



JUNE 2019

SNIPPETS

SHORT STAY ACCOMMODATION

Inland Revenue is currently consulting on tax obligations that arise from various forms of residential rental, such as renting out a room within your home, or letting property using a peer-to-peer platform such as Airbnb or Bookabach.

One of the proposed changes is related to the 'standard cost' rules for boarders or home-stay students. Currently, income earned below the threshold of \$266 per week for the first two boarders, and \$218 per week for each subsequent boarder, is tax-free and does not need to be included in a tax return. IRD proposes to reduce this weekly threshold to \$183 per boarder (subject to annual CPI adjustments). Or taxpayers can elect to return all income and expenses relating to boarders in their tax return – a method which may be preferable if they incur considerable costs.

A similar rule is also proposed for taxpayers providing short-stay accommodation in their own home (e.g. Airbnb) by setting standard nightly costs for deductions, with income above the standard cost needing to be declared. The suggested thresholds are \$50 per night for homeowners and \$45 where the host is renting their home. There will be various criteria to be met to use this concession – possibly a rental limit of 100 nights per year. Renting out a property that is also used privately is currently a complex tax area so changes to simplify the regime are welcome.



TAX BOUNTY

Wanting a job that is flexible? Perhaps a tax informant may be a job for you!! You may not be aware that an increasing number of countries operate reward or bounty systems where informants receive payments for assisting revenue authorities.

The USA initiated its 'tax bounty' programme in 2006 and this has seen the US Inland Revenue Service collect billions in additional tax revenue over the lifetime of the scheme, with one famous case resulting in an award to the "whistleblower" in excess of US\$100 million. Typically, informants receive between 15% and 30% of the additional tax revenue collected.

Singapore offers a 15% reward on tax recovered, capped at S\$100,000, whilst Canada offers 5-15% of the additional tax collected. The United Kingdom does not have a formal tax bounty regime – however the public are encouraged to report suspected tax dodgers to its tax evasion hotline and the HMRC have been known to offer informants a reward in some instances where additional tax revenue has been collected.

New Zealand does not have a tax bounty regime at present and it begs the question – is the reward income of the informant taxable?!

SCAMMERS ACTIVE!

Phone scams, romance scams, investment scams, tech support scams, fake invoice scams and now Inland Revenue email scams with the sole purpose of harvesting your bank account details and password. Scammers today can easily replicate websites to a point where it looks legitimate so it pays to check the legitimacy of a website by hovering the cursor over the URL to reveal its actual source. Remember – the biggest giveaway is this: only scammers ask for important information like passwords and log-in details.

If you have any queries about newsletter items, please contact us at Graham & Dobson – we are here to help.

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TAX POOLING

The Inland Revenue charges a high rate of interest on late tax payments (currently 8.22%) and in some circumstances the complexity of the provisional tax regime makes interest charges hard to avoid. Add on late payment penalties and the cost of meeting your tax obligations starts to feel punitive. Tax pooling was introduced in 2003 to address these concerns.

Although it has been around a long time, the use of tax pooling services is not yet commonplace for all taxpayers, perhaps due to a lack of understanding regarding how the system works.

To illustrate, imagine you have had an amazing year and your income has significantly increased compared to prior years. If your tax payable for the year is above \$60,000, then interest is charged by IRD from the 28th of the month following your balance date.

Meanwhile your neighbor has had a poor year with a drop in income. She has received a statement from us showing that she is due a refund because she overpaid her 3rd provisional tax payment.

In this situation, a tax pooling intermediary, such as Tax Traders (who Graham & Dobson use), Tax Management New Zealand (TMNZ) and several others, can connect people that have overpaid their tax with people that have underpaid their tax. Taxpayers deposit tax payments with a tax pooling intermediary to be held as part of the "pool". Funds held in the pool can be used to meet a person's own liability or "sold" to another taxpayer. So tax pooling basically allows you to purchase your neighbour's "tax" and transfer it into your account with the IRD, with an effective day being your final provisional tax date (7 May for March balances). From the IRD's perspective there is no shortfall at and therefore no interest is charged.

Tax pooling provides taxpayers with a degree of flexibility regarding how they go about meeting their tax obligations. The days of being hit with excessive IRD interest and penalties if you get your provisional tax wrong are effectively over. Instead, there is a fallback mechanism available at commercially acceptable rates in the event that unexpected things happen.

WHEN THE PAY CHEQUE IS ALMOST AS FAST AS THE FOOD

American fast-food chains grappling with a labour shortage now have a new tool to attract workers: quicker pay.

Restaurant chains are pulling out the stops to attract and retain cooks and cashiers amid persistently low unemployment rates. The latest move is to offer same day and next day payment of wages – apparently some people just can't wait the full week to be paid!

From next month, eight Church's Chicken restaurants will offer employees half of their earned pay the day after their shift. The test will gauge whether the 50% is enough for workers – then the idea is to introduce it more widely. It is not a loan and in this case there are no fees attached. However, other quick pay providers make their money by charging the employer for the service. In the tight US labour

market with the jobless rate at a 49 year low, expedited pay can 'help keep employees happy', and can attract employees to certain labour-short industries; instant pay has become almost an employment norm in the fast food industry.

According to a recent research organisation survey, the majority of adult US workers are living paycheque to paycheque with 51% of Americans not able to cover rent and necessities without dipping into savings if they missed more than one pay.

Comment:

The expectation in the future from employees is going to be that they want their pay sooner than two weeks hence and possibly same day pay!

