



The Bulletin

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Reminder: Rental losses ring-fenced from 2019/2020 tax year

The new law on ring-fencing rental losses is now in force, which means:

In most cases ring-fenced deductions will be carried forward and can only be used against residential rental or sale of property income in future years.

Property investors will, in most cases, no longer be able to reduce their tax liability by offsetting residential rental property deductions against their other income, such as salary or wages, or business income.

The new rules apply from the start of the 2019-2020 income year and apply to:

Mainly rental properties but can also include other residential land.

Individuals, partnerships, trusts, look-through companies and close companies.

Own a rental property? We're happy to talk you through your tax implications so you don't get caught out.

Take note! Minimum wage glides closer to \$20

More than 200,000 New Zealanders and their families will benefit from the minimum wage going up to \$18.90 an hour on 1 April 2020 — an increase of \$1.20. The starting-out and

training minimum wage rates will increase from \$14.16 to \$15.12 per hour (remaining at 80% of the adult minimum wage) and the Government has set indicative rates of \$20 from 1 April 2021.



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Airbnb to Boarders: What's new for property owner's?

Renting your home or bach online?

If you rent a property for short stays (up to four weeks), you need to know your tax commitments. New rules announced last May come into force this financial year.

Here's what you need to know:

\$5,000

If your tax due at end of year is more than \$5000, you'll have to pay provisional tax instalments the following year.

\$60,000

If you earn more than \$60,000 a year from your taxable activities, you must register for GST. If you earn less than \$60,000 a year, you can choose to register for GST.

If you have the choice, think carefully about whether registering for GST is best for you. Once you're registered, there are ongoing requirements (such as recordkeeping, invoicing and filing returns) and when you sell your property or stop providing short-stay

accommodation you'll probably have GST to pay.

Unsure if being GST registered is the right way to go? Give us a call for advice.

Hosting boarders at your place?

You need to choose between the standard-cost method and the actual-cost method to work out the income you make from boarders so you know how much tax to pay.

- The standard-cost method keeps things simple because when your income from a boarder is equal to or below standard costs, it's tax exempt. You can also claim standard costs instead of claiming on actual expenses. The weekly standard cost per boarder has just been changed to \$186/week for the 2019/20 tax year. What does it include? Food and household bills, gifts, and entertainment and activities you provide for your boarder. You'll also need to calculate your annual hosting and transport costs.
- Five or more boarders? You have to use the actual-cost method. Up

to four boarders? You can choose to claim actual costs instead of standard costs. Under the actual cost method all your income from the rental is assessable income and must be declared. To use this method, you need to:

- ~ Keep full records of your actual income
- ~ Keep full records of your expenses
- ~ Fill out an IR3 annual tax return to return income and claim actual expenditure incurred.

If you don't complete a return of income by the due date for filing, IRD will assume you picked the standard cost method.

Either way, keep your records!

Because you may not know until the end of the tax year whether you'll want (or be able) to use the standard-cost method, make sure you keep full records. Jot down the number of weeks you had boarders, the total income from boarders, cost of capital improvements or rent paid, kilometres you traveled transporting them, and any other related expenses.



Debt forgiveness

If you are going to forgive a debt, for example a parent forgives a debt to a child, document it properly to ensure it is a valid forgiveness.

Consult your solicitor.
This is not a do-it-yourself job.

Claiming Vehicle Expenses

If you have a vehicle that is only used for business, you can claim the full running costs as a business expense. If you use your vehicle for both business and personal trips you will need to work out how to allocate costs correctly. There are two ways to do this – keeping a logbook or adding up the actual costs. If your vehicle is petrol, diesel, hybrid or electric you can use either method. You need to continue to use one method for as long as you own the vehicle. If your vehicle isn't petrol, diesel, hybrid or electric then you must use the actual costs method.

Logbook

You can keep a logbook to find out how much you usually use the vehicle for business. Use our kilometre rates to calculate the deduction for costs and depreciation for the business use of your vehicle.

When self-employed people use kilometre rates, GST does not need to be considered. Kilometre rates include depreciation. If you use this method, you will not have a separate depreciation deduction or recovery of depreciation.

Using the Tier One and Tier Two rates

The Tier One rate is a combination of your vehicle's fixed and running costs. Use the Tier One rate for the business portion of the first 14,000 kilometres travelled by the vehicle in a year. This includes private use travel.

The Tier Two rate is for running costs only. Use the Tier Two rate for the business portion of any travel over 14,000kms in a year.

Using Tier One and Two rates for employee reimbursement

If you're an employer, you can use Tier One and Tier Two kilometre rates to get a reasonable estimate of expenditure. This will help reimbursing an employee who has business-related use of the vehicle. Your employee will need a record showing their business-related use of the vehicle over the income year, such as a logbook. You then use it to calculate the exempt portion of reimbursement using the kilometre rates we've set. For example, use the Tier One rate for the business portion of the first 14,000 kms (total) travelled by the vehicle in the income year, and then the Tier Two rates after that.

Actual costs

You can keep track of the actual costs of running your vehicle and treat these as a business expense. You need to keep accurate records including details of private and work-related expenses. These expenses could be buying petrol, getting a Warrant of Fitness, paying for maintenance, insurance, and parking. Your records need to show the reasons for all business travel, and the distances of all journeys. You can also claim a deduction on any depreciation loss for the business use of your vehicle.

Wage Subsidy

Inland Revenue is not administrating the wage subsidy. If you would like more details about these, please refer to:

www.workandincome.govt.nz/covid19support

Here is some information about the tax treatment of the wage subsidy:

- It is not subject to GST. An order in Council is currently being drafted to treat it as exempt (Section 5(6E)(B) (iii) GSTAct)
- The wage subsidy paid to the employer is not taxable. It is excluded income under Section CX 47 Income Tax Act.
- It is not deductible when paid by the employer as part of wages to employees
- It is taxable for the employee. It is included as part of their normal wages and subject to PAYE, Student Loan, Kiwisaver deductions etc.

