



Graham Brown & Co Ltd

CHARTERED ACCOUNTANTS

Email: info@grahambrown.co.nz

Website: www.grahambrown.co.nz

December 2015

CHRISTMAS OFFICE HOURS

We wish to advise that our office will be closed from 4:00pm, Wednesday 23rd December 2015. We will be re-opening on Monday 11th January 2015. If you have any queries over the Christmas Break, you can contact the partners as follows:



Brendon Hunt Brendon@grahambrown.co.nz
Phillip Price 027 249 6354
Debbie Gisby 021 447 297

ANNUAL LEAVE & CASUAL LABOUR

As the holiday season approaches, it is timely to remind employers of their obligations for annual leave and casual labour.

Annual leave payments are calculated at the greater of the ordinary average weekly pay at the time the holiday is taken or the employee's average weekly earnings over the twelve month period before the annual leave is taken.

Child support, Kiwisaver and student loan deductions continue to be deducted at the normal rate from an employees holiday pay.

Employees are entitled to two weeks of their annual leave as uninterrupted annual leave. Employers are entitled to determine when annual leave is to be taken.

Further, if your business has a 'closedown' or 'shut' period that includes public holidays (such as Christmas or New years), employees are entitled to be paid for the public holidays if it would otherwise be a working day for the employee.

Casual employees are required to complete a tax code declaration form and be taxed through the payroll system. If the contract is less than 28 days, the employee will not be automatically enrolled in Kiwisaver. Unless you have received an exemption certificate, student loan deductions are required where applicable.

If you have any queries regarding your wages for over the holiday period, please contact Rina in our office.

STAFF NEWS



Congratulations to Laura who has recently been admitted to the Chartered Accountants Australia and New Zealand institute as an Accounting Technician and to Timatanga who has successfully completed his Accountancy degree. Both Laura and Timatanga joined Graham Brown through the professional apprenticeship scheme and we commend them on their outstanding achievements!!

We wish Amy S, Erin and Jess all the best as they begin maternity leave over the next month. Lavinia is currently covering Amy on reception. We welcome Selina to the team to cover Erin's role in conjunction with Rina. Jess's clients will be advised in due course of their back up manager whilst she is away.



ENTERTAINMENT EXPENDITURE

With the festive season imminent, we remind you that deductions for "entertainment expenditure" are generally limited to 50% of the cost incurred. There are however a number of exemptions which may enable you to claim a full deduction.



Below is a summary of the deductions available:

Activity	Deductible		Subject To FBT
	50%	100%	
Morning & Afternoon Tea	No	Yes	No
Taking clients (existing or potential) to lunch	Yes	No	No
Friday Drinks, Christmas Party	Yes	No	No
Gift Baskets *	No	Yes	Yes
Dinner out of town (no client present)	No	Yes	No
Overseas travel, including meals with clients **	No	Yes	No
Meal Voucher (as an award) *	No	Yes	Yes
Meal Allowance paid to staff working overtime	No	Yes	No

* Although the expenditure falls within the FBT rules, FBT generally will only be payable if the \$1,200 per employee (max \$22,500 per employer) is exceeded.

** Refer to our July 2014 newsletter or alternatively please contact us for more information on the deductibility of travel expenditure.



Telephone Extensions

A reminder that staff can be reached directly on the following extension numbers:



Putaruru Office - 07 885 1022

Reception	0	Richard	735
Jessica	741	Rina	708
Julie Gray	742	Selina	743
Julie Still	725	Shannon	714
Kimberley	746	Timatanga	737
Linda	747	Tinika	727

Tokoroa Office - 07 886 7099

Reception	0	Robyn	209
Carol	221	Sally	213
Jasmine	210	Wiki	212

Professional Apprenticeship

Graham Brown & Co are looking for the next young rising star to join us as a cadet. If you are a student and interested in finding out more please call into our office or contact Richard Rutgers on 07 885 1022 or email Richardr@grahambrown.co.nz.



Brendon J. Hunt B.M.S., C.A.
Director

Phillip G.E. Price B.Bus, C.A.
Director

Debbie A. Gisby B.Bus, PGDipAcc, C.A.
Director



PROPERTY & IRD NUMBER RULES

There have been a number of legislative changes in relation to property ownership and IRD numbers this year.

