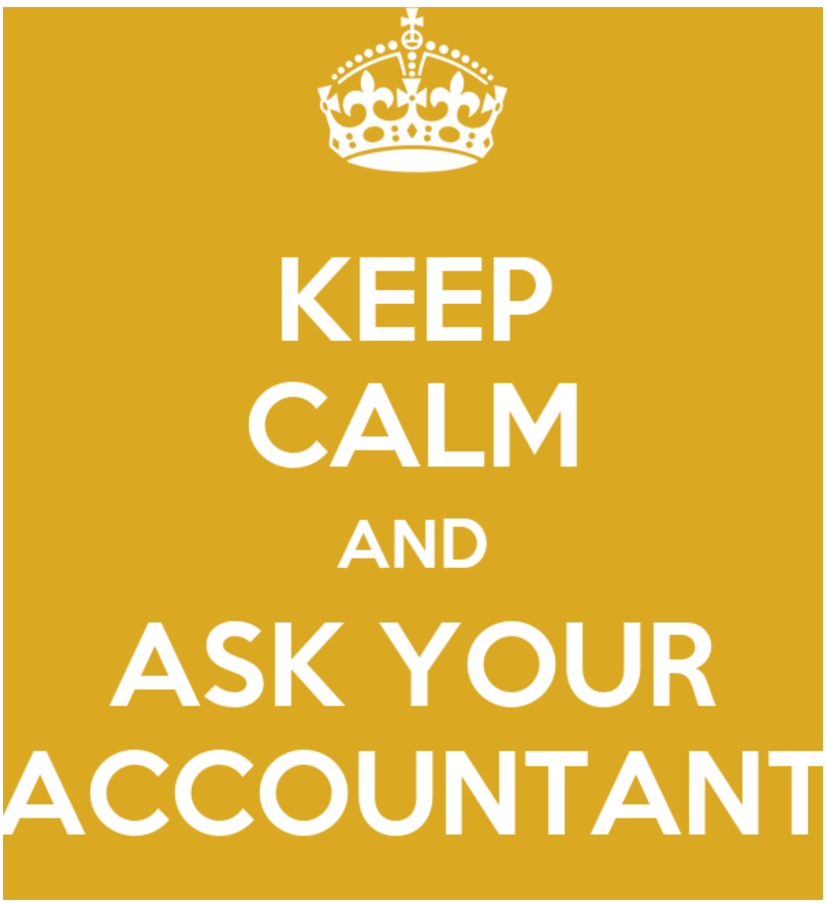
UHY Haines Norton
Chartered Accountants

Newsletter

June 2021

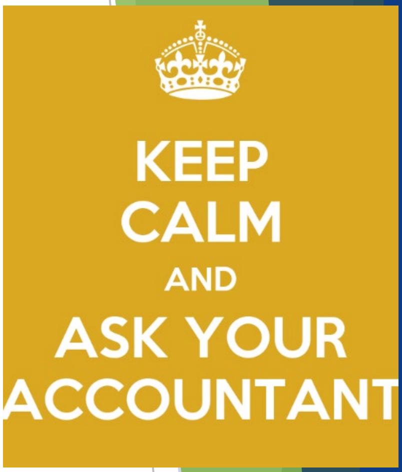


What questions should you ask your accountant?

Contents

Ever Thought of Asking Your Accountant This?

UHY Haines Norton Helensville Manager ***Arpita Khanwalkar*** *explains why your Accountant can be your best resource in helping you to achieve your goals.*



Many of us believe that our visit to the accountant is a 'once a year' thing. Clients visit us, sign their accounts/tax returns, briefly discuss business performance and when it's time to say goodbye they often say: "See you next year!" When I hear this I often feel like asking them…is that all you want me to do for you? Are you sure there is nothing else I could do that will help you achieve your goals? Would you like to have a constructive discussion about where your business is heading? I understand that lodging a tax return brings great relief, but I ***believe*** that there are other things your accountant could look at achieving for you which will bring a *greater* relief to you than just lodging your tax return. Ever asked yourself what is it that is holding you back? Your Accountant is your trusted advisor and capable of creating magic with figures, just ask…

