



Paul Duggan & Associates Limited
Chartered Accountants



tax + business newsletter

Autumn 2014

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tax on these funds, you will be able to meet your tax obligations by paying tax on 15% of the amount transferred or withdrawn.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.

Questionnaires

It's that time of the year again – time to start thinking about getting your 2014 Financial Statements and Tax Returns underway.

This will be the third year that we will be carefully scheduling when we complete your financial statements and returns. We expect that by planning our work in this way we will complete your returns in a timely manner, and give you certainty about when your work will be finished.

At this stage we will be asking you to bring us your records at a similar time to last year.

We will email your electronic questionnaire or paper copy, whichever is applicable, closer to your scheduled time.

If, for whatever reason, it does not suit you to bring your records in at the scheduled time, please give us a call as we may be able to schedule an alternative date that suits you better.



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Love Your Work

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.

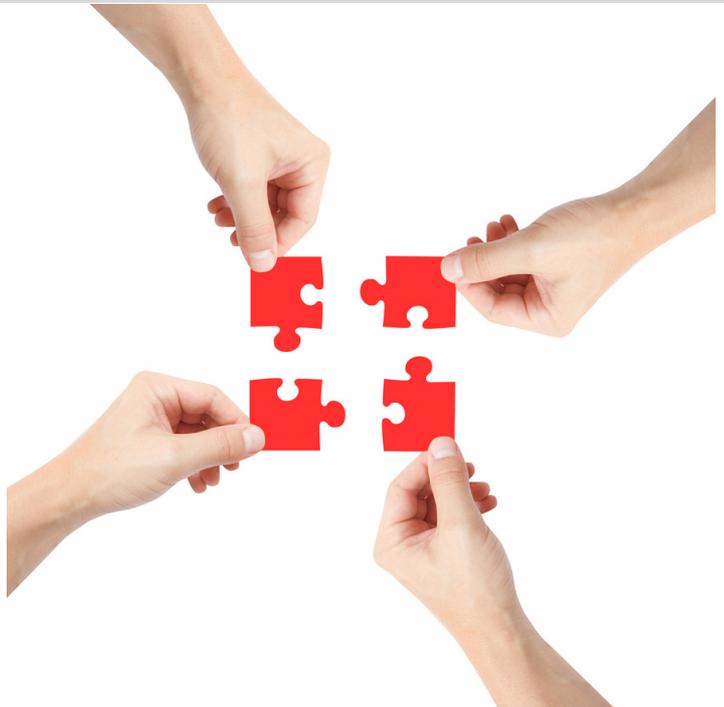
If you'd like a rundown on how this applies in your case, or some tips on easy ways to keep track of it all, please contact us.

Fixed Price Agreement

We recently introduced the option of service plans and fixed price agreements for our clients. You are able to choose the services you would like us to perform for you, and we will agree upon the fee before work starts. Because the fee is agreed in advance, there are no surprises for you. If you require additional work or an unanticipated need arises we will then agree to perform this work at a mutually agreed upon price, before the service is provided.

Our fees are payable by the 20th of the month following invoicing, but if you prefer you can pay monthly instalments in advance by automatic payment.

We know that unexpected costs are never welcome, and that frequent smaller payments are often easier to manage than one off costs. We hope that by offering these options we can do our bit to help your business manage cashflow. And if you need help managing cashflow, you can talk to us about that too!



MYOB Online Accounting

MYOB online accounting software lets you manage your business anywhere, anytime. Which means you're free to work wherever and whenever you like.

AccountRight Live gives you the choice of how you do the accounts: on your desktop, in the cloud or both - it's the first of its kind in New Zealand.

Get all the benefits of businessSUPPORT like 24/7 Support, software upgrades, IRD compliance updates and training, plus a whole lot more with Live Services.

- Access your accounts on any internet connected PC anywhere, anytime
- Link your bank account to automatically import and match your bank transactions
- Store your data securely online and make a local backup to your PC whenever you like
- Allow same time access for up to five people

If you would like more information please contact Andrew or Leslie.

Xero – online accounting system

This is a great time of the year to change to Xero if you are considering changing your accounting software or if you want to complete your GST returns online for the first time.

We are proud to be a Xero Certified Partner and this certification gives us an in depth understanding of Xero functionality to our clients.

Xero is an online accounting system that gives small businesses like yours and your advisors easy access to bank transactions, invoices, reports and GST – anytime you need it, anywhere in the world.

If you would like more information please contact Leslie.



Terminal Tax - if you think you can't pay by the due date ...

Contact us before the due date to let us know about your financial difficulties. Penalties and interest apply to tax bills that are unpaid by the due date. If your financial situation prevents you from paying on time, we may be able to set up an instalment payment arrangement.

If you contact us and make a formal arrangement before the due date, you'll only be charged one late payment penalty of 1% and interest.

Audit Shield Insurance Cover

Recently you would have received an offer to protect you and your business against Audit insurance.

In order to be protected, ensure you ask us about **Audit Shield** to find out how we can give you peace of mind when it comes to tax audit insurance.

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:

- | | |
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| <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"/> 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"/> Planned dividend payments and the company's imputation credit account balance. | <input type="checkbox"/> Fixed assets: can any be written off? |
| <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"/> 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.

Innovation is the ability to convert ideas into invoices. L. Duncan

The end of an era

The end of March marks the end of an era as Paul steps down from full-time employment with the company. He will continue to work two days a week taking an overview of business activities.

Paul is looking forward to the additional free time which will allow him to pursue other interests in a relaxed way.

Paul is fortunate to have such a great team in the office with over 50 years of combined experience in the practice. Andrew Friend and Leslie McAuley will be taking over the day to day management of the business ably supported by Liz Tillman, Shani Moore and Hamish Duggan. Paul is comfortable that it will be business as usual as they continue to foster the relationships that have been developed and ensure a high level of service will be maintained.



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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