

TAX TALK



Help for your Business during the COVID-19 Omicron Outbreak

Money to keep your business running

The Government has announced 3 fortnightly COVID 19 Support Payments, with the first payment opening for applications at 8am on 28 February 2022. The amount of each payment is \$4,000, plus \$400 for each employee (up to 50 employees). You will need to apply for each payment.

To get the first payment you will need to show income is 40% lower in a 7-day period any time from February 16, compared to a typical week between 5 January 2022 and 15 February 2022.

For the second and third payments, the dates where your income needs to be lower are still to be decided.

More information will be available on the Inland Revenue website at ird.govt.nz/csp

Removing penalties and interest on late tax payments

If you paid your tax late because you were affected by COVID-19, Inland Revenue can remove (remit) the penalties and interest that were charged. This is often done automatically. Send Inland Revenue a message in your myIR account at ird.govt.nz if need to question this.

More time to pay your tax

If you are not able to pay your tax on time because of COVID-19, you can pay it off over time. This is called an instalment arrangement, and you can set it up in your myIR account at ird.govt.nz or by calling Inland Revenue on 0800 227 774.

If you tick the box saying you have been significantly affected by COVID, IRD will remove any penalties and interest from your recent tax bills. The tax must be paid by 7 April 2024 to reduce interest and penalties.

If you need more help than this, get in touch with Inland Revenue.

They may be able to agree a longer payment plan, or in some cases write off some of the tax

Low or no-interest loan

If your income was 30% lower recently than it was the year before, you might be able to get a loan from the Government's Small Business Cashflow Scheme (SBCS). This could be for up to \$10,000, plus \$1,800 for each full-time employee up to a maximum of \$100,000. This amount will soon increase by \$10,000.

Soon you will be able to choose to borrow the whole amount at once, or in up to 4 separate withdrawals taken out before the end of 2023.

You have 5 years to pay it off. The first 2 years will be interest-free, after that the interest rate is 3%.

You can find more details at ird.govt.nz/sbcs and apply for an SBCS loan in your myIR account at ird.govt.nz

Changes to existing loans

If you already have a loan some changes are coming by the end of March.

If you have kept to the terms of the existing loan, you will be able to apply for a top-up loan of an additional \$10,000. Plus, if you did not borrow the full amount you were able to in your existing loan, you will be able to add this amount to your top-up loan. The top-up loan will have a new 5-year repayment period, with the first 2 years being interest-free. You can borrow the whole amount at once, or in 4 separate withdrawals taken out before the end of 2023.

All SBCS Loans, new and existing, will be interest-free for 2 years, as long as you keep to the terms of the loan.

More information will be available on the Inland Revenue website soon at ird.govt.nz/sbcs

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On Track for Tax – Business Health Check

On Track for Tax – Business Health Check - Inland Revenue pilot initiative

Inland Revenue has a continued commitment to enabling customers to get their tax and social policy obligations right from the start. To support this focus, IRD have identified further opportunities for them to proactively engage with new business customers in the early stages of their business lifecycle.

On Track for Tax is a suite of interventions designed to support recently registered business customers. This initiative focusses on providing proactive support and education, not policing. It is initially being run as a pilot which will be monitored and evaluated for IRD to understand benefits and outcomes for future application.

The pilot will start in February 2022. Through this initiative, they will:

- Promote the benefits of engagement with a tax agent or bookkeeper
- Offer guidance and support to newly registered businesses during the first two years of operation
- Have meaningful discussions, talking with customers about their business and how they are doing
- Engage early so customers feel comfortable and empowered to reach out when they need to
- Support and encourage businesses to find solutions to address issues before they become unmanageable

Activities proposed in the pilot are as follows:

SMS campaign Undertaken February to April 2022 – three separate messages, wording below:

'Hi IRD here. With a growing business, you may want to work with a tax agent or bookkeeper. We are also here to help; our seminars are at ird.govt.nz/events'

'Hi IRD here. If you are new to GST or employing staff, we have some great resources for you at ird.govt.nz/gst or ird.govt.nz/employing-staff'

'Hi IRD here. We know that as a young business you have a lot on your plate. For all you want to know go to ird.govt.nz/starting-a-new-business'

Early business health checks

Commencing from March 2022 occurring at the 4-month, 6-month and 12 to 18-month mark after a new GST/EMP registration.

These are outbound phone contacts to the same customers who were included in the SMS campaign group. Pre-checks prior to contact will give the IR staff member an indication of what to discuss with the customer, ensuring contacts are tailored to each business' specific needs.

Test groups will potentially include clients of tax agents or bookkeepers. IRD will discuss the benefits of engagement with an intermediary with any customers who are not already linked to one.