I have had clients say that they get so busy with work every day that they unknowingly ignore the many areas of business and administration that they need to look at. I often encourage them to have a good work-life balance but many times they laugh it off. This is the point where I feel I could genuinely help. I could have a detailed discussion with them about their business and help them to achieve their goals. Your Accountant can be your advisor and your business mentor, just ask…

When you last met with your Accountant did you ask him/her about the return you get on your investment in the business? Ever thought of asking for ideas on how to deal with the bottlenecks in your business, or ever thought of what could possibly *be* the bottlenecks? Did you think about the gross profit and why it decreased this year? Did you ask if he/she could help you plan (for the future, retirement, succession, or for a rainy day perhaps), increase your bottom line, manage cash flow, show you what the next year would look like if you made a few changes now? These are what I call "services that add value" to your business and we are confident we can do this for you, just ask….

Having said that, there are some clients who take great interest and ask many questions. To them I would like to say: "Great work, keep it coming!" We love to interact with our clients and get to know them as well as their business. To the others I would say be proactive, ask us what we could do to help/achieve what *you* want to achieve. At UHY we have extensive knowledge and experience acquired over the years, we are a valuable resource you could tap into, just ask…

Arpita Khanwalkar *is the Manager of the UHY Haines Norton Helensville office and can be contacted on phone (09) 420-7972 or email* *arpita.khanwalkar@uhyhn.co.nz*.

What Business Expenses Can You Claim?

Q. What's the big deal about business expenses?

A. Put simply, business expenses can help to lower your tax bill. Many business expenses can be claimed to offset your business income, reducing the amount of tax you need to pay. So, it's in your interest to know what expenses you can claim.

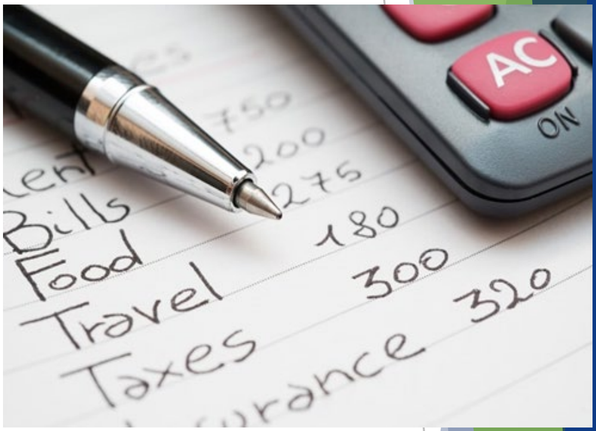
Q. Who can claim business expenses?

A. All businesses, also including self-employed people, contractors and sole traders, providing the business is carried on with the purpose of producing income.

Q. What business expenses can you claim?

A. The types of costs you can claim include:

- Vehicle expenses, transport costs and business travel
- Interest on money borrowed for the business
- Home office expenses
- Rent on business premises
- Depreciation on assets such as office equipment
- Some types of business insurance premiums
- Work-related subscriptions such as to professional associations and publications
- Business phone expenses
- Stationery
- Uniforms
- Tax agent fees
- Client entertainment expenses
- Staff entertainment expenses



Q. How much can you claim?

A. The amount you can claim is different for different types of expenses. For example, many client entertainment expenses are 50% deductible, such as taking a customer out to dinner or giving them a gift of a bottle of wine. Some staff entertainment expenses can also be 50% deductible, such as Friday night drinks or Christmas parties.

Q. How do I claim my business expenses?

A. Keep all business-related receipts and invoices as you need to have a record of the expense in order to claim it. The expenses are claimed within your annual tax return, which either you or your accountant can complete and file.

Q. Should I use an accountant to help with my expense claims and tax return?

A. Using an accountant to complete your tax return can actually save you money as they can maximise your deductions. Not only do they know all of the types of expenses you can claim and what percentage of each expense can be claimed, they will also work out proportionate claims where costs relate partly to the business and partly for private use.

Please contact us if you have questions relating to business expenses you can claim. We can help you to maximise your deductions.

Bright-line Test: Important Points

Here are some important points to note regarding the bright-line test for residential properties.

