

XMAS ENTERTAINMENT & GIFTING

Let's look at the tax treatment of saying thanks to customers and staff typically with gifts, wining and dining. Inland Revenue's IR268 guide gives the following examples of where entertainment expenses are 50% deductible:

- Taking customers, suppliers and business associates out for dinner or putting on a function for them
- The traditional Christmas party for staff
- Shouting customers, suppliers and staff to an event, e.g. a rugby game or a show
- Taking them on a jaunt in your launch (running/hireage costs and food and alcohol)
- Giving them the use of your bach or time share apartment as a thank you gesture (the occupancy costs)

We've been asked 'why only 50% deductible?' Apparently it's because we get some personal enjoyment or benefit from quaffing a wine and tucking into a steak (too right!). In lieu of a Christmas party you may give your employees restaurant vouchers to use at their discretion. This cost is fully deductible but is subject to fringe benefit tax (FBT), although there is an exemption of \$300 per employee per quarter (a maximum exemption can apply).

The same treatment applies to staff gifts, again fully deductible but subject to FBT under the 'other benefits' category.

As a thank you gesture many firms give their customers gifts during the festive season. The cost of the gifts is fully tax deductible as marketing and promotion expenditure, unless the gift is food or alcohol, in which case it is only 50% deductible. Many firms pay their staff a Christmas cash bonus. These payments are classed as 'extra emoluments' and are fully deductible but have PAYE deducted at the employee's marginal tax rate e.g. 33% if earning over \$70,000 per annum.

If in doubt about where you stand tax deductibility-wise with your generosity to customers and staff, check with us and we'll help you get it right.

KIWISAVER EMPLOYEE CONTRIBUTION RATES

The rate you deduct employee contributions can now either be 3%, 4%, 6%, 8% or 10% of their gross pay. Your employee tells you which rate to use on their Kiwisaver deduction form (KS2). If your employee does not choose a contribution rate, use the default rate of 3%.

PAY BUMP FOR NEW PARENTS



The maximum weekly parental leave payments increased on 1 July 2019 to \$585.60 per week before tax. Each year, the parental leave payment is adjusted to reflect the rise in the average wage. Paid parental leave is currently 22 weeks and will increase to 26 weeks from 1 July 2020.

IN AND OUT OF THE Office

We'd like to introduce our newest team members, Tanya Fearn and Anee Hancock.

Tanya replaces Marg Blackburn as our Office Administrator. Tanya is a born and bred coaster. She has worked in administration roles for 20 years, half of that in the construction industry, while raising three sons. She loves to watch her boys play sport, spending time with family and friends and enjoying the West Coast lifestyle and scenery. She looks forward to the new challenges this role brings.



Tanya Fearn

We also welcome Anee to our Accounting team. Originally from Levin in the North Island, she grew up on a small lifestyle block with lots of animals including sheep. She studied at Massey University in Palmerston North before getting a job opportunity on the West Coast. She has been here now for over 7 years making lots of friends while trying out new hobbies. Anee enjoys a good walk, reading, knitting, Les Mills Pump Class, animals and a good tv show. She also belongs to the Greymouth Club Hockey team and Greymouth knitting group, In To Stitches. Anee lives in Runanga with her partner and their naughty Tortie Millie.



Anee Hancock

Congratulations to Erica who gave birth to her third child, a beautiful baby daughter in October. We look forward to having her back in the office later next year when she finishes her maternity leave.



Christmas Closedown

MERRY CHRISTMAS HAPPY HOLIDAYS

The office will be closed from 12pm on Friday 20 December and will reopen at 8am on Monday 13 January. If you need help with urgent matters over this time, give Peter a call on 027 555 6006.



CUFFS ON FACEBOOK

Like our page at cuffsaccountants

We regularly post useful information and happenings on our page.



