

laydoddnews Autumn 2019



2019 YEAR END CHECKLIST

is available from our website on 31 March 2019 at:

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

Please contact us if you would like us to post out your checklist.

The checklist is designed to help us limit the questions we have to ask you at a later date.

Once your records are gathered together, please send to our office or email us.

CAPITAL GAINS TAX

The Tax Working Group has recommended the Government implement a capital gains tax (CGT).

From our perspective, this is in debate form only and will require adjustment before the electorate will accept such a regime.

Quick Read

The key report recommendations:

- Capital gains tax to apply after the sale of residential property, businesses, shares, all land and buildings except the family home, and intangibles such as intellectual property.
- Tax rate to be set at the income-earner's top tax rate, likely to be 33 percent for most.
- Tax to be applied to gains made after April 2021.
- Art, boats, cars, bikes, jewellery, personal household items and family home to be exempt.
- Losses on the sale of assets bought before April 2021 will generally be able to be used to reduce paid on gains from other assets.
- Residential home on farms and surrounding land up to 4500 sq. metres exempt from CGT, calculated as a percentage of total farm value.
- CGT on small businesses can be deferred (roll over relief) if annual turnover is less than \$5 million and sale proceeds are reinvested in similar asset class.

The Government has said that if it does decide to impose Cullen's CGT, it would set legislation in place but not come into effect until after the next election.



Bright-line Test – Sale of Subdivided Section

A sale of a subdivided section from a residential property sold within the bright-line period is excluded from the bright-line test when:

- More than 50% of the area of the land in the subdivided section has been used as the seller's main home;
and
- The seller has used the land as their main home for more than 50% of the time that they have owned it.



ESSENTIAL HOUSEKEEPING FOR END OF YEAR

- **Stock:** Dispose of obsolete trading stock by 31 March or write it down to net realisable value (lesser of cost or market value). If the stock is worth less than \$10,000 and your turnover is less than \$1.3m for the year, you can use the value of opening stock as your closing stock.
- **Credit Notes:** Credit Notes issued to customers after 31 March may be applied to the previous year, potentially reducing the current year's taxable income.
- **Debtors:** Have you taken reasonable steps to recover bad debts? If so, and you write them off before 31 March, you may be able to claim a deduction.
- **Employee Expenses:** Amounts owing for holiday pay, bonuses, redundancy payments, long service leave etc. can be claimed, if you have committed to them at year end and they're paid within 63 days.
- **Expenses:** Can you pre-pay any expenses before 31 March? You may be able to claim for them if you meet certain conditions. Examples include stationery, rates, insurance. Only a select few items apply.
- **Fixed Assets:** Do you have any that are no longer usable or obsolete? If so, the book value may be able to be written off.
- **Planned Maintenance and Repairs:** If any significant maintenance or repairs are due, bring this forward to get an early tax deduction.

END OF YEAR INCOME TAX PROCESS FOR INDIVIDUALS

What will the proposed changes mean for end-of-year tax?

Individuals who receive salary and wages only and/or interest from the bank will now have their tax automatically calculated by the IRD.

These individuals will no longer need to request Personal Tax Summaries or file Tax Returns in order to claim tax refunds.

However, this also means people who have never had to deal with the IRD before will start receiving letters from the IRD advising of tax to pay or refund.



DONATIONS

IRD are making improvements to the claim process for donation tax credits, which will give you the option to submit receipts online during the year. This will help you avoid missing out on a refund for donations if, for example, at the end of the year you are unable to find all your donation receipts and run out of time to get a copy. Refunds will still be issued at the end of the year.



BEWARE OF TAX RELATED SCAMS

IRD will never send you an email requesting you to confirm, update or disclose confidential details through an unsecure channel such as email.

If you receive a suspicious communication of this nature, do not respond to it or follow any links. Forward it to phishing@ird.govt.nz

For more information about protecting your identity, visit Inland Revenue's website and keyword search SPAM. Alternatively, you could visit either the ID Care or Netsafe websites for further guidance.



7 April Terminal Tax Instalment Reminder

2018 Terminal tax is due for payment no later than **Monday, 8 April 2019** being the next working after 7 April.

Emails or letters to applicable clients have been sent during March. If there is any difficulty in meeting the payments, please get in contact with us by 5 April .

"It's time to switch to payday filing"



PAYDAY FILING

Remember, the law has changed.

Employers that haven't already switched to payday filing must do so by

1 April 2019. For guides, videos and more information check out payday filing on the IRD website at www.ird.govt.nz

Disclaimer

This publication has been carefully prepared, but it is 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.