- Where a company owns a residential property and this is either subsequently set up as a Look Through Company (LTC) or disestablished as a LTC, this is considered by the IRD to be a bright-line disposal and repurchase. It could therefore trigger bright-line profit and will definitely create a new start date.
- Where shares are changed in a LTC that owns residential property, for bright-line purposes this will be classed as a partial transfer, and once again it could trigger bright-line profit and it will create a new start date for the portion of the property affected by the change in shareholding.
- A subdivision of land does not restart the bright-line acquisition date for the new title. The original acquisition date for the land still applies.
- If the use of land is changed from being a private rental to an arms-length rental, this does not affect or restart the bright-line acquisition date.
- Special rollover relief provisions exist for the transfer of residential property via a relationship property agreement, and full relief for transfers from a deceased person to their estate and onto the estate beneficiary.
- The government is currently seeking submissions on proposals to extend rollover relief to cover residential properties transferred to trusts and LTCs as well as a range of other related matters. Submissions close on 12th July 2021.
- Regardless of your circumstances, no concessions for properties sold within the bright-line period will be made unless one of the specific exclusions apply.

ACC levies Are a Deductible Business Expense

ACC is like a mandatory insurance policy for businesses that covers business owners and staff for personal injury.

There are four types of ACC levies that businesses may pay:

1. *Work Levy* – paid by businesses based on PAYE employees' wages to cover workplace injuries.
2. *Earners' Levy* – paid by all active income earners to cover injuries outside of the workplace such as injuries that happen at home or sports injuries.
3. *The Working Safer Levy* – collected on behalf of WorkSafe New Zealand to support their activities in injury prevention across the country.
4. *Motor Vehicle Levy* – paid via petrol pump charges and vehicle licenses/registrations to cover injuries on public roads involving moving vehicles.

So although the levies are compulsory, the good news for businesses is that these ACC levies are generally a deductible business expense. The extent to which they are tax-deductible depends upon the type of levy and the type of organisation.

Type of Organisation: Company

Employer Account Levies *Calculated based on the industry classification and employees' gross wages*	Fully tax-deductible for GST and income tax
Shareholder Account Levies *Charged where a shareholder is paid a non-PAYE salary and therefore makes no ACC contribution*	Deductible to the extent of the non-earner levy portion for GST and income tax (Earner levy portion is a private expense of the shareholder – no GST/income tax claim)
CoverPlus Extra Levies *Invoices issued direct to the shareholder where they have opted for CoverPlus Extra*	Deductible to the extent of the non-earner levy portion for income tax, but no GST claim (Invoices in the shareholders' names)
Motor Vehicle Levies	Fully deductible for GST and income tax

Type of Organisation: Sole Trader / Partnership / Look Through Company (LTC)

Employer Account Levies	Fully tax-deductible for GST and income tax
CoverPlus and CoverPlus Extra Levies	Fully tax-deductible including the earner levy portion
Motor Vehicle Levies	Deductible as per other vehicle expenses

Please contact us if you have questions regarding the tax-deductibility of ACC levies, or if you have concerns of being over-charged based on the maximum income threshold ($130,911 for the 2021 financial year).

PIE Income and Prescribed Investor Rate

From the 2021 year onwards, any PIE income and the tax deducted at your Prescribed Investor Rate (PIR) will need to be disclosed in your end of year tax return so IRD can determine whether an adjustment needs to be made for any incorrect PIE tax deductions. Tax at the PIR is no longer treated as a final tax, for example where the PIR advised is higher than it ought to have been for the period. Previously where your Notified Investor Rate (NIR: the rate you notified to your PIE provider) was higher than it should have been, that NIR became your PIR, and any excess tax deducted could not be refunded.

Recent law changes mean that the IRD will assess all PIE income at a taxpayer's correct PIR and any overpayment or underpayment will be combined/netted off against your residual income tax. The combined balance will then be refunded or due for payment.

Note that where the notified PIR was lower than it ought to have been for the period, the PIE income is still disclosed in the taxpayer's return and the PIE tax adjustment is calculated based on the correct PIR, resulting in some additional tax to pay.

