respectfully ask that you provide us with this information as soon as you can. We are required to have this information available for inspection by Department of Internal Affairs auditors and also to document sources of accumulated wealth and introduced funds for trusts and companies.

What is needed now is:

1. A certified copy of your driver licence ..... please call into the office with your licence and see Judy or Kay.
2. To hear from you if your trust is associated with anyone who lives overseas or has dual nationality with another country.

## CRS & FATCA

An evolving area is the additional requirements under the CRS (Common Reporting Standards) and FATCA (Foreign Account Tax Compliance Act) regimes which apply to trusts which are reporting entities. These regimes are international requirements that the New Zealand government has agreed to comply with. In effect it provides for our Inland Revenue Department to collect and then exchange foreign tax resident information with various other jurisdictions around the world – primarily OECD countries.

It appears that many trusts are not caught but those who are must send reportable account information to the IRD by the 30<sup>th</sup> June each year.

Reporting entities are NZ Financial Institutions (NZFI) who are required to report on accounts held by foreign nationals. Family trusts that have a corporate trustee, **or** a managed portfolio **and** more than 50% of income comes from financial assets such as family shares, deposits, advances and current accounts (income as a shareholder or investor) are classified as an NZFI. Examples are trusts that have an investment portfolio managed by their bank/investment advisor or financial planner **or** have their accountant's or lawyer's trustee company as a co-trustee **and** earns its income from financial assets.

This latter requirement catches trusts whose primary assets are shares and deposits or loans to others – for example trusts that own shares in family companies or have loans to, or from, family members. These trusts must register with our Inland Revenue Department as an NZFI.



Some NZFI do not have reporting obligations, however any NZFI and any trust earning passive income that has an account holder – in a trust context this means a settlor, beneficiary, trustee, lender or borrower - who holds dual nationality or is a tax resident in any other country must report each year to Inland Revenue about transactions and accounts. We are focussed on identifying those client trusts which are caught by these reporting rules and will be doing our best to help you meet your obligations. However it is quite likely we will not be aware of every circumstance where a trust has a beneficiary living overseas, so please contact us if this applies to your trust.

## ■ MINIMUM WAGE

The current minimum hourly rates of pay are as follows:

- \$17.70 per hour for adult workers (increased from \$16.50 per hour)
- \$14.16 per hour for starting-out workers and trainees (increased from \$13.20 per hour).

Wages cannot be averaged over a season but you can include the market value of accommodation, to ensure that the minimum wage, plus your KiwiSaver contribution and any reimbursing allowances, is paid for every hour worked, in every pay period.

If staff 'live in' you must also comply with the Residential Tenancies Act (including lodging bonds), and you need to keep a clear record for all staff of hours, wages paid, allowances, deductions and leave earned and taken.

## ■ KIWISAVER HEALTH CHECK

The Financial Markets Authority (FMA) has recently developed an easy to use tool located at [fma.govt.nz/investors/kiwisaver/kiwisaver-health-check](https://fma.govt.nz/investors/kiwisaver/kiwisaver-health-check) to help you find out:

- if you are in the right type of fund
- if you could be saving more
- if you are paying the right amount of tax, and
- if you are paying too much in fees.

Remember, there are two important choices - who your provider is, and what type of fund you are in.





## ■ PAYDAY PAYE FILING

Until recently most small and medium-sized employers reported employees' income information to Inland Revenue monthly on the IR348. From the 1<sup>st</sup> April 2019 information has to be provided to Inland Revenue within two days of paying your staff if PAYE deductions exceed \$50,000 or you use payroll software.

Software providers, like MYOB, Ace and Xero, have added the necessary functionality to their software to enable the new reporting requirements.

### The details

If your PAYE and ECST (employer superannuation contribution tax) are:

- over \$50,000 a year, you have to file electronically through software or myIR within **two** working days of paying your staff.
- less than \$50,000, you can continue to use paper, but have to submit the employee information within **ten** working days and submit twice monthly, rather than monthly.

The PAYE payment dates and methods of payment remain the same.

Employers who currently pay weekly might want to consider moving to fortnightly, half monthly or monthly wages, to reduce the administrative burden associated with this change.

