



## FEBRUARY 2017

### SNIPPETS

#### AIRBnB

AirBnB is a peer-to-peer online marketplace and homestay network enabling people to list or rent short-term lodging in residential properties, with the cost of such accommodation set by the property owner. Its use is becoming more popular, especially amongst young travelling social media users. If you are receiving income from 'hosting' a room, the income will need to be returned to the Inland Revenue. There may be some scope to claim expenses on your property for the use of the room - however we recommend you discuss this with your adviser at Graham & Dobson.

#### MINIMUM HOURLY RATE RISE ON 1 APRIL 2017

On 1 April 2017 the minimum wage will increase by 50 cents to \$15.75 per hour for employees on a permanent or fixed term contract. If you employ a worker under a casual contract the minimum hourly rate, including holiday pay, will rise to \$17.01 per hour.

#### WORKSAFE'S TEN YEAR PLAN

WorkSafe's recently released ten year strategic plan for work-related health outlines the three-pronged approach of engagement, education and enforcement WorkSafe will take to bring greater focus to work-related wellbeing, including work related ill health such as noise induced hearing loss. WorkSafe's own survey completed in late 2015 found:

- ) 43% of workers in sectors with high risk of injuries and fatalities reported working when overtired
- ) 23% reported making a mistake due to working for too long without a break, and
- ) 11% reported working when hungover or when under the influence of drugs.



### MARKET RENT DATA FOR GISBORNE PROPERTIES

Size	Lower Rent	Median Rent	Upper Rent
<b>Apartment</b>			
1 bedroom	\$205	\$220	\$268
2 bedrooms	\$282	\$320	\$377
<b>Flat</b>			
1 bedroom	\$162	\$177	\$180
2 bedrooms	\$198	\$215	\$250
3 bedrooms	\$223	\$225	\$278
<b>House</b>			
2 bedrooms	\$240	\$260	\$285
3 bedrooms	\$270	\$300	\$340
4 bedrooms	\$307	\$350	\$405
5 bedrooms	\$450	\$450	\$470

#### AN UNUSUAL TAX BALANCE DATE

Tax balance dates around the world mostly incorporate a full calendar month, such as the standard New Zealand balance date of 31 March. However, in the UK the standard balance date is the 5th of April – there is quite a story behind this.

The British Empire followed the Julian type calendar until 1752 when they changed to the new standard Gregorian calendar. However, the Gregorian was 11.5 minutes per year shorter than the Julian and slowly this difference added up resulting in the British Empire being 11 days behind the rest of Europe. To make sure the British Treasury did not lose out on any revenue, they added this 11 days' difference onto their existing tax balance date of 25th March to give a new balance date of 4th of April.

Later in the Year 1800, the old Julian calendar was due for a leap year day so the British Treasury also made sure to account for this by moving the balance date to 5th April which remains the date used today.

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## PROPOSED LEGISLATIVE CHANGES TO TRUSTS

Trusts are a popular way of protecting property and managing assets in New Zealand. The number of trusts we have in this country is unknown but estimates put the figure between 300,000 and 500,000 and an estimated 15% of private houses are held in a trust.

The legislation governing New Zealand trust has remained unchanged for decades as it has been predominantly governed by the Trustee Act 1956. This Act has been criticised for allowing the mismanagement of trusts with no easy legal redress for beneficiaries.

However, this is about to change as the legal framework has been subject to an in-depth review by the Law Commission with the long-awaited Trusts Act 2017 released in draft late last year and now being the subject of ongoing consultation.



The draft Bill features key reforms which seek to clarify core trust concepts and to detail the duties, standard of care and powers of trustees, resulting in a more useful piece of legislation that can be applied to fix practical problems and reduce the costs associated with trust administration.

Some of the key changes that will affect mum and dad trustees are as follows:

- ) The introduction of a codified standard of care which will require a trustee, when exercising a power of administration, to exercise such care and skill as is reasonable in the circumstances, taking account of any special knowledge or experience that the trustee has. This is to become a general default duty of care.
- ) A separate standard of care in relation to making investments which is to be at a skill level that a prudent person of business would exercise in managing the affairs of others
- ) The Act also requires trustees to disclose certain information to beneficiaries who are reasonably likely to receive property under a trust.