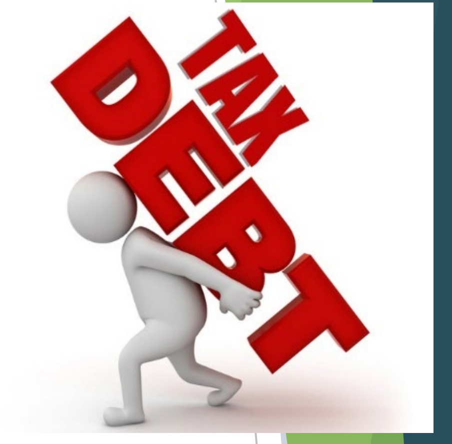
The new rules are much more advantageous for the taxpayer where the PIR used by the PIE provider was higher than it should have been. I.e., the excess tax deducted, based on an inappropriately high PIR, can now be refunded.

Please contact us if you have any questions regarding your PIE income and prescribed investor rates.

Tax Debts Under $10,000

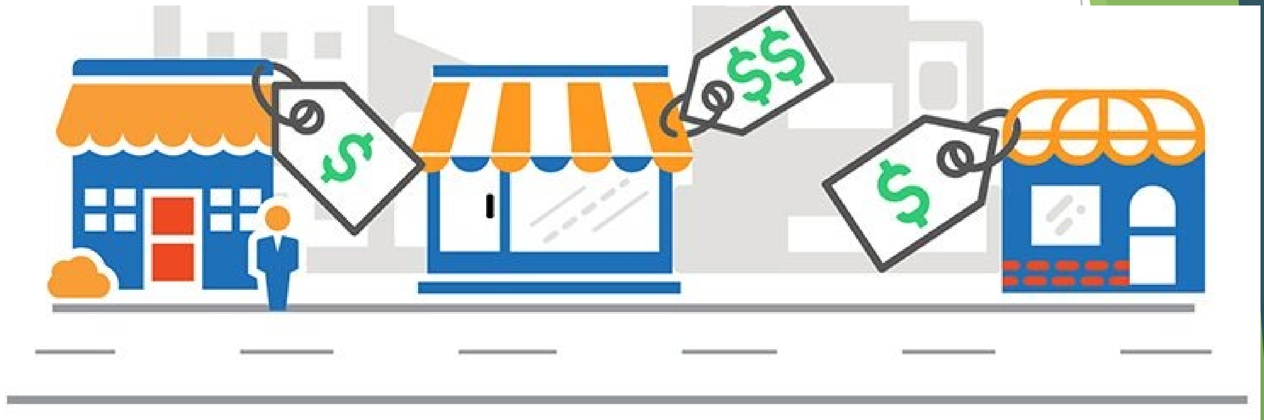
The IRD will begin contacting taxpayers with outstanding tax arrears under $10,000 from 1st June 2021 if:

- The debt is more than 60 days overdue, and
- The amount of the debt is between $200 and $10,000, and
- The debt is assessed (i.e. not missed provisional tax instalments), and
- The client account is active, and
- There is no active tax pooling indicator on the client's account.



It's important to organise a payment plan within 60 days' of the due date or the IRD will start taking recovery action. We can assist you with making payment arrangements to address the debt, such as setting up instalment payments or arranging tax financing, so please get in touch with us before the debt due date.

New Purchase Price Allocation Rules



Buying or selling a business or a commercial property? There are new purchase price allocation rules you should be aware of.

When land and buildings or a business is being sold, allocation of the purchase price between the business assets can result in different tax implications for the buyer and seller. In some situations, it has been observed that different prices have been allocated to the same assets in order to benefit from differing tax treatments by the two parties. However, the IRD is now introducing new rules to put a stop to these potential discrepancies and in some instances the IRD must be notified of the price allocations applied to each asset.

From 1st July 2021 new rules require both parties to the sale and purchase of two or more assets to allocate the same amounts for each asset – generally based on market value. I.e. the disposal value of an asset by the vendor must agree with the purchase price of that asset for the purchaser. Therefore the contract should state the prices.

