

The L O Down



Autumn 2014

Risk and Reward

Superannuation: decisions, decisions

If you have (or had) funds in foreign superannuation schemes, let us know. Recent changes to legislation and further impending changes may affect you.

I transferred my Australian super to KiwiSaver. Is it taxed here?

Transfers from complying superannuation funds in Australia into KiwiSaver won't be taxed in New Zealand on transfer. However, future earnings on these transfer funds will be taxed as normal KiwiSaver investments.

This isn't the case with transfers from other countries - there are New Zealand tax implications on transfers in these cases. However, under the new rules, if you transfer your non-Australian foreign superannuation into KiwiSaver after 1 April 2014, you will be allowed to make a withdrawal from KiwiSaver to pay your tax bill.

I withdrew (or transferred) funds from my foreign super last year. What are the tax implications in New Zealand?

If you withdrew or transferred funds any time between 1 January 2000 and 31 March 2014, and have not previously accounted for New Zealand tax on these funds, you will be able to meet your tax obligations by paying tax on 15% of the amount transferred or withdrawn. The remaining 85% of that sum will not attract income tax. However, it has to be shown in the tax return for either the 2013-14 or 2014-15 income years.

For a limited period of time only, you can choose to calculate your tax liability using this concessionary 15% rate option without penalties or interest, or under existing law (which may involve imposition of penalties and interest). Talk to us to work through the options that are best for your situation.

I'm confused. I've been declaring my foreign super under the FIF rules. What happens now?

The current foreign investment fund rules will no longer apply to foreign superannuation schemes from the proposed date of 1 April 2014. However, if you previously declared your foreign superannuation and used the foreign investment fund (FIF) income rules prior to 20 May 2013, you may choose to keep using them in relation to your foreign superannuation interest after 1 April 2014 under the 'grandparenting' provisions.

Anything else?

Don't forget also, superannuation is counted as adjusted taxable income when calculating income for child support, family income for Working for Families tax credits, and parental income for student allowances.



Tax Talk

and the good news is... ACC

Workers and employers will pay \$387 million less in ACC levies in 2014/15 (subject to the regulation being passed). The cuts affect the Earners Account (paid by workers) and the Work Account (paid by employers).

	Work Account Average levy (per \$100 of liable earnings, ex GST)	Earners' Account levy (per \$100 of liable earnings, ex GST)
2014/15	\$0.95	\$1.26
2013/14	\$1.15	\$1.48

The Health and Safety in Employment (HSE) Levy is changing to a flat rate of \$0.08 per \$100 liable earnings. Look for more news on this later in the year.

Motor Vehicle Account levies, incorporated into car registration and petrol prices, will remain the same. The Government expects to introduce cuts for motor vehicle owners from 1 July 2015.

In other news, there have been some minor changes to classification unit codes, affecting second-hand booksellers and people working in digital effects industries.

Are you managing ACC on your own? We could help you with that, with our ACC Administration and Advisory service. Talk to us about how the service might save you time and money.

Working for Families

The minimum family tax credit threshold will increase from an after-tax income of \$22,724 to \$22,776 from 1 April 2014.

Student loans and allowances

The government continues to tighten up access to assistance for students as well as extending their reach for repayments.

Limits on access

If you are starting study after 1 January 2014, there is now a residency requirement of three years (previously two years) before you are eligible for a Student Loan which applies to those who are not New Zealand citizens, refugees, or protected persons. Age limits apply for Student Allowances. The amount of assistance people over 40 are eligible for is limited to 120 weeks and students aged 65 or over are no longer eligible for a Student Allowance for study starting after 1 January 2014.

Repayment obligations – don't be late

If you defaulted on your student loan repayments while living overseas, but returned to New Zealand, Inland Revenue can now request an arrest warrant if you are about to leave New Zealand. Inland Revenue and the Department of Internal Affairs now have an information sharing agreement allowing them to share contact details for overseas-based student loan defaulters when they renew or apply for their passport. Inland Revenue will be able to contact individuals to discuss their outstanding arrears.

Coming together is a beginning; keeping together is progress; working together is success. Henry Ford

Mixed use asset rules now apply to boats and planes

We've talked a lot about mixed use assets over the last six months so we'll keep it short. From 1 April 2014 the mixed use assets rules apply to boats and aircraft. This means you now need to keep similar records as for holiday homes.