Although the majority of the matters to be contained with the Trusts Bill are currently common law, the codification of certain matters will place a greater burden on non-professional and professional trustees alike. However, the formalisation of trustee duties will provide protection to beneficiaries in that assets will be dealt with in their best interests and provide legal remedies if trustees fail to meet these standards.

No changes to the tax treatment of trusts are proposed. However, there is additional focus on trusts from a tax perspective following the recent "Panama Papers" scandal and the alleged misuse of New Zealand foreign trusts which has resulted in a Government led investigation into whether existing disclosure rules are adequate.

In response, the Government is beefing up requirements for foreign trusts in three key areas: registration, disclosure and annual filing.

The proposed changes will also require all foreign trusts to formally register with the IRD and be subject to an increased number of disclosure requirements, with sanctions for non-compliance with the new rules.

### Comment:

**It is expected that the Trusts Bill, in its final form, will be introduced into law early this year. This timeframe gives anyone that has settled a trust, or is a trustee of a trust, an opportunity to revisit their position, including reflecting on whether a trust is still the right solution in their situation.**

## MAJOR IMPROVEMENTS TO GST FILING

Earlier this month, the Inland Revenue introduced improvements as to how New Zealanders file and manage their GST as part of the IRD's multi year programme to transform the tax system. More than half of Kiwi businesses file their GST through Inland Revenue's secure online service, myIR, or direct from their accounting software.

From 7 February 2017, the new capabilities will enable customers to register for GST, register as a preparer of tax returns, amend GST returns and accounts, file and pay GST at the same time, set up payment plans and track their GST payments and refunds online.

Other benefits will include the ability for new migrants and organisations to be able to apply online for an IRD number, and businesses will be able to use their New Zealand Business Number when they or their advisors contact Inland Revenue.

**To find out more about Inland Revenue's ideas on how tax could get easier for small businesses in the future, visit [www.changingforyou.ird.govt.nz](http://www.changingforyou.ird.govt.nz)**

## CHANGES TO FBT ALSO ON THE HORIZON

Currently, companies that provide a motor vehicle for the private use of their employees must register and pay FBT. Draft legislation has recently been introduced which will enable some small businesses to avoid having to pay FBT.



The **proposed** amendment will allow close companies (where 5 or fewer natural persons own 50% or more of the shares) that only provide one or two vehicles to shareholder employees (and no other benefits) to apply the rules currently available to sole traders and partnerships.

In order to apply the treatment to a particular vehicle, it needs to be adopted from the time a vehicle is acquired, or first used in the business – hence, the **method will not be available for company vehicles currently used**. Once a particular vehicle is subject to the new treatment, it must continue to be applied until the vehicle is either sold or is no longer used in the business.

The Bill introducing the change is currently going through its second reading in Parliament and will apply from the 2017-2018 year.

#### Comment:

**With the new rules coming into play soon, it may be the right time to think about your current business vehicle usage and whether or not it is good excuse to splash out on a new vehicle after 1 April 2017!**

### TAX PLANNING BEFORE 1 APRIL

In the lead up to "year-end" (for many taxpayers 31 March represents the end of the financial year), there are a number of actions that business owners may want to take to avoid missing the boat on simple tax planning opportunities:

**Bad Debts:** to be tax deductible bad debts must be actually written off before year end – it is no use booking the journals after balance date as part of your year-end accounts preparation. There also needs to be evidence that the debt was considered "bad" (e.g. a collation of accounts receivable documents, debt-enforcement notices and other recovery actions taken).

**Assets:** if you are planning on buying any depreciable assets (e.g. vehicles and plant), a full month's depreciation can be claimed in the month of purchase, so it may be worth buying replacement assets just before the 31 March. A vehicle traded in on a new one may negate this benefit and it may be better left till after 1 April.