Kilometre rates for business use of vehicles – from 31 May 2019

Vehicle Type	Tier One Rate	Tier Two Rate
Petrol or Diesel	79 cents	30 cents
Petrol Hybrid	79 cents	19 cents
Electric	79 cents	9 cents

Pay your taxes by cheque?

Five new ways to do it.

If you normally write a cheque to pay for your taxes, it's time to decide how you will pay in the future. As of 1 March 2020, the IRD will no longer be accepting cheques. By the end of the last financial year (June 2019), only around 5% of payments received by IRD were by cheque, so they made the call to phase them out.

Here are five faster, cheaper and safer ways to pay your taxes:

- 1: Pay securely by direct debit (see below) using a debit card or credit card through myIR. Login and register at www.ird.govt.nz
- 2: Make payments using online banking - contact your bank to find out how
- 3: Use credit or debit cards to make online payments at ird.govt.nz/pay
- 4: Visit Westpac and pay your taxes in person by EFTPOS or cash
- 5: If you're overseas, pay using a money transfer service. Search "make a payment" at ird.govt.nz

Direct debits in myIR

You can continue to pay IRD by credit card, debit card and online banking. But, after Easter 2020, if you choose to pay by direct debit in myIR from a new bank account a direct debit authority will need to be set up.

- This replaces the current process where you confirm you have signing authority on a bank account by ticking a box when you set up the payment.
- Setting up the authority is a one-off process and will need to be set up separately for each new bank account

before a direct debit payment can be made.

- We will no longer be able to initiate a direct debit payment for our clients to approve in myIR. If you want to pay IRD by direct debit, you'll need to set up an 'authority' for your own bank account in myIR
- We can continue to pay by direct debit for a client if we have signing authority on the bank account being used once we have set up the authority in myIR.



ACC are moving away from cheques

As of 1 March 2020, ACC stopped accepting cheques as payment from business customers who are able to pay by alternative payment options and any refund will be paid automatically into your nominated bank account.

You can update your bank account details in myACC for Business. ACC also offers a Direct Debit option to pay over 6 months with no interest charges. Also having a direct debit signed ensures you won't be late with payments and risk losing cover. This especially applies to CoverPlus Extra.

CoverPlus Extra is going online

CoverPlus Extra customers will be able to renew their policies online through myACC from March 2020.

10 inspirational podcasts for the busy business owner

Spend a bit of time commuting or travelling for work? Podcasts are the new radio. Here are 10 free series that will educate and entertain whether you're going long distance on a sales trip or stuck in city traffic. Find them on the author's website, Spotify or iTunes.

TED Talks are super popular and there are thousands to choose from. Top picks include Simon Sinek and Brene Brown.

Lewis Howes School of Greatness: Downloaded over 4 million times a month, hear interviews with world-class game changers in entrepreneurship, health, athletics, mindset, and relationships.

The Bite-Size BizRoom: 15-minute podcasts with business advice you can easily action to grow your business.

The Mike Dillard Podcast: Captivating interviews with inspiring leaders to help you fulfill your potential.

The Happiness Lab: Surprising and inspiring stories based on the

latest scientific research that will change the way you think about happiness.

Building a Storybrand: Donald Miller has helped thousands of businesses grow by getting them to clarify their marketing messages.

How I Built This: Guy Raz dives into the stories behind some of the world's best-known companies. Hear about innovators, entrepreneurs and idealists — and the movements they built.

The Mindset Mentor: 10-20 minute podcasts designed to give small business owners a motivational boost.

Goal Digger: A live workshop-style podcast to help businesspeople redefine success, chase bolder dreams and tackle their biggest goals.

RISE is a series of bold conversations with business powerhouses and personal development leaders that offers real-life valuable takeaways.

11 Tips to get Paid Faster - Get out of the Office Quicker

The more strategies you can employ, the faster you can get paid and get on with your cash flow

- Ask your customer which date they prefer their invoices
- Make it easier to pay you by offering several ways to pay
- Keep communicating
- Use cloud based accounting services - "your people can talk to their people"
- Invoice on time
- Have a great relationship with your customers
- Punish and reward - early payment discount, late payment fees
- Assess and change your invoicing model
- New customers - get payment up front
- Offer a payment plan

If your customers are still taking too long to pay talk to us today to see how we can speed up your cash flow

Snail Mail

We are finding the mail service is not as timely as it once was and NLA invoices and tax notices are taking sometimes over a week to reach clients.

Please email our office on info@nla.net.nz or contact Janet or Kristine by phone, if you would prefer to receive your invoices and tax notices by email.



Key tax dates — April 2020

DATE	CATEGORY	DESCRIPTION
6 April	PAYE	Large employers' payment due. File employment information within two working days after payday.
7 April	FBT	FBT return and payment due if payable on an income year basis. *
7 April	Terminal tax	Terminal tax for the year ended 31 March 2019. *
20 April	PAYE	Small and large employers' payment due. File employment information within two working days after payday.
20 April	RWT	RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during March.

* The terminal tax date applies for businesses with a March balance date and for clients for whom we prepare accounts and tax returns. Different dates will apply for clients who have different balance dates.

Covid-19 Update

The NLA offices are now closed due to Covid-19. We are continuing to work remotely and are available to assist you with any queries you have.

Please contact the office on 06 357 0640 or email info@nla.net.nz and someone will respond to you as quickly as we can.

Stay safe!



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