For customers who are linked to a tax agent or bookkeeper, IRD will recommend they engage with their intermediary should they need more in-depth assistance. IRD will promote how beneficial and important quality advice is for a new business or registrant.

There are some customers who will be excluded from the test group i.e. case managed, under audit, GST/EMP already ceased, have an IR appointment booked etc.

Throughout the pilot IRD will be monitoring and evaluating outcomes, this includes a comparison of a control groups journey through their first 18 months post new registration, compared to our SMS/contact group. This will enable IRD to tailor the pilot if needed as it progresses and measure overall success for discussions around future ongoing implementation.

Get the Accounts sorted now

It's time to tidy up your accounts ready the end of the tax year. You need to consider the following points:

- Write off bad debts before year end. It is not permitted to backdate a claim for a bad debt write-off performed after balance date. Leave a trail of evidence of when you performed the write-off. If your business is very small and you control your debtors by keeping a file of copies of unpaid invoices, write on the copy "written off on (date)" and add your signature.
- At the end of the last day of the financial year, those who use a kilometre rate to claim for car running expenses need to get an odometer reading. Put a reminder in a place where you will not miss it.
- Small assets costing \$1000 or less can be treated as expenses. If you buy more than one at the same time and they have the same depreciation rate, you need to add the amounts together for the purposes of the threshold.
- Bigger income earners – those who pay \$60,000 or more tax per year – should consider whether their incomes have risen significantly. If this is the case, they could save themselves Use of Money Interest, charged at 7 percent, by increasing their third instalment of provisional tax (7 May 2022 for March balance dates). You will hit the

\$60,000 threshold at \$204,820 of income, assuming no income is taxed at source.

- If you need to keep a vehicle logbook, remember you are required to take a fresh three-months sample every three years. If the proportion of your business use has risen, you could do a fresh logbook earlier.
- Clients with a 31 March balance date should start organising their stock for stock-taking. All stock will need to be valued. If a line won't sell, you are entitled to value it at market value so long as you can show how you arrived at market value. It might be better to get rid of it in advance of balance date.
- Any maintenance carried out and incurred before balance date will normally be an expense so long as it does not add value to an asset, but rather brings it back up to standard.



We care about your Business Prosperity

Recent Court Cases for your Interest

Don't cut corners when caring for disabled people – WorkSafe NZ

Disability care providers do not need to sacrifice the dignity of those they care for to manage health and safety, WorkSafe New Zealand says.

Last year the service arm of the IHC New Zealand Incorporated, IDEA Services Limited, was sentenced after the death of an intellectually disabled person in its care. In October 2016 a service user drowned after being left alone in the bath.

Recent media coverage suggests some providers have ceased providing baths to those living with disability, citing health and safety as the reason. WorkSafe says this indicates the true lessons from that tragic incident are being missed.

“Providers not providing baths due to safety concerns suggests they’ve missed the point following WorkSafe’s successful prosecution over a tragic drowning incident,” says WorkSafe Chief Executive Phil Parkes.

“Providers are obligated to manage risks arising from work with disabled people and organisations can achieve this by having good systems, processes and capability in their work environments, rather than taking services away from their clients.

“WorkSafe rejects any suggestion that health and safety is a reason for withholding basic comforts from those living with disability. We don’t endorse this approach and urge those providers to consider how they can manage their obligations without impacting those people being cared for.

“Organisations with influence and control over how these service providers are funded and deliver services also have a legal obligation to contribute to effective health and safety. WorkSafe is working alongside these organisations to ensure they are meeting these obligations.

“WorkSafe acknowledges the health and disability system is experiencing significant workforce and resourcing challenges, exacerbated by COVID-19. We will continue to work with the sector to navigate these challenges, while requiring these organisations to step up and create better, healthier and safer work.”

A “she’ll be right” attitude is not good enough when it comes to health and safety

Health and safety should be paramount for adventure activity operators says WorkSafe New Zealand. What was supposed to be a 50th birthday celebration turned to tragedy, when two British tourists lost their lives in March 2019 while on a bespoke tour operated by a NZ Tourism Operator. As part of the tour, the group were set to undertake a coast-to-coast off-road driving component, led by the company Director. The victims were travelling second in a convoy of five vehicles, led by the Director, along a track on the Kakanui Ranges that had a steep drop off the right-hand side. The wheels on the right-hand side of their second vehicle (a side-by-side off-road machine) crossed the tracks causing the vehicle to over-balance and the two men to fall more than 80 meters. They died instantly.

A WorkSafe investigation found multiple health and safety failings by the NZ Tourism Operator and the Director. The business had no documented training processes and no operations manual in relation to the tour.