GST ON LOW-VALUE IMPORTED GOODS

From 1 December 2019, overseas businesses that sell low-valued goods to consumers in New Zealand may need to register and charge GST on goods coming into New Zealand. This is being dubbed the 'Amazon' tax and it is similar to the GST on digital downloads that came in a couple of years ago.

Goods valued under \$1,000 are considered low-value and the overseas supplier will apply GST at the checkout. Goods valued more than \$1,000 will be processed by Customs and they will charge you the GST on goods over \$1,000.

How will these changes affect purchases I make for my GST-registered business?

Low-value goods sold by an overseas supplier to a GST-registered business in New Zealand are supposed to be excluded from GST under the new rules. In practice, the overseas seller is going to treat you as a consumer and charge you GST. To make it GST exempt you are supposed to inform them you are a GST-registered business and provide them with your GST number or New Zealand Business Number.

The overseas seller can choose to charge GST on all sales and issue you with a tax invoice and you claim it in your GST return like normal.

If the overseas supplier has accidentally charged you GST and they haven't supplied you with a tax invoice, you are to go to the overseas supplier to get your GST refunded (Good luck with that!).

SUMMER 2019

HIGHLIGHTS

Christmas Entertainment & Gifting
Interest Rates - Fix or Float
Electronically Filing Records



"Off the Cuff"

Well, what an end to 2019. The weather's been s**t to put it mildly and the road and rail closures have created logistical nightmares for Westland Milk. On the plus side the payout is looking good and should more than compensate for the production drop, as long as the weather comes right.

Read the article I wrote re Yili and budgeting as you will need to take more care with funds now than in the past. Business is heading more electronic and this newsletter is no exception with articles on IRD phasing out the acceptance of cheques, an article on storing accounting documents

electronically and an article on making sure you reconcile your bank in your accounting software. The Xmas entertainment & gifting article is also worth a read as it will tell you how to treat these costs.

Let's hope for an improved year weather wise for 2020 and Merry Xmas and Happy New Year to you all.

Peter Cuff

Joke



Electronically Filing Records

SAVE YOURSELF TIME AND PAPER

"Please keep your records for a period of seven years as required by law."

This often appears on our annual accounts letter as a reminder of the legal requirement to keep your accounting records for 7 years. The boxes of paperwork are stored somewhere in a back room or cupboard collecting dust. When we need that information to review the insurance, answer a customer query or balance a supplier statement, out come the boxes and an afternoon is put aside to sift through the mountains of paperwork looking for that one piece of paper you know you have somewhere. If only there was a better way!

There is!!

If you are running Xero or MYOB Essentials, all your paperwork can be filed electronically for easy retrieval later – by anyone who you give access to your system, anywhere! There are several ways these documents can be "attached" to a transaction. Try these.

1. When an invoice is received electronically, forward it to your Xero inbox, or MYOB In tray. From here you can create a new "Bill" (payable) by clicking the arrow next to the file in Xero. In Xero you will find the address under your organisation name under **Files**, it will look like this:

Send files to this email address:

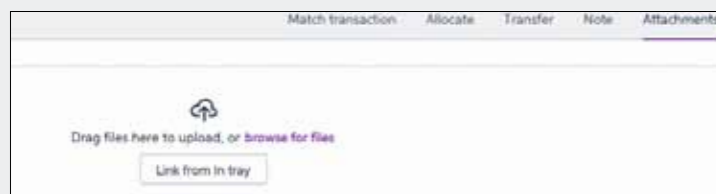
xero.inbox.cltjv.70iuk3u553gvvgat@xerofiles.com

In MYOB, go to **In Tray**, and your address will look some like this:

38dc57a-6fx6@document.myob.com. Follow the easy step by step instructions as per MYOB shoebox.

2. You can save your documents electronically on your computer and then "Upload files" directly anywhere you see the document icon in your Xero. MYOB will prompt you. Simply upload documents from your computer or In Tray.

