



NEWSLETTER

December 2014

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Hi Everyone and Merry Christmas

With the festive season upon us, Wayne, Dianne and the team would like to extend Season's Greetings.



There is no time more fitting than now to say

~ Thank You ~

We wish you
a happy holiday season,
and a new year of health,
happiness and prosperity.

We look forward to working with you in 2015 and onwards.



December and January Are Short Working Months
As December is a short working month please ensure that all November GST papers are brought in to us early December. We will also need December GST papers during the week of 14th of January.

Payment Dates

20 Dec 2014 for November PAYE

15 Jan 2015 for November GST and Provisional Tax

20 Jan 2015 for December PAYE

28 Jan 2015 for December GST



Paying Inland Revenue by cheque – Post it early or pay online

Since 1 October 2014 we have needed to make sure Inland Revenue receives your payment on or before the due date to avoid penalties and interest. Previously, any postal payments received by Inland Revenue within a set period after the due date were treated as if received on time. From 1 October this changed. Cheques can still be dated the due date.

Post it early

If you prefer to keep making payments by cheque, it's important that you consider potential delays when posting your payment to Inland Revenue. New Zealand Post recommends you allow 3-4 working days for delivery from cities and towns and 5-10 working days from rural areas.

Or pay online

You won't have any delays if you pay online through the "pay tax" function provided by most New Zealand banks. You can make payments up to and on the due date.

To make an online payment or find out more about making payments, go to ird.govt.nz/makepayment.

Christmas Break

Our office will be closed for annual holidays from 12.00 Midday Tuesday 23 December 2014 and will re-open on Wednesday 14 January 2015. If you require assistance over this period please leave a message on the answerphone and one of us will get back to you.

Internet banking — Make sure you don't do this on a public WIFI. You do need to make sure that you put the correct references: the IRD number for the payment, the tax type you are paying (INC for income and provisional, DED for payroll, GST for GST, or GAP for combined GST and Provisional) the period end date for the tax type you are paying.

If you are paying off arrears, and you have an arrangement, then simply IRD number, and ARR tax under arrangement is all that is needed.

Each bank has a slightly different way of setting out the IRD payments.

Money Week Top Tips (NZ Herald)

1. *Set aside savings.* You may only start out small, but beginning right away and making it automatic helps.
2. *Building that buffer.* Having money is all about having options. Try to build an emergency fund of at least three months expenses.
3. *Get on the circuit.* Compare your choices. Don't forget the true cost of any interest and fees to pay.
4. *Trim your debt.* Try to repay more than the minimum. Shed high interest debt as quickly as possible.
5. *Boost performance.* Put windfalls toward something that helps you get ahead, like paying off debt.
6. *Set clear goals.* Set realistic goals for the short, medium and long term,
7. *Plan.* A money plan for what you earn and spend is a great way to reach your goals.
8. *Protect your progress.* Get the right insurance for you and review it annually, or as soon as your situation changes.

Sale of Rental Properties, and other assets

If you have depreciated the asset and you then sell it for more than the book value, you have effectively claimed too much depreciation over time, which then needs to get added back as income in the year of sale.

Conversely, if you sell it for less than the book value, you get to claim the shortfall (except for buildings — because you cannot claim depreciation on most buildings).

The sale price includes (ie is reduced by) the costs of getting the asset ready for sale —repainting, commission, advertising, dressing-).

What is it with Repairs and Maintenance and Capital?

Expenses are fully tax deductible; capital is spread over the life of the asset by way of depreciation. There is no easy way to explain R&M — it depends on your particular circumstances. How much you spend is less important than what you do. Broadly speaking, and as a very general guide:

1. If you buy a new asset, which will last more than twelve months, it's capital. But if it costs less than \$500, it's expensed, for tax purposes, as a minor asset.
2. Unless the total spend in one day at one supplier is more than \$500 — that's capital.
3. If you have an asset, and you fix it to make it as good as new, that's repairs. If you fix it better than new, that's capital.
4. If you buy an asset and then repair it before you use it, those repairs are capital.
5. If you replace a component bit of a bigger asset, that's repairs.
6. But if that component bit is separately listed in the asset schedule, it's capital.
7. If you're doing your own GST returns, put the paperwork for the assets all in one place, because you will be asked about them at tax time.

Hire Purchase, or Lease?

What matters is what is in the agreement, not what it is called, or what you are told.

If at the end of the repayment period (potentially including a balloon payment) you own the asset, then it is a hire purchase agreement. GST is claimed on the asset up front, and not the monthly payments. And the interest cost is spread across the life of the loan.