While the tour group had undertaken basic training before commencing the trip with the Director, WorkSafe’s investigation found that this training had only lasted around 15 minutes and the practice terrain in no way resembled the hazards that the group would face while on the tour.

While the adventure operator had assessed the terrain for the tour by helicopter, nobody had travelled the actual route in the off-road vehicles the group would be using. The off-road driving element of the tour was set to pass through a several high-country stations and Department of Conservation land. The Director had been explicitly denied access to the farmland that the fatal incident occurred on.

“Two men lost their lives as a result of accident and the Director’s failure to keep them safe. The impact on their families and friends will last forever and would have been avoided had the company and the Director not failed in the very basic duties required when people put their lives in their hands.” The NZ Tourism Operator was fined **\$595,000**.



WEB SOLUTIONS

Save on bookings

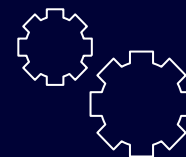
Savings can be made by avoiding online booking agents. We had it confirmed when we heard John had booked in a Queenstown hotel. A friend was going to be staying at the same place for a week, a few days later. John told the proprietor his friend was coming to stay. “Oh yes,” the proprietor said. “They have booked through an online booking agency. Tell them to cancel the reservation and rebook with me. I can save them \$500.” Which is exactly what happened.



DEBT REPAYMENT SOLUTIONS

Student Loan Repayment

Inland Revenue can reduce repayment obligations in the event of hardship. A borrower, who intends to go overseas, may request a temporary suspension of repayments. As they say, conditions apply.



TAX SOLUTIONS

Fringe Benefit Tax – annual registration

If your gross PAYE and ESCT is less than \$1 million you can apply to lodge annual fringe benefit tax returns instead of quarterly. Advantages:

- The \$300 limit per employee per quarter general employee exemption becomes \$1200 per year, enabling you to make gifts worth more than \$300
- Less administration

Property Rules: Repairs or an Asset?

Suppose you have a rental property and replace the carpet. Is the cost repairs or is it a new asset? Do the same rules apply to lino?

Determining how to treat some expenditure, particularly in relation to property, can be complex. The best thing to do is to provide us with full information about what you have done.

Some expenditure on property can be the creation of a new asset while other can be repairs or maintenance.

When considering repairs, Inland Revenue tells us to look at the asset. For example, if you buy some lino, you have to stick it to the floor of the house so it becomes part of the house. Therefore, if you replace the lino, the cost is fully tax deductible, because it is repairs to part of the house.

Carpet can be an asset in its own right, because it doesn't get stuck to the floor and could be pulled up and sold. Therefore, carpets could be either a separate asset and valued at the time you buy the house or it might have been ignored and therefore would form part of the house. If it has been treated as a separate asset and you replace it, you write off the old carpet and you depreciate the new carpet. If it has been treated as part of the house replacing it becomes repairs and is therefore fully tax deductible.



GST Changes are in the Wind

Inland Revenue proposes some GST changes..

Some businesses make supplies which are partly exempt from GST. It's going to be possible to get an agreement with Inland Revenue on the proportion, which can be treated as exempt.

Sometimes a business, which transports goods to and from New Zealand, also has to transport them through New Zealand. GST on the cost is zero rated. However, if a contractor is engaged to do this, zero rating does not apply. The law is to be changed. This will mean any cartage contractor performing this type of service will not be required to charge GST on that service.

Some people have to register for GST on income derived from assets which are used partly privately and partly for business. This is because the business income goes over the \$60,000 threshold for GST registration. A typical example can be a beach cottage. When it is sold the owner usually has to pay GST on the selling price. Currently the full capital gain is subject to GST with no allowances made for the private use of the asset – say 20 percent. So you might have a situation where the cottage is sold for \$1.15 million. A total of \$150,000 goes to Inland Revenue for GST. Under the new rules this will be reduced by \$30,000 to \$120,000. This change is to be backdated to February 2020.

Instead of having to get Inland Revenue approval for a buyer-created tax invoice, it is going to be sufficient to have an agreement between the registered buyer and the registered seller.

Note: none of this is law yet and could be changed

Quick Quote

The lesson of history is that you do not get a sustained economic recovery as long as the financial system is in crisis.
- Ben Bernanke

Telephone Tips

If the person answering doesn't recognise your voice, start by identifying yourself, including your business name.

If you leave a message, don't forget to mention your phone number. Not everyone will note it down even if you're using a cell phone. Say it slowly and repeat it.

When answering the phone, say who you are and state your business name.

Answer the phone quickly – no more than three rings.

Your voice reflects your mood. Be cheerful.

Talk clearly. Some people have difficulty hearing.



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