3. Adding attachments directly to Bank Transactions. If you are running a cashbook, attach your documents directly at the bank rec stage. In MYOB go to banking, click the down arrow and then click on attachments



and add here.

INLAND REVENUE MOVING AWAY FROM CHEQUES

You will likely have seen the Inland Revenue announcement in September that on 1 March 2020, Inland Revenue will no longer be accepting cheques. This includes post-dated cheques (cheques dated after 1 March 2020).

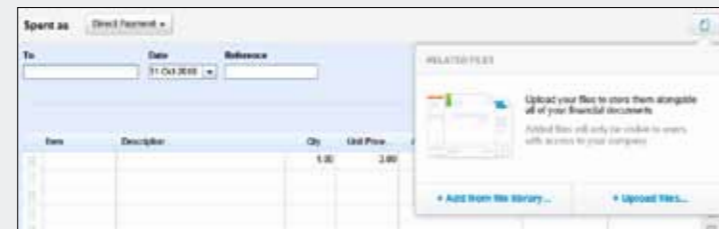
Cheque usage continues to decline every year. Last year cheques only accounted for 5% of payments to Inland Revenue and some people who used cheques also used other payment methods.

Around 90% of the cheques they receive come from clients of tax agents. If you use cheques you will be instrumental in the transition to alternative payment methods. There's plenty of time before next March for people to explore their options and find a convenient and

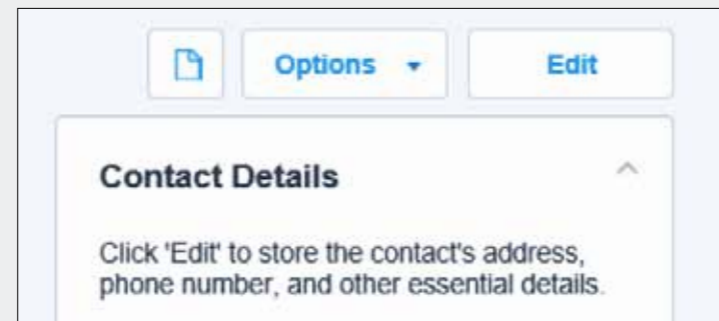


In Xero, from the dashboard when you are prompted to reconcile, simply click – Add details and click on the paper icon as below

4. Insurance documents, loan agreements, and other specific documents can be scanned and then filed under the contact name in Xero – just look for the document icon.



For more detail on how to organise your information electronically consult Xero Help "Manage your file library", MYOB Help "attaching documents" or call us on 755 5503



secure way that works for them.

There are many different ways to pay – electronically or in person.

WAYS TO PAY - Here's a summary of payment options:

myIR: Pay by direct debit and make debit card and credit card payments securely through myIR. Visit the Inland Revenue website ird.govt.nz and login or register for myIR.

Online banking: Make payments using online banking. Contact your bank for more information.

Credit or debit card via the Inland Revenue website: Use credit or debit cards to make online payments through the Inland Revenue website. Visit ird.govt.nz/pay.

In person at Westpac: Pay by EFTPOS or cash at a Westpac branch or Smart ATM.

Money transfer: From overseas, pay using a money transfer service. Search for "make a payment" on the Inland Revenue website for more information. Charges may apply for some payment options. If you need assistance setting up an alternative payment method, please let us know. Inland Revenue also stopped sending GST refund cheques on 25 September 2019 to align with this change.



INTEREST RATES – TO FIX OR FLOAT?

As I write this housing interest rates for floating loans range from 5.19% to 5.34% for the major banks. Compare this with a 6-month fixed rate ranging from 3.65% to 4.79% and the obvious answer is to not float any, or to float very little. For what would normally be the floating portion of your loan you are better to fix for 6 or 12 months.