## ■ MILEAGE RATES

If you are reimbursing employees for using their vehicles, the current rate is 76 cents per kilometre. Once a vehicle has travelled more than 14,000 km for any purpose in the financial year, the rate reduces to 26 cents/km for petrol or diesel vehicles, 18 cents/km for petrol hybrid and 9 cents/km for electric.

## ■ ACC COVERPLUS EXTRA

CoverPlus Extra (CPX) invoices are currently being sent by ACC. These policies have a strict cancellation policy if not paid by the due date. It is therefore very important to pay on time otherwise you will be reverted to CoverPlus which may not provide the level of cover you require or, alternatively, result in a much higher levy to pay. If Coverplus Extra is cancelled the only way to reactivate is to go through the application process again. If you have any questions or want to change your level of cover please contact us.

## ■ XERO, CASH MANAGER RURAL & BANKLINK

We will be running evening seminars over the Winter separately covering Xero, Cash Manager Rural, MYOB Online, and Banklink. The sessions will be suitable for businesses looking for a new software solution, or for those who are new users.

Please register your interest by emailing [tracey@shandthomson.co.nz](mailto:tracey@shandthomson.co.nz) or call us on 418 0020.

If you would like to hear more about electronic payroll systems please also contact us as, if there is sufficient interest, we will hold sessions on this too.

## ■ INSULATION FOR STAFF HOUSING AND RESIDENTIAL RENTALS

If you provide staff with housing or own rental properties, you need to comply with the new insulation rules from the 1<sup>st</sup> July 2019. The requirements vary depending on the climate zone. The levels are set out online at <https://www.tenancy.govt.nz/maintenance-and-inspections/insulation/compulsory-insulation> and unsurprisingly the bar is set higher in cooler areas. All homes in the South Island are in Zone 3. It has been brought to our attention that some 'special pricing' advertised by national suppliers is not sufficiently R rated for zone 3 properties. As there are considerable penalties for non-compliance, it is important to check the R rating before you purchase.



## ■ ■ HELP FOR PARENTS

### Best Start Tax Credit

Best Start is a weekly payment of \$60 per child, available to eligible parents who have a baby born on or after 1<sup>st</sup> July 2018. It replaces the Parental Tax Credit (PTC).

Everyone who is eligible will receive \$60 a week until the baby turns one, no matter the level of household income. If income is less than \$79,000 then you will receive \$60 a week until the child turns three. If your household income is over \$79,000 and under \$93,858 (with one child), you receive a reduced amount, and over \$93,858 (one child) nil.

Payments will start once your paid parental leave payments end. To be eligible for Best Start:

- you must be the principal caregiver of the child
- you must be a New Zealand resident or citizen and have been in New Zealand for a continuous period of 12 months at any time, and be a New Zealand tax resident
- the child must have an IRD number and must be both a resident and present in New Zealand.

Families can apply when registering their baby's birth through "Register your Baby" on the SmartStart website, by completing the Working for Families Tax Credits registration (FS1) online, or by hand and posting it to Inland Revenue.

### Paid Parental Leave

Paid parental leave extended from 18 weeks to 22 weeks from 1<sup>st</sup> July 2018. The maximum amount payable increased by 4.7% to \$564.38 per week (before tax), and is paid fortnightly.

The number of keeping-in-touch hours increased from 40 hours to 52. This allows an employee to stay connected with their employer and do some work from time to time.

### Working for Families Tax Credit

A higher payment rate and increase in eligibility thresholds was introduced from 1<sup>st</sup> July 2018. If you're an existing Working for Families recipient you will have received a new Notice of Entitlement in June that will include your new payment amount.



## ■ ■ 2019 NSC VALUES

The national standard costs for home bred or raised livestock were released in late January.

### Sheep

Rising 1 Year	\$34.20	1.16%	↓
Rising 2 Year	\$24.10	No Change	

### Beef Cattle

Rising 1 Year	\$368.10	1.54%	↑
Rising 2 Year	\$203.60	0.10%	↑

### Dairy Cattle

Rising 1 Year	\$430.60	1.53%	↓
Rising 2 Year	\$338.40	1.53%	↑

### Deer

Rising 1 Year	\$92.20	3.25%	↓
Rising 2 Year	\$53.50	8.52%	↑

*"Today you are You, that is truer than true. There is no one alive who is Youer than You."*

Dr. Seuss

## ■ ■ TAX CHANGES FOR RESIDENTIAL TENANCIES

In March 2018 Inland Revenue released an issues paper seeking feedback on a proposal to ring fence losses on residential rental properties. Submissions closed on the 11<sup>th</sup> May.