**Accruals and Provisions:** a tax deduction is available for an expense that you are committed to before year end and a correctly dated tax invoice is held even though payment is made after year end. Ensure all expenditure is captured and accrued to minimise the amount of taxable income.

One exception for companies only, is employee related accruals that are paid within 63 days after balance date (so by 2 June) – consider any staff bonuses and holiday pay that is paid in that 63 day period as they are able to be deducted in the current year.

**Charitable Donations:** in order to claim a donations rebate, it needs to be paid before 31 March. The donations eligible for the donation rebate is limited to your taxable income.

### RATIONS

One of the questions we are regularly asked is "What can a farmer claim in the way of rations?"

As a general response, it depends on the farmer, their type of business and how the business operates. There is no one hard and fast rule that allows a farmer to automatically claim a set amount for rations per week or year.

Based on a number of legislative tests, the rations will be deductible if the expenses are incurred in carrying on a business for the purpose of deriving income and the expenditure is not of a private or domestic nature.

We typically see farming clients claim rations for the morning and afternoon tea type of expenses that are kept on hand at the house, milking or woolshed. These are normally such things as tea, coffee, milk and biscuits. The amounts claimed will depend on the number of business owners, staff employed and visits by vets, stock agents and reps.



Taxpayers are not permitted to claim a deduction for notional (i.e. theoretical) expenses – therefore an annual rations allowance is unable to be claimed. The rations deduction must be based on actual expenses.

If these are purchased through trading stores, such as Wrightsons or Farmlands, they are easy to identify. If they are purchased with the household groceries at the local supermarket, the items needs to be clearly identified as costs relating to the ration claim.

### CERTIFICATES OF EXEMPTION FROM WITHHOLDING TAX

Agricultural contractors, whether individuals, trusts, partnerships or companies, are eligible to apply for a Certificate of Exemption from withholding tax if they meet the following criteria:

- ) Are engaged in business
- ) Receive schedular payments that are subject to a prescribed rate
- ) Have a good tax compliance history with the IRD

If a contractor has a current up to date certificate (it needs to be renewed annually), they can receive payments without having withholding tax deducted.

These certificates do not provide an exemption from PAYE deductions from an employee's salary or wages.

### HOT TOPIC

In the midst of a summer season that has seen the fire risk at extreme levels, not much public attention has been given to the reorganisation of the Fire Service, and even less as to how it will be funded in the future. A draft Bill currently suggests that a levy paid on property insurance should be the principal source of funding for the new Fire and Emergency Service and this levy should be broadened to include insurance for material damage as well as fire.

The levy could increase so substantially that those insuring expensive assets could be hit very hard - it is predicted the costly rises may make traditional insurance just not worth it – meaning less money for the Fire Service.

### EMAILING WAGES/HR ENQUIRIES?

All details of wages to be paid, including timesheets, payroll enquiries and wider HR questions are best emailed for responding to by our team (Rachel, Christine, Tricia) using the email address: [payroll@grahamdobson.co.nz](mailto:payroll@grahamdobson.co.nz).

**Newsletters are available by e-mail** - please go to our website [www.grahamdobson.co.nz](http://www.grahamdobson.co.nz) click on the "Our latest newsletter: view or subscribe" icon and complete the registration screen.



## What Happened in Texas

A cowboy rode into town and stopped at a saloon for a drink. Unfortunately, the locals always had a habit of picking on strangers, which he was. When he finished his drink, he found his horse had been stolen. He went back into the bar, handily flipped his gun into the air, caught it above his head without even looking and fired a shot into the ceiling.

"Which one of you sidewinders stole my horse?!?!?"  
he yelled with surprising forcefulness.

No one answered. "Alright, I'm gonna have another beer,  
and if my horse ain't back outside by the time I finish,  
I'm gonna do what I dun in Texas!

And I don't like to have to do what I dun in Texas!"

Some of the locals shifted restlessly. The man, true to his word, had another beer, walked outside, and his horse has been returned to the post.

He saddled up and started to ride out of town.  
The bartender wandered out of the bar and asked, "Say partner, before you go...  
what happened in Texas?"

The cowboy turned back and said, "I had to walk home."

