

## TAXTALK

### Do you provide accommodation & meals to employees?

New rules, effective from 1 April 2015, clarify the tax treatment of accommodation and meals you provide to employees. The rules also cover allowances paid to reimburse employees for accommodation and meal expenses. Some employers can backdate the new rules to January 2011 for accommodation and 1 April 2011 for meals, if they meet certain conditions.

#### Key changes

Accommodation and accommodation payments are tax-exempt for employees:

- On out-of-town secondments for up to two years
- On capital projects for up to three years
- Who work at multiple workplaces on an ongoing basis
- Who attend meetings, training courses or conferences as part of their job.

Some employees have longer tax-exempt time periods. Specific rules apply to:

- People working on Canterbury earthquake recovery projects
- New Zealand Defence Force personnel
- Ministers of religion
- People working overseas

Meals and meal allowances are tax exempt for employees:

- On work-related travel for up to three months
- Who attend meetings, training courses or conferences as part of their job.

#### What you need to do

Employers must ensure they tax their employees' accommodation or meals correctly. Receiving accommodation or meals can affect their employees' Working for Families Tax Credits entitlements, child support payments and student loan obligations. Please tell any of your employees who may be affected.

#### Find out more

The IRD will have an online decision tool available on their website from 1 April 2015 to help you work out whether the accommodation or meals you provide are taxable.

In the meantime, go to [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: employee allowances).

You can email the IRD at [accommodations@ird.govt.nz](mailto:accommodations@ird.govt.nz) if you have any questions about backdating, requesting amendments or voluntary disclosures or relating to specific cases.

#### in this issue >>>

- Do you provide accommodation and meals to employees?
- Online instalment arrangements save time and money
- Take care when setting remuneration
- Working for families
- First home buyers
- Companies Amendment Act 2014
- Get in first with terms to avoid embarrassment
- Understanding grace periods

# Online instalment arrangements save time and money

With 7 April just around the corner and the New Year just behind us, you may be concerned about meeting your tax payments. If a payment can't be made in full on or before the due date and you have exhausted other options to find the money, paying by instalment might be the best solution.

The Inland Revenue Department's online instalment proposal service lets you make a repayment proposal in the comfort of your own home or office, whenever it suits. All you need is your IRD number and financial information, like the tax amount, the date it's due, your income details and why you can't pay the amount in full.

You then simply offer to repay the amount either by:

- a lump sum at a later date, or
- Recurring payments until the debt is cleared, or
- A combination of lump sum and recurring payments.



The repayment offer needs to be reasonable or the IRD won't accept it. It also needs to be affordable for you. The IRD don't want you to not be able to clear the debt because you've put too much financial pressure on yourself.

Setting up an instalment arrangement online before a tax debt is due will save you time and may save some penalties being added.

## Take care when setting remuneration



Rules exist to stop people paying too much salary or profit share to a family member, as a way of paying less tax.

Make sure any income you want to allocate to a relative, working in your business, can be justified.

If you get caught paying amounts you can't justify, the IRD can reallocate the income. In most cases the consequence will probably be a Use of Money Interest charge going back three or four years and potentially penalties.

For small companies, the company income is increased by the amount deemed excessive and the shareholder is deemed to have received a dividend, with no Imputation credits attached.

A defence against excess remuneration in a partnership or Look Through Company is to have an agreement, which must comply with these rules:

Be in writing and signed by all partners.

Binding for at least three years.

All partners or owners must be over the age of 20 when the contract was signed.

For partnerships, each partner must have control over their share of profits and be liable for their share of losses.

## Working for families

Tougher new rules to determine family income started from 1 April 2014.

The objective is to include in family income anything received regularly which is used to meet regular living expenses. For example, if you take a lower salary and get a car in lieu, the salary reduction has to be included in family income. Similarly, the legislation is designed to stop people sheltering their income in a company or family trust.

The list of adjustments is long and the rules are complicated. If you have a claim for Working for Families, the IRD will need more information from you. If you download form IR 215 from the Inland Revenue website, you'll get a good idea of what they need to know. You'll also find a calculator on the IRD website.