If you use the asset for private use and for earning income, if it's also unused for 62 days, if it had a cost or market value of \$50,000 or more when you bought it, you need to record:

- The amount of time it was used and who used it (number of days, flying or cruising hours)
- The amounts received
- Expenses related to making it available for hire as well as expenses in generally maintaining it

If you make a loss and if your gross income from the asset is less than 2% of its value, you may not be able to claim the loss straightaway. Instead, you'll have to 'quarantine' the excess expenditure and carry it forward to a future tax year to offset against future profits from the asset.

GST input tax deductions are calculated in a similar way to how you calculate expenses allowed as a deduction. If you sell the asset partway through the year, the calculations relating to income, expenditure, apportionment and quarantining can change.

If you'd like a rundown on how this applies in your case, or some tips on easy ways to keep track of it all, please contact us.

End of year checklist

As usual, when the end of the financial year is approaching, it's a good idea to make sure everything's in good order. Take a look at:

<input type="checkbox"/> How much stock you are carrying at the end of the year. Dispose of any obsolete lines or write the stock down to its net realisable value.	<input type="checkbox"/> Your discount reserve, if you discount for prompt payment. After the first year, the allowable deduction is based on the percentage level established initially.
<input type="checkbox"/> Planned dividend payments and the company's imputation credit account balance.	<input type="checkbox"/> Credit notes issued to customers following balance date that apply to income earned this year.
<input type="checkbox"/> Debtors: if you have taken reasonable steps to recover a debt, you may be able to write it off and claim a deduction.	<input type="checkbox"/> Retentions owing: they are taxable this year if you receive them by 31 March.
<input type="checkbox"/> Fixed assets: can any be written off?	<input type="checkbox"/> Make sure loss offset or subvention elections are filed with IRD on or before 31 March.
<input type="checkbox"/> Amounts owed to employees such as holiday pay, bonuses, long service leave, redundancy payments. They can be claimed for in this year if paid within 63 days of balance date.	<input type="checkbox"/> Can you prepay any of your expenses to claim a deduction? Not sure what kinds of prepayments are deductible? Ask us.
<input type="checkbox"/> Significant maintenance or repairs undertaken before end of year may be eligible for an early tax deduction. Check if you're not sure where expenditure on an asset is deductible as repairs or maintenance or if it should be capitalised.	

Call us if you'd like a quick heads-up on what to look for in the detail or options for how to treat any of the above.

The 2014 Client Questionnaires are now available:

- 1. From our website www.leslieodonnell.co.nz***
- 2. Call us to have one emailed or sent in the post.***
- 3. Come in and see us to collect one.***

eXPired technology?

Taking your business online? Look at whether your current setup will let you keep up with the change.

For instance, if you're still running XP, be aware that Microsoft will no longer support Windows XP and Office 2003 from this year.

From April, if you use Windows XP, you won't receive technical support for it. This means no new security updates, or non-security hotfixes. No support and no online technical content updates.

Until July 14 2015, Microsoft will continue to offer Windows XP users its malware scrubbing program (MSRT). However, your system will become more vulnerable to security risks and viruses.

Over time you'll encounter more applications and devices are incompatible as software and hardware manufacturers upgrade their products.

You're already onto this ... right? But call us if you'd like to talk through how your computer system interacts with your accounting system or other business processes.



IRD PAYMENTS

With changes in the local postal system and proposed changes being considered by IRD for receiving payments, it is very important that you consider how your tax payments are made and when/if they will be received in time by the IRD. Penalties & Interest imposed by the IRD for late payments can be quite substantial but can be avoided with some forward planning and ensuring payments are received on time.

- **Internet Banking** – payments made electronically are a sure way of ensuring the funds are transferred on or before the due date. Attention needs to be given to the references attached to any electronic payment to ensure the payment is applied to the correct tax type and in the correct period.
- **Westpac Bank** – Currently you can make payments at the counter at a Westpac Bank but this is being reviewed and it is proposed that from the 1st October 2014, only payments made using cash or by EFTPOS will be accepted by Westpac.
- **Cheque Payments** can be made by physical delivery to an Inland Revenue office but as there is not an IRD office in Blenheim - the closest being Nelson - this is a little inconvenient.
- **Post** – The IRD currently accept payments based on the post-marked date. Blenheim mail is now sent to Christchurch for sorting and post-marking so putting your payment in the post on the last day may be too late. We would advise posting 3-5 working days prior to the due date if posting from Blenheim. There are proposed changes by the IRD from the 1st October 2014, payments mailed to the IRD must be received on or before the due date for payment. Once this change happens, we would suggest posting your cheques as early as possible to ensure they get to the IRD on time – allow at least 5-7 working days.
- **Post-dated Cheques** – IRD will accept post-dated cheques and hold them until the date on the cheque. Taxpayers must ensure that the date is correct. A cheque that is post-dated after the due date, even though it is received on or before the due date, will be treated as late.