From 1 October 2015, when buying, selling or transferring New Zealand property the following legislative requirements apply:

- NZ citizens and residents, unless the property is their main home, must provide an IRD number and a taxpayer identification number from any other countries where they have to pay tax on their worldwide income.
- Offshore people/entities must supply an NZ IRD number and a taxpayer identification number from any other country where they currently have to pay tax on their worldwide income.
- People transferring property owned by a trust cannot apply the main home exemption and must provide an NZ IRD number for the trust. This may require trusts to apply for a non-active IRD number if they don't already have one.

In addition, from 1 October 2015 offshore people/entities must have a fully functional NZ bank account before they are eligible to apply for an NZ IRD number.



A new "bright-line" land sale test for residential land has also been introduced from 1 October 2015. This test means that gains from the disposal of residential land acquired and disposed of within two years will be taxable, subject to some exceptions. The exceptions apply to a person's main home, non-residential land (business premises or farmland), and inherited property. There is also relief for property transferred as a result of a relationship property agreement.

If you have any concerns regarding the application of these rules, we encourage you to talk to us as soon as possible.

RENTAL PROPERTY INSULATION

Proposed new government rules require landlords to insulate rental properties. For many older houses this could be a significantly costly exercise. Unfortunately, the legislative requirement to install insulation and incur expenditure does not determine whether the expenditure is deductible or capital. From a tax point of view, there are two alternatives:

1) Insulation Top-Up – this applies where there was previously insulation in the house but it has deteriorated and is no longer effective. The cost of the replacement insulation is deductible as the property is being restored to its former condition.

2) New Insulation – this applies to houses which have never been insulated. The cost of this insulation is capital/non-deductible as the installation is improving the house and changing its character.

If you are unsure whether any specific costs will be tax deductible, please contact your client manager or partner to discuss.



FBT INTEREST RATE

The Inland Revenue Department's prescribed rate of interest for low-interest, employment loans has been further reduced from 6.22% to 5.99% for the quarter beginning 1 October 2015.

MERRY CHRISTMAS

*We would like to take this opportunity to thank all our clients for your continued support and business.
We wish you all a very Merry Christmas and a Happy New Year.*

CHAINSAW ALLOWANCES

Chainsaw allowances paid to employees are not always tax free. Allowances can be classified as either "benefit allowances" or "reimbursing allowances" and the tax treatment depends on this classification.



A benefit allowance is an allowance paid by an employer to compensate an employee for the conditions of their service, such as using dangerous equipment. This type of allowance is taxable to the employee as employment income and subject to PAYE.

A reimbursing allowance is an allowance paid by an employer to an employee for operating expenses that the employee incurs or is likely to incur in connection with their employment. This allowance is not a reimbursement for actual costs. This type of allowance is tax free where it covers operating costs incurred by an employee in connection with their employment on a chainsaw owned and operated by the employee, or on a chainsaw owned by the employer and operated by the employee.

For chainsaws, reimbursing allowances need to be a "reasonable estimate" of the expenditure likely to be incurred by an employee for operating expenses such as interest, insurance, repairs and maintenance, bars, consumables, and depreciation.

In summary, benefit allowances will always be taxable whereas reimbursing allowances may be exempt from income tax if the required conditions are satisfied.

IRD FOCUS ON UNDECLARED CASH JOBS

Inland Revenue are currently focusing on compliance regarding a taxpayer's obligation to declare all income including cash jobs when filing GST and income tax returns. Inland Revenue have a strong view on cash jobs – "undeclared cash jobs is tax crime". They are getting smarter at finding people who are not declaring all of their income and the consequences of being caught can include tax penalties or criminal conviction that could lead to prison. Clients have an obligation to maintain records of cash jobs and provide us with the details for your GST returns or with your annual questionnaire.

Tax Calendar

21st December 2015

- Employer Deduction returns and PAYE payments due
- RWT returns and payments due

15th January 2016

- GST returns and payments due for the period ended 30th November 2015
- 2nd Provisional Tax due for March balance date clients
- 1st Provisional Tax due for May balance date clients with 6 monthly GST registrations

20th January 2016

- Employer Deduction returns and PAYE payments due
- RWT returns and payments due

28th January 2016

- GST returns and payments due for the period ended 31st December 2015

