

The L O Down



Summer 2015

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Risk and Reward

New property tax rules

New legislation affects property sales made from 1 October onwards. The changes hit in a variety of ways.

Bright-line test and residential land

New tax rules now apply to residential property sales made from 1 October. A new 'bright-line test' will apply where a person who has purchased a residential property on or after 1 October 2015 then sells it within two years. The sale will be taxed unless the property is the seller's main home, inherited from a deceased estate or sold as part of a relationship property settlement. The bright-line test does not apply to business premises or farmland.

How the start and end date of the bright-line test is counted varies with the type of sale and purchase it is. For instance, where it's a standard purchase, the start date will be the date a person obtains registered title for the property and the end date will be the date of entry into agreement for sale. However, start and end dates will be calculated differently where the registration date may not take place immediately or be the definitive point of transfer - sales off the plan, sales of subdivided land, mortgagee sales or where property is gifted to a trust.

Selling the main home

The seller's main home is exempt from the bright-line test. Where the seller has more than one home, their 'main home' is the property with which they have the greatest connection. Just to prove that the tax system has a sense of humour, a person will not be able to use the main home exception if they have already used it twice in the previous two years.

It may get tricky for family trusts where family assets are distributed between individual owners and the trust. If a trust owns the property being sold, the main home exception will apply when it's the main home of a beneficiary of the trust. However, if the principal settlor of the trust has a main home that the trust doesn't own, the main home exception cannot apply to any property owned by the trust.

Claiming tax deductions

There are provisions for allowable deductions when a property subject to the bright-line test is sold. However, where losses arise as a result of the bright-line test they have been ring-fenced so they may only be offset against taxable gains arising on other land sales. It is not possible to claim a loss arising from a transfer of property to an associated person.

Companies and trusts

Inland Revenue will keep a close eye out for where land-rich companies and trusts try to get round the bright-line test. They may view a transaction as subject to the bright-line test where:

- 50% or more of the shares within a 12-month period are sold
- there is a change in the trust deed
- a decision-maker under the trust deed changes

This applies where at least 50% of the value of the company or trust is attributable to residential land either directly or indirectly.



Please contact us if you are considering buying or selling residential property; your company is thinking about a large scale share transfer; or there are any changes to the family trust's trust deed or trustees.

You might also like to have a catch up with us on whether the changes affect your tax profile or investment strategy.

Note: these dates apply to those clients for whom we prepare tax returns. Different dates will apply for those clients for whom we don't prepare returns. Please ask us if you'd like more information.

Tax Type	Who / What	When it's due
PAYE	large employers return and payment	7 December (due to 5th falling on a weekend) 15 January 5 February
	large and small employers return and payment	21 December (due to 20th falling on a weekend) 20 January 22 February (due to 20th falling on a weekend)
GST	return and payment for the period ended 30 November	15 January
	... for the period ended 31 December	28 January
	... for the period ended 31 January	29 February (due to 28th falling on a weekend)
FBT	for employers with a November balance date under close company option - annual return and payment	7 December
	for employers with a December balance date - annual return and payment	15 January
	quarterly return and payment (if completed quarterly)	20 January

Provisional and Terminal Tax

I pay provisional tax...	And my balance date is...	So my provisional tax is due next...
2 monthly (6 times a year)	September, July, May, March, January or November	15 January AND 29 February (due to 28th falling on a weekend)
	October, August, June, April, February or December	28 January
4 monthly (3 times a year)	July, March or November	15 January
	August, April or December	28 January
	September, May or January	29 February (due to 28th falling on a weekend)
6 monthly (twice a year)	May or November	15 January
	June or December	28 January
	July or January	29 February (due to 28th falling on a weekend)
Terminal tax	December	Terminal tax payment due 15 January
	January	Terminal tax payment due 9 February (due to 7th falling on a weekend and Waitangi Day 'Mondayised' to the 8th)

IRD numbers for property sales

All vendors and purchasers of property other than their main home must now provide an IRD number as part of the land transfer process.

Non-residents

Offshore buyers must provide a New Zealand bank account number before they can obtain a New Zealand IRD number. And all non-resident buyers and sellers must provide their tax identification number from their home country, along with current identification requirements such as a passport.

Family trusts

Where a family's main home is owned by the family trust, the trust is not exempt from providing an IRD number.

It's quite common for a trust to own the family home, protecting the family from business or other relationship property risks. Up till now family trusts haven't needed IRD numbers unless they operated a business or owned rental properties. Now, when the family home is transferred into the trust or when the trust buys or sells property, the trust needs an IRD number. Trustees' own personal IRD numbers aren't acceptable.

The new requirements also affect changes of title. So, if a trustee dies or retires and the new trustee's name needs to be registered on the property title, the trust needs an IRD number to register the change.

If you are arranging for the family trust to buy, sell or transfer property, please contact us. If the trust does not already have an IRD number we can take care of this. Otherwise you could face costly and stressful delays while you sort out the paperwork.