If you do not own the asset until after the final payment, it is a rental. The GST is claimed on each instalment, and there is no depreciation. We ask for the paperwork at end of year, or at GST time, to read the fine print, to make sure we understand whether it is a lease or a hire purchase, and to make sure that we have the correct entries in our records.

Flexirent is (almost) always a hire purchase. Most vehicle deals are also hire purchase.

Business Loans and Assets

These only show in the company if they are in the company name. The accounts are a formal record of what the company owes, and what it is owed. If there is a personal loan taken out for business use, it will show as a loan from you personally, or be included in your current

account. Equally, GST can only be claimed on assets that are purchased in the company name.

Tax rules are quirky, and don't always make a lot of sense

Generally, you can claim expenses that are a necessary part of earning an income. But you cannot claim expenses that set you up to earn an income. So up-front training courses are not deductible, and on-going capital investment can only be partially claimed through depreciation.

You cannot always claim expenses that are a consequence of earning the income. Medical and other "body" expenses such as massage, physio, chiropractor, are not deductible because they are personal in nature. Likewise health insurance. Spectacles are only deductible if they are exclusively work related. Food is only deductible if you are staying out of town, or is half deductible if you are out to lunch with a business contact. Traffic fines, and any other penalties are never deductible, because it is "contrary to good public policy". Likewise, you cannot claim bribes, either from NZ or overseas.

Kiwisaver - Free Money — kind of

If you belong to Kiwisaver, then the government will give you \$521 each year provided you have contributed \$1,043 in the 12 months ended 30 June. If you are on wages, then the contributions happen automatically. However, if you are self-employed, then you need to arrange regular payments of around \$20.50 per week.

Insurances

Being successfully insured relies on you disclosing what they think is relevant. And it's easy to get tripped up. Insurers are particularly fussy about work assets that might previously have been insured under your domestic policy.

The safest approach is to tell your insurer if you use the house or the vehicle for business, and get confirmation that you have told them. Notebooks, mobile phones, and business tools also need to be disclosed — some insurers require you to take out business insurance, some are happy just to know. Note also that business items and equipment in your vehicle may not be covered by your home contents insurance.

Other insurances available that you may want to consider taking:

- *Public Liability*: for your legal liability as a result of loss or damage arising from accidents

- *Professional Indemnity*: for loss to a client from your work
- *Business Interruption*: for the costs of running the business if your worksite is impaired.
- *Income Protection*: to still have an income coming in if you are unable to work.

Please note that these are general comments, and you should check with your broker or insurance company how these matters will specifically relate to any policies you hold.

Exiting your business...

Sooner, or later, we all exit our businesses. Hopefully, at a time of our choosing and with a process that maximises the price received. We believe succession planning is as important as business planning and that an owner should have the company in saleable shape at all times. This includes up-to-date financials, systems and manuals in place, a secure lease, and plant in good order and repair.

These things will help the price you achieve which may also be improved by the deal structure. Offering on-going consultancy, extra training, or vendor finance can give the buyer more confidence and enable a higher price to be negotiated. Selling a family business is often a very emotional process for owners and we are happy to work to make it as smooth as possible and produce a result that satisfies both parties. See www.clythbiz.co.nz for further information.

Mail Services in General

Postage rates have gone up to 80c for a letter, \$2.40 for an A4 envelope. At the moment we prefer post and things are definitely slower to arrive - even from just down the road. If you are posting your GST (or anything else) back, please allow plenty of time for it to arrive, and for us to do what we need to do.

GST - there is no GST on

Bank fees, life insurance, drawings, funds introduced, loans, loan repayments, personal spending, ATM withdrawals, credit card payments, traffic tickets, tax payments, wages, residential accommodation.

Student Allowances for dependents

Student allowances are means tested, and the things that are looked at are much more than taxable income. It also includes drawings, retained profits, capital distributions,

and whanau support such as Nana paying for some of the family bills. StudyLink has a new form that needs to be filled out for parental income. It takes us about half an

hour to do our bit, and then there is additional information that you must also provide.



Wayne, Dianne and the team wish you a
Safe and Merry Christmas
and a Happy and Prosperous New Year.

Thank you for your support in 2014
and for your new client referrals
which are always appreciated.

We look forward to assisting you in 2015 and onwards.



Christmas Thoughts

Christmas is a time when kids tell Santa what they want and adults pay for it. Deficits are when adults tell the government what they want and their kids pay for it. ~Richard Lamm

Mail your packages early so the post office can lose them in time for Christmas. ~Johnny Carson

May you have the gladness of Christmas which is hope;
The spirit of Christmas which is peace;
The heart of Christmas which is love.
~Ada V. Hendricks



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