



Paul Duggan & Associates Limited
Chartered Accountants

tax + business newsletter



Special Alert Year End 2016



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Tax²?

Make sure everything is squared away for the end of the tax year:

- Contracts.** Have you invoiced retentions that are not payable till the next tax year? If they are payable in the current year they are taxable as income. If not, they will be taxable in the year you are legally entitled to receive them. Make sure you make a note to tell us.
- Credit notes.** Look out for any credit notes issued to customers after balance date. You may be able to apply them to this tax year, potentially reducing your taxable income for the current year.
- Debtors.** Review your debtors. Did you take reasonable steps to recover bad debts? If so, make sure your records show this. If you write off bad debts before 31 March, you may be able to claim a deduction. Make sure to give us the details so we can check any GST adjustments are correct.
- Discounts for prompt payment.** Do you offer these to debtors? If so and if you maintain a discount reserve, this may be deductible. Make sure your records are clear. Different rules apply in the first year of offering discounts from subsequent years and change depending on the period of credit extended to customers.
- Dividends and imputation credits.** Review planned dividend payments. The imputation credit account must not have a debit balance at 31 March otherwise penalties may arise. Contact us before 31 March to help you.
- Employee expenses.** Amounts owing to employees for holiday pay, bonuses, redundancy payments, long service leave etc. can be claimed, if you have committed to them at year end and pay them within 63 days of balance date. Check holiday pay has been calculated correctly.
- Expenses.** Can you pre-pay any expenses before 31 March, such as stationery, postage and courier charges? You may be able to claim for them. Check with us as some types of expenses have limits on the extent to which they are claimable if prepaid, such as rent, insurance, travel and accommodation.
- Fixed assets.** Review your fixed assets. Are you still using all of them or can some be written off?
- Loss offset elections and subvention payments.** Let us know as soon as possible if you think the company will make a loss.
- Repairs and maintenance.** Undertake planned maintenance or repairs before year end to ensure a tax deduction. Deciding whether expenditure on an asset is classified as repairs and maintenance (which would be deductible) or as a capital expense is not always clear. Contact us if you aren't sure.
- Stock.** Do a stocktake. Dispose of obsolete stock by year end or write it down to its net realisable value (the lesser of cost or market value). If your stock is worth less than \$10,000 and your turnover is less than \$1.3m for the year, you won't need to include your stock movement for tax purposes.

'You must pay taxes. But there's no law that says you gotta leave a tip.' **Morgan Stanley**

FBT rate for low interest loans

If you make low-cost loans available to employees, the rate of interest that applies for fringe benefit purposes has been reduced to 5.77%. This rate applies for your FBT return for the quarter beginning on 1 January 2016 and subsequent quarters.

Changes from April

Minimum wage

The minimum wage will increase from \$14.75 to \$15.25 per hour. Training and new entrants' minimum wages will increase from \$11.80 to \$12.20 per hour.

Health and safety

Changes to health and safety laws take effect from 4 April 2016. The new law says you need to take reasonably practical steps to manage any critical risks – those that could cause illness or injury serious enough to keep someone off work. Have you assessed how the new laws affect your business and implemented anything you need to? If not, contact us for more information on the rules.

Employment

The Employment Standards Legislation Bill has been passed, bringing into effect from 1 April 2016 some important changes to the employment statutes. These include extending parental leave, sparring zero hour contracts and strengthening compliance with minimum employment standards.

Parental leave: A greater range of people — for example, certain casual workers and seasonal workers, employees with more than one employer and those that have recently changed jobs — will have the opportunity to access paid parental leave, which is up to 18 weeks from 1 April onwards. The Parental Leave and Employment Protection Act will also extend to a wider range of primary carers than biological or formal adoptive parents.

Employees on paid leave will be able to take 'keeping-in-touch' days, enabling them to work limited hours during their paid leave period.

Zero hours contracts and other restrictions: Employers won't be able to:

- expect employees to be available to work without guaranteeing hours or paying reasonable compensation
- cancel a shift without giving employees reasonable notice and reasonable compensation, both of which must be set out in an employment agreement
- make unreasonable deductions from wages
- unreasonably restrict an employee's secondary employment

Enforcing minimum employment standards: Focused on ensuring employers pay at least minimum wage and give employees their proper holiday entitlements. Enforcement measures include a new infringement notice regime, clearer record-keeping requirements, and tougher sanctions for serious breaches such as exploitation.

Check employment records are comprehensive and employment agreements comply with the standards.

Super, pensions and benefits

Superannuation and Veteran's Pension rates increase on 1 April 2016. The rates (before tax) for a married couple will be \$671.48, \$443.43 a week for a single person living alone and \$407.53 for a single person sharing accommodation.

Benefits for main beneficiaries and rates for student allowance recipients with dependent children will increase by \$25 a week after tax.

Working for Families rates will increase for low income working families by up to \$12.50 and \$24.50 for very low income working families.

Don't be caught out on holiday pay!

Holiday pay has been in the news recently and we know the Labour Inspectors from the Ministry of Business, Innovation and Employment will be checking that other employers have been recording and paying entitlements correctly.

There are two ways of calculating holiday pay: it can be based on ordinary weekly pay at the beginning of the holiday or average weekly earnings over the previous 12 months. The correct amount of holiday pay is whichever figure is the greater.

Where employees are permanently employed on a constant work pattern, working out their entitlement is easy. If you have employees working irregular hours, it can be tricky to ensure their entitlements are correct. It is vital to make sure your systems are set up to record all relevant information and that your payroll system uses correct formulas and definitions. Call us if you would like more information about this.

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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