These new rules will apply to businesses and commercial properties with a sale price over $1m or where the sale price of residential land exceeds $7.5m. The rules will not apply to the sale of shares.

If you are buying or selling a business or commercial property, contact us at the beginning of the negotiation phase. We can apply the tax rules to assist you when you negotiate the values to apply to each asset. There are deadlines that apply for the notification to be made to the IRD and it is not sufficient to wait until the year-end tax return is filed.

Extended Support for Farmers

The IRD is extending support for farmers and growers whose current or future income will be significantly affected by the ongoing drought in several parts of New Zealand.

The IRD will exercise discretion in accepting late deposits to the income equalisation scheme, as well as allowing early withdrawals from the scheme.

The affected areas are:

- Northland – except for Taranaki, Ruapehu and Whanganui districts
- Marlborough
- Kaikoura
- North, Mid and South Canterbury
- Otago
- The Chatham Islands

For full details visit the IRD website.

Banks Are Going Cheque Free

Most New Zealand banks are phasing out the use of cheques in favour of other payment methods. Kiwibank was the first major bank to stop issuing and accepting cheques on 28th February 2020, and estimated that less than 1% of their customers were still using cheques at that time.

The exact dates after which the other major banks will no longer accept cheques are:

- ANZ - 1st June 2021
- Westpac - 25th June 2021
- BNZ – 1st July 2021
- ASB – 27th August 2021

See your individual bank for their specific details regarding changes to cheques and alternative payment methods.

Taxing Matters

- The Government has confirmed that new builds will be exempt from the planned changes to the tax treatment of residential investment property. The intention to limit the deductibility of interest on residential investment property will not apply to new builds. At the time of writing, no legislation had been drafted, however indications are that new builds would be classed as a self-contained dwelling with its own kitchen and bathroom and has a code compliance certificate. Other residential property proposed to be excluded from the planned changes are employee accommodation, farmland, commercial accommodation, retirement villages/rest homes and the family/main home.

- The KiwiSaver year runs from 1st July to 30th June. To claim the full amount of the member tax credit $521.43 you must have contributed $1,042.86 for the year ended 30 June 2021 (the $1,042.86 does not include employer contributions). If you have a salary of at least $34,800 and contribute at 3% then you will automatically have contributed the required $1,042.86, but you can also make voluntary contributions to get to the total of $1,042.86 if necessary. To be eligible for the member tax credit a person must be over 18, live mainly in New Zealand and are not yet eligible to withdraw from KiwiSaver (which typically occurs when reaching the age of 65 years).

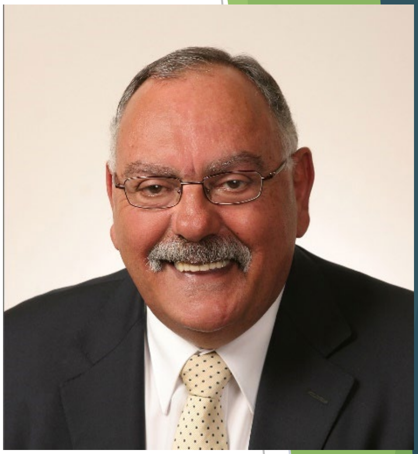
- Self-employed people and other individuals who received a Covid-19 wage subsidy or leave support payment must account for this income in their income tax returns if the payments did not pass through the PAYE system. This includes anyone who received a subsidy payment without tax deducted at source such as partners, trustees, students, owners of look-through companies, and home-based childcare providers. These payments are not subject to GST or ACC and should not be included in a GST return. However, GST must be accounted for on Resurgence Support payments.

- The IRD is now issuing bright-line campaign letters as they become aware of potential bright-line transactions. This is usually within a month of the transaction and is posted in the myIR portal.

- The IRD is also issuing real estate agent campaign letters to ensure that real estate agents claim only appropriate amounts of valid expenditures in their tax returns.

Tribute to Brian Corban

Tim Livingstone pays tribute to his friend and colleague Brian Corban CNZM, QSO, who passed away last month.



I was lucky to have worked with Brian in the West Auckland community and in business for the past 40 years.