# First home buyers

From 1 April 2015 you'll be able to draw all your money out of your KiwiSaver account, except the Government's kick-start payment. That includes the annual government subsidy and employer's contributions. On top of this, you may take a holiday from making KiwiSaver contributions if you wish. Be aware there will be no employer subsidy or government contributions while your payments are stopped.



## Companies amendment act 2014

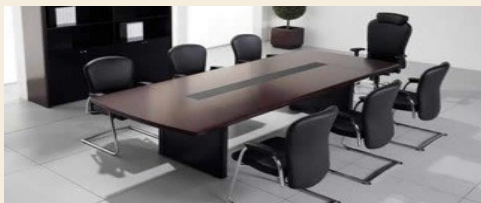
From 1 July 2015 annual returns filed for New Zealand companies will have to meet new compliance obligations set out in the Companies Amendment Act 2014.

This means that you will have to provide some additional information consisting of:

- the date & place of birth of every director (these will not be publicly available)
- details of the Ultimate Holding Company, if applicable

By 28 October 2015 all New Zealand Companies must have at least one director who:

- lives in New Zealand; or
- lives in Australia & is a director of a company incorporated in Australia.



*question time >>*

**Q: Do I need a Will?**

**A: Yes, you must have one – read more below**

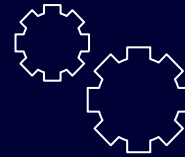
If you die without a will you are said to be intestate. If you have an interest in land or more than a small amount of cash, then what happens is governed by the Administration Act 1969 which sets out a statutory distribution according to a specific formula in different cases.

For example, if you are married with children the following formula applies:

- Spouse receives personal chattels
- Spouse receives a prescribed sum (Currently \$155,000)
- Spouse receives one third of what is left
- Other two thirds is held equally for all children.

The above is just an example; other formulas apply in other situations - none of them very satisfactory

Contact your lawyer to ensure you are protected.



### TAX SOLUTIONS

Did you know you can have your own log-in to the IRD website to view your tax records?

Go to [www.ird.govt.nz](http://www.ird.govt.nz) and in the top right hand corner click on register to get your own log-in with IRD.

Follow the steps and once you have been approved you will be able to view your different tax types, payments made, upcoming payment dates etc.

You will also be able to view your Kiwisaver details as well.



### WEB SOLUTIONS

Would you like to be able to record all of your businesses phone calls for whatever reason?

2Talk offers such a service. With 2Talk you have your own log-in to their website where you can view all details of phone calls made into and out of your business and are able to listen to a MP3 recording of every phone call.

This is a great way to help train your staff with their telephone etiquette. Go to [www.2talk.co.nz](http://www.2talk.co.nz) for more details.



### PROHUB SOLUTIONS

Looking for a way to record notes with customers who are slow payers and want a reminder system so that you can follow them up if they're not paying? Prohub Online offers you such a solution. Prohub Online allows you to create notes of phone calls with slow payers and then allows you to allocate a follow-up date and follow-up person so that they get regular reminders that you want your money. Visit our website to find out how Prohub online can help your business prosper.

## Get in first with terms to avoid embarrassment

Recently, a health professional was invited to deliver a speech. He assumed, as it was part of his professional activity, he would be paid.

When he finished, the organiser rose to thank the speaker and gave him a small gift in appreciation for his time. The speaker was furious.

What did he do wrong? He should have set out his terms in writing and asked the organisation to confirm this was acceptable before he spoke.

When a customer doesn't want to pay for your services after the event, it's you who's in trouble unless you have a signed agreement on terms. Always get your terms of trading to the customer, including the basis on which you're going to be paid, before you tackle the assignment. A signed agreement reduces the risk of a misunderstanding later.



### Quick Quote

The best executive is the one who has sense enough to pick good men to do what he wants done, and self-restraint enough to keep from meddling with them while they do it. ~ Theodore Roosevelt



## Understanding grace periods

- Grace periods apply to all tax types registered under any IRD number or entity, except child support, student loan repayments, donation tax credits and any late paid provisional tax instalments. They are calculated per customer not tax type and cover all eligible taxes due on the same day.
- Grace periods are considered when remission requests are made but use-of-money interest (UOMI) remains payable.
- If you deal with entities that have several divisions or branches, ie, multiple IRD numbers, the entity is eligible for only one grace period across the whole entity.

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TAX AND BUSINESS ACCOUNTANTS

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