WORKSAFE'S LATEST RECOMMENDATION IS TO USE CRUSH PROTECTION ON QUADS

WorkSafe New Zealand has announced it strongly recommends the use of crush protection devices (CPDs) on the back of quad bikes. In 2014, WorkSafe took the stand that fitting CPDs was a matter of personal choice. However, a subsequent review of statistics and research and the lack of improvement in injury incident numbers have prompted the regulator to revise that position.



Crush protection devices can be fitted to a quad bike to provide a survivable space should a rider be pinned underneath it. Data reveals that, in many of the work-related quad bike accidents each year, the worker is crushed or unable to escape due to the weight of the bike, contributing to fatal or life-changing injuries. A CPD provides some protection in the event of a quad bike roll-over.

WorkSafe strongly recommend that the CPD is professionally designed and installed permanently.

While the use of CPDs will not be enforced by the regulator at this time, discussions on the potentially life-saving devices will be taken up by WorkSafe staff when visiting farms and other workplaces across the country as part of WorkSafe's assessments activity.

Comment:

ACC is currently working with WorkSafe to design a targeted subsidy for the purchase of CPDs – the proposal is likely to be launched at the end of July 2019.

KIWISAVERS PAYING THE INCORRECT PRESCRIBED INVESTOR RATE

The Inland Revenue's new automated and digitised tax system introduced in April has detected 450,000 people paying the incorrect Prescribed Investor Rate (PIR). This is because Kiwis have to choose and supply to their

investment providers, their own PIR rate on managed funds such as KiwiSaver, whether on initial signing up or as their circumstances later change.



It is believed the people least likely to know their PIR rate are those who have remained in KiwiSaver default funds and therefore may not pay a lot of attention to their KiwiSaver savings.

Part of the problem is how the system opts the new employee into KiwiSaver – it is up to the employee to get their settings right and, consequently, people need to be "switched" on to what is taking place.

Sam Stubbs, founder of KiwiSaver provider Simplicity, believes many Kiwis have been paying the wrong tax on managed funds for years, decades even, depending on when they first signed up to the fund. The irony is many were advantaged by being in KiwiSaver by the tax system compared with any other form of savings because the rate of tax in KiwiSaver is lower than in other forms of investments, Stubbs said.

It is thought the new system will provide a remedy for correcting PIR rates – not just because the IRD system can now detect it, but because unexpected letters from the IRD will encourage people to find out what rate applies to them!!

Comment:

PIR for residents is based on their income from any one of the past two years. The prescribed guideline rates are 10.5 per cent for those earning 0–\$14,000 per annum, 17.5 per cent for those earning between \$14,001 and \$48,000 per annum and 28 per cent for earnings of more than \$48,001 per annum.

CLAIMING VEHICLE COSTS

If you have a vehicle that is only used for business, you can claim the full running costs as a business expense.

However, if you use your vehicle for both business and personal trips you will need to work out how to allocate costs correctly. There are two ways to do this – keeping a logbook or adding up the actual costs.

Whether your vehicle is petrol, diesel, hybrid or electric you can use either method. But you need to continue to use one method for as long as you own the vehicle.

You can keep a logbook to find out how much you usually use the vehicle for business. Use the Inland Revenue kilometre rates below to calculate the deduction for costs and depreciation for the business use of your vehicle. Note that when self-employed people use kilometre rates, GST does not need to be considered and kilometre rates include depreciation.

Kilometre rates for business use of vehicles – 2018-19 income year

<u>Vehicle Type</u>	<u>Tier One Rate</u>	<u>Tier Two Rate</u>
Petrol or Diesel	79 cents	30 cents
Petrol Hybrid	79 cents	19 cents

The Tier One rate is a combination of your vehicle's fixed and running costs. Use Tier One rate for the business portion of the first 14,000 kilometres travelled by the vehicle in a year.

The Tier Two rate is for running costs only. Use the Tier Two rate for the business portion of any travel over 14,000 kilometres in a year.

Livestock Valuation – National Average Market (Herd) Values 2016 - 2019

Type	Class	2016	2017	2018	2019	\$ Change	% Change
Sheep	Ewe Hoggets	92	109	123	135	12	9.8%
	Ram & Wether Hoggets	84	103	119	125	6	5.0%
	2th Ewes	133	150	179	214	35	19.6%
	M/A Ewes	117	131	160	190	30	18.8%
	5 & 6yr Ewes	96	110	142	164	22	15.5%
	M/A Wethers	68	86	109	124	15	13.8%
	Breeding Rams	304	349	289	338	49	17.0%
	Beef Cattle	Rising 1yr Heifers	726	824	735	717	-18
	Rising 2yr Heifers	1079	1171	1137	1097	-40	-3.5%
	M/A Cows	1273	1431	1497	1355	-142	-9.5%
	Rising 1yr Steers	842	986	922	844	-78	-8.5%
	Rising 2yr Steers	1229	1325	1283	1209	-74	-5.8%
	Rising 3yr Steers	1468	1614	1608	1513	-95	-5.9%
	Breeding bulls	2571	3095	3004	3407	403	13.4%
Red Deer	Rising 1yr Hinds	223	303	380	384	4	1.1%
	Rising 2yr Hinds	397	473	511	559	48	9.4%
	M/A Hinds	438	526	572	595	23	4.0%
	Rising 1yr stags	263	343	396	441	45	11.4%
	Rising 2yr stags	543	595	627	662	35	5.6%
	Breeding stags	1775	1861	2055	2324	269	13.1%

Backyard stuff!

**THIS IS WHERE I LIVE. I'VE BEEN TOLD
TO TAKE BETTER CARE OF THE ENVIRONMENT**



BY PEOPLE WHO LIVE HERE!