I bought into UHY Haines Norton (previously known as Butts, Bainbridge & Weir) at the same time that Brian was a founding Partner of Corban Revell Lawyers. A start-up law firm with no clients, Brian was the driving force behind the practice growing to five Partners and a staff of 40 plus. He often recalled that the practice was built on negative equity and if Partners didn't invoice their work in progress there would be no drawings the next month.

Brian was an inspiration to me and assisted UHY Haines Norton in growing from a three-Partner firm with six staff to six Partners and the more than 50 staff members we have today. Brian chaired UHY's Board as an independent director for five years.

Whilst growing the legal practice, Brian was very active in the community and volunteered his time and services to many organisations including:

- Trustee and Chair of the West Auckland Hospice Foundation
- Patron of the Falls Hotel Preservation Trust and the Henderson Heritage Trust
- Chairman of the Corban Estate Arts Centre and was instrumental in persuading Waitakere City to purchase the Corbans Wines property in Henderson. Brian was always passionate about the Corban Estate Arts Centre. He was also passionate about everyone having an opportunity to experience the resources of the Arts Centre, regardless of their financial circumstances.

Tribute to Brian Corban (continued)

Brian also served on the NZ Royal Navy Museum and became an Honorary Captain - which he was very proud of! However, not long after becoming an Honorary Captain, Brian launched his brand new 6 metre tinny at Pahi. Returning to the boat after parking his car, he found that the boat had sunk. To his great embarrassment, he forgot to put the plugs in!

Brian was always a strong supporter of West Auckland businesses and was instrumental in the Central Park Henderson Business Association becoming a Business Improvement District in 2020. He was recognised for his services to the community and West Auckland business and inducted into the Waitakere Business Hall of Fame in 2005.

Brian moved on from practicing as a lawyer and seamlessly became a professional Director. He served as a Director on various West Auckland companies and was a business mentor to many emerging business people.

In West Auckland, Brian became the founding Chairman of West Auckland Trust Services Ltd (the operating company for Portage and Waitakere Licensing Trust). He served as Chair for 20 years and oversaw the Trusts doubling in size whilst significantly increasing its distribution to the West Auckland community from $0.5 million to $3 million per annum. He also challenged the Directors and trustees to build up the value of trust assets to $300 million with the aim of providing a perpetual fund for the West Auckland Community.

Brian, through various family entities, was a significant Henderson commercial property owner. Although he built up significant worth for family beneficiaries, it was his integrity and empathy that were his core values, showing great compassion to tenants that were facing rough times.

On a personal level, Brian was a fantastic mentor, friend and business colleague. He was very dedicated, hardworking, had a generous heart and the ability to empower people. He cared for and was genuinely interested in people. He also had a tremendous sense of humour.

Brian, it was a great ride over the past 40 years. You are one good bugger that will be missed.

Tim Livingstone is a Consultant to UHY Haines Norton and is a past Director and Managing Director.

Staff News

We are excited to have Auditor **Aman Kaur**, who has been assisting the Audit team as a contractor, come on board with the firm permanently. Aman has been a valued, hardworking member of the Audit department in recent months and we are glad to have her join us on a permanent basis.

We are delighted to welcome **Sonam Chang** to our Audit department. Sonam is a qualified Chartered Accountant with a Bachelor's degree in Business and Information Management from the University of Auckland. She has previously worked as an auditor and is passionate about expanding her skills and knowledge in this field.

Congratulations to Henderson Accountant **Matthew Dawson** and Kumeu Accountant **Meghna Gupta**, who have both passed their Management Accounting & Applied Finance exams.

We have recently said goodbye to Auditor **Umang Kataria,** and this month we also farewell Accountants **Joyce Gillespie** and **Melissa Hermsen** from our Henderson office. We wish them all the very best for the future.

And now for something completely different….
Check out these fantastic Egyptian headdresses modelled by our Henderson Accountant Veronica Murphy when she visited clients' Lynne and John Harvey's market stall at the Avondale Race Course market recently. Lynne and John have run a stall at the market for an incredible 35 years, now selling all sorts of gardening gear, builder's belts, fishing gear and much more.

Lynne Harvey, Kevin and Veronica Murphy

Kevin and Veronica Murphy, John Harvey