The question gets much more difficult when you look at whether to fix out for a longer period. 3-year rates are generally half a percent higher than 1-year rates and 5-year rates average around .8% higher. Fixing your interest rates gives you surety, but on the other side you are paying for that surety. There appears to be little likelihood of interest rates going up more than ½ a percent at present, but you can't exclude the possibility of a world event giving rise to sharp increases in rates. The Reserve Bank itself is forecasting that there will be no increase to the Official Cash

Rate until mid-2021 and it may take a small dip before that. From a personal perspective I would be happy fixing short term for housing type loans and taking the reduced interest rate, whilst being aware of the risk that rates could increase.

For business customers and farmers in particular, there has been some reweighting of risk and reviewing of loan portfolios going on by the banks. I am more inclined to look at fixing a portion of debt out for longer periods to gain certainty. However, this depends on your risk rating and in some cases, farmers would be better to bank some positive cashflows and improve their debt position. This may reduce their margin and allow a better outcome in say 6 months' time.

When looking at housing interest rates I go to www.interest.co.nz. This will give you a basis for negotiating with your bank over the interest rate you are paying.

YILI PAYOUT AND BUDGETING

Farmers will have welcomed the increase in the advance rate following the farm gate milk price review. The Farm Gate Milk Price is at a forecast range of \$7.00 - \$7.60 and Yili advance 85% of the mid-point of \$7.30. This amounts to an advance of \$6.20 at present.

We wish to express some caution more for next season than this, in that if the Farm Gate Milk Price lowers, then there is a reduction in the advance rate which would see a deduction out of your next milk cheque. The motto "plan for the worst, expect the best" comes to mind.

One of the tools we use to get an indication of what might happen with the FGMP is to monitor the Global Dairy Trade auctions. At the time of writing this the last 4 of those have been positive. You can also look to NZ Milk Price futures for the 2019-20 season which was at \$7.45 when I wrote this. Based on these two factors I'm optimistic that the final price will be at least in the centre of the range.

EXCLUDING STOCK FROM WATERWAYS

No doubt you will have read a bit about this and what is proposed for the setback area between the fence and the waterway. The discussion document proposes a 5m setback for watercourses that are greater than 1m, which is further back than some farmers have fenced. If you are fencing waterways now we suggest you either

- Wait for the final rules to be set
- Fence at the proposed 5m setback
- Fence at least at a 2m setback. The proposed rules give until 2035 to re-fence.
- Use temporary fencing in the meantime

If is proposed that the new rules come into place from 1 July 2021 for dairy and dairy support and 1 July 2023 for beef cattle and deer.

Note that if you have already put fencing in place on some or all of your waterways, the regulations propose that existing fencing can stay in place until 2025, or until 2035 if the setback has a 2 metre minimum average width and not less than 1 metre at any point.

We have put up the draft stock exclusion proposals as a link on our website

<https://www.mfe.govt.nz/sites/default/files/media/Fresh%20water/draft-stock-exclusion-regulations.pdf>



Want to hear a joke about paper?
Never mind, it's tearable

Why do ghosts love elevators?
Because it lifts the spirit

What do Santa's little helpers learn at school?
The elf-abet

Who delivers presents to baby sharks?
Santa Jaws



RECONCILING BANK ACCOUNTS IN YOUR ACCOUNTING SOFTWARE

Reconciling your bank accounts on a regular basis is crucial as it helps keep your business records accurate and will save you money in accountancy fees.

When you do it regularly, it will be easier for you to find and fix any errors while you have a clearer memory of the transactions you're reviewing. If you don't reconcile regularly, or you don't reconcile at all, it can take a long time for us to figure out mismatches, which in turn costs you money.

Don't fall into the trap of thinking that the bank balance that shows on the screen is right therefore the bank reconciles. This isn't correct as there can be other things (eg. items entered twice, income not reconciled against the invoice) that can affect the reconciliation.

We recommend reconciling every month, however if you only code the transactions every 2 months when you're doing your GST, every two months is OK.

If you haven't been running a reconciliation report each month, please start now. If you're not sure how, give us a call and one of our friendly team will be able to assist you.