Sensible seasonal housekeeping

- ✓ If your business peaks during the holidays, have your marketing organised and plan your staffing. Is there a planned approach to when everyone is taking their holidays?
- ✓ Have extra business cards or other marketing giveaways on hand - it's a great season for networking. Magnetic car signs can attract enquiries as well
- ✓ Everyone is used to being cash strapped in the New Year but no one ever really prepares for it. Follow up with debtors to encourage payment before Christmas - help your cashflow off to a good start for the New Year
- ✓ Speaking of cashflow - check what tax payments are coming up in January and make sure you're prepared. Ask us about the new Flexitax option
- ✓ Are you sending gifts to top clients? Splashing out on an event? What about presents or bonuses for your staff? Call us for a reminder about the rules around entertainment expenses and FBT
- ✓ What needs to happen while you're at the beach? Is payroll all set up for the holiday period? It's worth it to do a double check on your calculations, especially if there are tricky elements in the mix such as holiday pay, schedular payments, on call payments or time and a half rates. Call us if you need a sanity check
- ✓ Do you have something coming up where you'll need professional advice from us or your lawyer? Connect with your advisors before Christmas - most offices shut down for a minimum of two weeks and senior professionals can be away longer
- ✓ Have you done a computer health check, updated your virus protection and backed up your server offsite or to the cloud?
- ✓ If your business is shutting down, make sure your voicemail message and website mention closing date info and emergency contact details. Also, who will be responding to work related emails?



Christmas closedown

We are Taking Break!

Our office will close on 23 December 2015 at 5pm.

We will be back on 11th January 2016 at 8.30am.

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A Wee Reminder!!

Have you got your 2015 records into us yet?

We have recently sent out a reminder to clients who have not yet brought their information in for preparing the 2015 Financial Statements and Tax Summaries.

Thank You to those that have responded and got your information into us.

The sooner we have your records, the sooner we can make plans to get them processed and ensure you meet the IRD requirements before their deadline.

The Annual Client Questionnaires are available from our website, www.leslieodonnell.co.nz or give us a call to arrange getting one sent to you and an appointment time to bring your information in.



Follow Up – Tax Payments!

We have mentioned in previous emails and newsletters the issues that have arisen due to the slow postal services and IRD now processing on the day payments are received by them.

The most effective way to ensure payments get to the IRD on time is via your Internet Banking.

Please be aware of the pitfalls of posting payments, especially at busy tax times when the IRD receive a lot of mail and the mail is slower - GST payment time, Provisional and Terminal Tax payment times.

The IRD are imposing penalties and interest on all late payments received.



XERO

A wee Christmas email with 8 tips and tricks has been sent to our Xero Users. They are clever tools that Xero has that you may or may not be using but we have found to be very helpful

These are also available on our website and Include:

- Find & Recode – a very handy tool to make corrections of bulk transactions
- Bank Rules – how to get Xero to memorise repeating or common entries for you
- Cash Coding – a time saving way of coding a lot of transactions together.
- CSV Bulk Upload for Bulk Inventory Changes – How to update or import all your Inventory items
- Untracked Inventory – a tip to use inventory for services to save time on invoices
- Online Payments – How to get paid online with Xero from the invoices
- Automatic Invoice Reminders – A reminder tool for you to chase your customers automatically through Xero
- Xero Search – the newest little enhancement to Xero and very useful



We hope our Xero clients find these little gems helpful and if you have any queries or want to know more, please contact us.

If you are not on Xero and want to know more, also please give us a call. We are happy to show you a demo and discuss what the best software option is for you. There are plenty of options to help you run your business and we are happy to help you choose the best fit to enable monitor and improve your business.

THE LOD TEAM IN 2015

We have had a great year at Leslie & O'Donnell Ltd so we would like to share in some of our Adventures:



It has been a Very Big Year for Rosie – She got Married, Honeymooned in Indonesia and became a Chartered Accountant. Huge Congratulations



Rob also became a Chartered Accountant this year so Huge Congratulations to him too!

Lots of hard work and effort goes into becoming a Chartered Accountant and we are very proud of our newest C.A.'s

There were several Island Holidays taken by members of the Team - Rarotonga, Waiheke Island and Stewart Island as well as Bali and Australia. There have been family weddings, birthday holidays, Concerts – Fleetwood Mac, The Eagles, AC/DC, Mountain Biking Trips around NZ, Business House Sailing, Xerocon in Auckland and many other adventures. The Leslie & O'Donnell Team sure do get around!



We have welcomed Alex to the Team, who has a passion for Business Development and using systems to get alongside clients to better understand their businesses, set goals and strategically plan for a positive future.



In the Office it has also been a Very Big Year. The Team has undertaken a lot of training in learning Xero and changing systems to enable us to work closer with our clients on growing their business.

Thank You for the opportunity to work with you over the past year. We appreciate and value the relationships we have with our clients and look forward to future successes working together in 2016.

We Wish you All Safe, Happy Holidays & a Prosperous New Year.

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.

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