Ring-fencing means that residential property owners will not be able to offset losses from their properties against their other income.

The suggestion is that these changes would "make the tax system fairer" as "the persistent tax losses that many property investors declare on their investments indicate that they rely on capital gains to make a profit".

The definition of residential land excludes the main home, business premises (such as boarding) and property subject to the mixed use asset rules.

The proposal defaults to a 'portfolio basis', which means that if an investor has several rental properties, with some making losses, and some making profits, the losses can be offset against the rental profits.

The proposed start date for the ring-fencing rule was 1<sup>st</sup> April 2019 for most taxpayers, however the legislation is still to be enacted.

## TAX TYPES FOR NEW myIR

The new Inland Revenue website went live late April and you can now see a lot more information for all your tax types.

### How to register for myIR

Click on the "Register" button at [www.ird.govt.nz](http://www.ird.govt.nz) in the top right corner. You will need your IRD number, contact phone number, and email address.

### Paying provisional tax & GST at the same time

The new my IR system often adds in any provisional tax due when filing your GST return. We do **not** recommend paying provisional tax this way as the IRD is slow to process transfers and the amounts can be overstated. We recommend you continue to pay according to the payment letters we send you.

### What to watch out for:

#### ■ Overdue Tax not Overdue:

The new myIR is showing upcoming provisional tax as overdue. Please check with us before paying any amount, as often the tax is not due until a payment date in the future. For instance, 28<sup>th</sup> July payments are showing as overdue now.

#### ■ Transfer of Tax:

Often when we file related tax returns we transfer tax from one taxpayer to another to either access credits immediately or reduce exposure to use of money interest. The new myIR system often does not show these adjustments. If an amount is shown as overdue, please check with us before paying, as a transfer may be pending.

#### ■ Overdue IR15P:

Resident Withholding Tax (RWT) is deducted from any interest paid and generally paid to the IRD by the 20<sup>th</sup> of the month following. Generally we will file the IR15 payment form for you and ask you to make the payment online. If there is an overdue amount or return please contact us and we will resolve this for you.

An annual reconciliation is required by the 15<sup>th</sup> May. We will prepare and file this on your behalf.

### Golden Rule:

**If in doubt, don't pay and contact us to confirm.**

## Tips for Paying Online

Three things you must get correct:

### 1. IRD Number

### 2. Tax Type

Common Tax Types:

<b>INC</b>	Income Tax
<b>GST</b>	Goods & Services Tax
<b>DED</b>	PAYE, KiwiSaver etc
<b>IPS</b>	RWT on Capital for Interest

### 3. Tax Period

Year/period tax is related to:

The last day of the financial year the tax is applicable to.

#### INC

31.3.19 Provisional tax paid August 2018 to July 2019

Terminal tax paid 7<sup>th</sup> April 2020.

31.3.20 Provisional tax paid August 2019 to July 2020

Terminal tax paid 7<sup>th</sup> April 2021

#### GST

Last day of period end, eg:

GST Return for May-June 2019 = period end 30<sup>th</sup> June 2019 (**not** due date of 28<sup>th</sup> July 2019)

Please do not use the due date of the tax as the period, as this will credit the payment in the wrong period. Payments to the wrong period or tax type require manual intervention to amend so it is best to check carefully before you click "pay".

## myIR

We are increasingly hearing of clients having difficulty using the GST and PAYE filing tools online.

We know IRD intends to further encourage online filing and so we are canvassing interest from those who would like to attend a seminar to upskill in this area.

Please register your interest by emailing [tracey@shandthomson.co.nz](mailto:tracey@shandthomson.co.nz) or call us on 4180020.



# PEOPLE

## Gaye's Fellowship Presentation, the Dunedin Club, Thursday 21<sup>st</sup> March 2019



## Bill's Retirement Function, Rosebank Lodge, Thursday 11<sup>th</sup> April 2019

