

laydoddnews

Autumn 2014



2014 YEAR END CHECKLISTS

are available from our website at:

<http://www.laydodd.co.nz/accounting-tax-facts/auckland-tax-services/>

Please contact us if you would like us to post out your checklists

Tax planning strategies for year end

1. Consider pre-paying certain expenses

Some expenses can be pre-paid in March and claimed as a tax deduction in the year to 31 March 2014, regardless of their amount. These include stationery, postage and courier charges, vehicle registration and road user charges, rates, subscriptions for papers or journals.

Other expenses have limits on the extent to which they can be claimed if pre-paid, including rent, consumables, insurance premiums, professional or trade subscriptions, travel and accommodation, and other services. The rules surrounding prepayments are quite complex, so if you are planning this type of expenditure, please contact us.

2. Trading stock

Trading stock (excluding livestock) must be valued at the lower of cost or realisable value. General adjustments for obsolete stock are not acceptable to Inland Revenue, so it's important to perform a physical stock take at year end and actually dispose of any obsolete lines or alternatively write that stock down to its net realisable value.

Clients with an annual turnover of less than \$1.3m can value their closing stock at the opening stock value, but only where closing stock can be reliably estimated to be less than \$10,000.

3. Write off any bad debts

To claim a deduction for a bad debt you need to physically write the debt off in your debtors' ledger prior to the end of your financial year. There should also be evidence that you have taken reasonable steps to recover the debt prior to writing it off.

4. Employee expenses

Any amounts owing to employees at year end (such as holiday pay, bonuses, long service leave, redundancy payments) can be claimed for tax purposes in the current year as long as they are paid within 63 days of balance date.

5. Review last year's fixed asset register

The book value of assets can be written off for tax purposes if the asset is no longer in use by the business, the business has no intention of using that asset in the future and the cost of disposing that asset is expected to be greater than the proceeds from its sale.

6. Income

Review any credit notes issued to customers following balance date that can be applied to the year ending 31 March 2014. By doing this, you will be entitled to effectively reduce your current year's taxable income.

Control ACC through dividends

Your ACC levies are based on the salary you take out of your business for the year. If you swap the salary for a dividend, there's no ACC to pay. The downside of this is that if you get injured, there's no ACC payout.

There's a fair bit more to it than this, so give us a call and we'll talk you through it. For example, you might be better off arranging private cover and reducing your ACC bill. Please call us to discuss your options.

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 funds in Australia into Kiwisaver won't be taxed in NZ 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 NZ 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.



Student Loan 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.

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