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NEWSLETTER SPRING 2015

The year really is flying by! Take some time to keep on top of tax news and check if any of these recent changes could impact you and/or your business…

Your tax responsibilities when buying whitebait

This is a current area of focus for the Inland Revenue. If you buy whitebait as part of your business activity the onus is on you to ensure that appropriate records are kept and, where necessary, tax is deducted from the payment made to the seller.

If the seller is a partnership, company or trust then you must retain a copy of the tax invoice for your records. This invoice should include GST if the seller is registered.

If the seller is an individual you need to request to see a copy of their exemption certificate. If they do not have one then it is up to you to deduct withholding tax at the rate specified by Inland Revenue. Rates are:

- 25c if you receive a tax code declaration from the seller
- 40c if you do not receive a declaration

A useful flow-chart to help you understand your responsibilities can be found in the resources section of our website.

Changes for Registered Charities

The winter newsletter outlined changes to reporting requirements for registered charities. In this edition we want to ensure that you are ready to prepare your organisation's Statement of Service Performance (SSP).

From 1 April 2015, organisations registered under the Charities Act 2005 that have annual expenses of less than $2,000,000 per annum, will be required to prepare a SSP.

The objective of the SSP is to report the key non-financial objectives of a charity, in relation to the charitable outcomes it is seeking to achieve, and the activities performed to achieve those outcomes. It allows the organisation to concisely communicate its non-financial achievements, which are not always apparent from reading annual financial statements.

The two main elements that you'll need to consider in preparing an SSP, are:

- key non-financial outcomes the organisation has sought to achieve
- key outputs the organisation has delivered in the form of goods or services to achieve desired outcomes

The outcomes are required to be quantifiable and variable, therefore, the basis of measurement requires careful consideration and reported outputs need to be supported by sufficient documentation. Where your financial statements are subject audit or review, the SSP will be included within the scope.

Change in mileage reimbursement

Inland Revenue have reduced their mileage reimbursement rate from 12 August 2015. The rate is now 74 cents per kilometre (from 77 cents in 2014) for both petrol and diesel vehicles.

Employers are able to reimburse staff, at this rate, for business use of a private vehicle as a tax-free allowance. The IRD rate is pre-approved and comes without the hassle businesses sometimes face in calculating their own rate.

The reimbursement of mileage to shareholder employees and partners for the year ended 31 March 2015 (up to a maximum of 5,000 kms) is also calculated using the IRD approved rate. If business use is in excess of the 5000 kms threshold then actual calculations are required and a log book should be held to justify deduction amounts.

If 2015 returns have been filed, prior to 12 August 2015, with the old rate, no adjustment will be required by IRD.

Extended rules for residential property sales

In our last newsletter we touched on new rules announced with the 2015 budget. With the implementation date of 1 October 2015 just around the corner here are some further details:

Residential properties (including holiday homes, children's flats, rentals) purchased and sold within two years will now be subject to income tax.

The new rule will not apply to:

1. Commercial land (including farmland)
2. The main home of the taxpayer. There are specific tests to determine the "main home" but generally the house that the taxpayer lives in as their residence (including trust owned 'family homes').
3. Inherited residential properties
4. Residential properties transferred under a relationship property agreement. However, if the property is subsequently sold within the two year time period by the recipient it will become subject to the new rule.

The new rule does not override current land taxing rules. This means that property acquired with a purpose or intention of sale will still be taxable if it is sold after two years. It also means that a regular pattern of buying and selling properties could be considered engaging in a taxable activity.

Employment Agreements

Have you got up-to-date employment agreements for all your staff?

Every employee must have a written employment agreement, signed by both the employee and the employer. Employers are required to retain a signed copy even if the employee has not signed it. Employees are entitled to a copy on request.

Some provisions must be included in employment agreements by law, and there are also a number of minimum conditions that must be met irrespective of whether they are included in agreements. These are outlined in the Employment Relations Act 2000.

If you require further assistance with any of the above topics give us a call at the office. Frank, Gareth or Rochelle will be more than happy to help you!!