- **Weekends & Public Holidays** – If a due date falls on a weekend or public holiday, Inland Revenue will accept a payment as being in time if it is received on or before the next working day. A provincial anniversary day is treated as a working day, so if the date falls on this day, any payment must be received by IRD on or before that day.
- **Cheques held by Leslie & O'Donnell Ltd** – We sometimes hold cheques for clients to send to the IRD. Our policy is to send any cheques held, to the IRD at least 5 working days before the due date. We will not take responsibility for cheques given to us late. Taxpayers are responsible for their own tax payments and any penalties and interest incurred for late payments.

If we prepare your GST for you and a payment is due, you need to have your GST records in early to allow time for preparation and then for payment to get to the IRD before the due date.

Penalties & Interest incurred for late payments can be substantial.

The key to making payments to the IRD is to **be prepared early and do not leave payments until the last minute.**



“Training gives us an outlet for suppressed energies created by stress and thus tones the spirit just as exercise conditions the body.”

Arnold Schwarzenegger

FBT Exempt Exercise Programme – SMEAEP

(Stress Management Exercise Association Endorsed Programme)

ExerciseNZ after a long period of discussion with IRD have been approved to endorse providers to run stress management programmes that are exempted from Fringe Benefit Tax (FBT).

“It is estimated that 40% of sick days in NZ are due to work related mental stress.”

The Exercise Association of New Zealand will review all programmes to make sure they meet the requirements the IRD deem allow them to be FBT exempt. Only endorsed providers programmes are fully deductible, and strict rules must be adhered to to be FBT exempted. A list of providers is available on www.stressmanagementexercise.co.nz for any employer to access.

What will it cost? Each fitness business can set it's own rate for the programme so you would need to discuss fees directly with the personal trainer, club or studio that you will be working with. Each fitness business will offer programmes of varying length to suit the client

This FBT-exempted product does not include gym memberships per se. It only applies to a specific exercise-based product fulfilling the necessary criteria. Some facilities may wish to offer an 'upgrade' option to include a membership, but there are guidelines that must be followed and the membership portion is **NOT** FBT-exempt.

How to BENEFIT FROM SMEAEP if you are an employer

1. Decide you want to contribute to the health and wellbeing of your employees.
2. Select a local REPs registered fitness professional who is endorsed to run the programme and sign up with them.
3. Claim it as an FBT exempt business expense.



The Local SMEAEP provider for Marlborough is Get2It Fitness.

“I can offer you a personal approach to training so that you receive the proper attention that you and your staff deserve. I will tailor this programme to suit you and meet your goals / requirements.”

Contact Tracy Adams

Phone: 021487903

Email: admin@get2itfitness.co.nz

Website: <http://www.get2itfitness.co.nz>

Team Talk

The Leslie & O'Donnell Team entered the Blenheim Rotary Business House Charity Yacht Race again this year and **WON!** The crew worked hard in perfect wind speeds to be 2nd on Line Honors' and 1st on handicap, aboard a lovely yacht called “Cashmere” This is a great event hosted by Waikawa Boating Club and raising money for a good cause. It is the 8th year Leslie & O'Donnell has put a team in and although we have often won “Best Dressed” or “Best aim with water balloons” this is our first Race Win!



In the past few months, Leslie & O'Donnell Team members have also:

- Started workshops and study towards their Chartered Accountant Qualifications
- Mountain biked in Rotorua and completed the Marlborough Graperide
- Got engaged
- Run the Christchurch City to Surf & the Blenheim Cancer Society 10km fundraiser
- Been on holidays to the UK, Melbourne, and various NZ locations
- Helped to run another very successful Ward A&P Show
- And many other activities.

We have an amazingly busy Team who enjoy life and getting out & about in the Marlborough Community.

Disclaimer:

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.

Leslie + O'Donnell
chartered accountants