

# GET UP TO SPEED – NEW RULES FOR MOTOR VEHICLES

Did you know the mileage rate we've been referring to for years is now the kilometre rate?

Traditionally, if you own a company you're liable for FBT any time you provide non-cash benefits (like motor vehicles) to your staff. Recent amendments to the income tax legislation, however, now allow close companies to use two alternative methods being the cost rate and the kilometre rate, where one or two motor vehicles are provided to shareholder employees for their own use.

The kilometre rate method uses set rates, which are divided into two tiers:

- First tier - recovery of both the vehicle's fixed costs and its per kilometre running costs, for the first 14,000 kms.
- Second tier - recovery of the vehicle's per kilometre running costs only, after 14,000 kms.

The following rates per kilometre will apply for the 2017/2018 income year:

Vehicle type	First 14,000 kms	After 14,000 kms
Petrol or diesel	76 cents	26 cents
Petrol hybrid	76 cents	18 cents
Electric	76 cents	9 cents

You must maintain a log book for a 3-month test period and this determines the percentage of the kilometre rate that you can claim. You also need to record the mileage at the start and the end of your financial year to determine the total distance travelled. Here's an example of how this works.

Jane has purchased a new petrol vehicle. The test log book determined a 75% business use and over the tax year Jane did 20,000km.

Her claim would be  $14,000 * 76c + 6,000 * 26c = \$12,200$

75% of this is business so Jane would claim \$9,150.

You can also use the cost method, whereby you can do a log book for a 3-month test period and then claim the business percentage of all of that vehicles costs.

As a side note - where employees are reimbursed for work travel using their own vehicle, a transitional rate of 76c / km is available for the 2018/2019 income year to calculate their tax-free reimbursement amount.

The legislation can be tricky, but with a little advice from an expert (like us) you can rest assured you're paying the correct amount of tax and staying onside with the IRD.

Most importantly, if you have replaced a vehicle, contact us to work out the best method for you. We can't do this after the fact.

Note that the kilometre rate method can also be used by other entity types like partnerships and sole traders. These entities have always been able to use the cost method and can continue to do so.



## HOLIDAY TIME!

As we work so very hard during the year, the boss is giving us a holiday. We're closing the office on Friday 21st December at 12 noon, reopening Monday 14th January at 8am. For urgent matters while we're closed, please contact Peter on 027 555 6006



SUMMER 2018

### HIGHLIGHTS

New rules for motor vehicles  
Christmas Holiday entitlements & gifts  
Anti-Money Laundering



## "Off the Cuff"

As Christmas approaches, we are flat out trying to get jobs completed before our annual shutdown (see details later). Christmas is a busy time for many businesses, but it can also be a time where cashflow bites with Holiday pay payments, Statutory days and generally not a full workforce working to make the cash. Often a crunch arrives in January. Read our article on Cash is King. As usual for this time of the year we have included a few articles directly related to Christmas, see our articles on Christmas Holidays and gifts.

activity. Signals for 2019 look good as Labour/NZ First dole out the money to the regions and some large projects are in the pipeline. Here's wishing everyone a Happy Christmas and a bright and prosperous New Year. Speaking of New Year and new beginnings, after the last 13 years as a sole practitioner, from next year Jeffrey Kay will be joining me as a part owner of the business. With two of us now we will be on the lookout for new clients, so if you know anyone looking for a new accountant we would love the referral.

Looking back over the last year 2018 has been reasonable for many of our clients. Visitor numbers are still strong and there has been quite a bit of related building

## TAX SNIPPETS

### End Of Year Process:

Subject to legislation passing, IRD will have a new way of finalising end of year income for individuals if you're not an IR3 filer. This means that they'll use the information they already have, and refunds or bills may be automatically issued to many of you for the 2018/19 tax year without the need to request a personal tax summary.

While this may not affect most of our clients, it will impact your children. We'll have more on this in the next newsletter.

### Payday Filing Is Here:

Payroll software providers continue to roll out updates to comply with the new legislation. This means instead of filing an Employer Monthly Schedule (IR348) every month, employment information will be filed every payday, in line with payroll cycles.

Make sure you update your payroll software prior to 1 April 2019, as this is when payday filing becomes compulsory.

## Gifts



Are you thinking of giving gifts to your customers, suppliers or team members? Take a minute to refresh yourself on what is deductible as a business-related expense. If gifts consist of food or drink, you can only claim 50% of the expense as a tax deduction. If gifts contain some food or drink and some other goodies, the food or drink items are 50% deductible but the other gift items are 100% deductible. Note that when you claim the tax

deduction, you need to apportion the expense between the 100% deductible items and the 50% deductible items. Let us know the details. Please remember that if your gifts for team members are over \$300 per employee per quarter, you will need to register and return Fringe Benefit Tax.

### CUFFS ON FACEBOOK

Like our page at [cuffsaccountants](https://www.facebook.com/cuffsaccountants)

We regularly post useful information and happenings on our page.



## ACC REFUNDS

ACC recently announced they've discovered errors in levy rates dating back to 2002. They intend to refund \$100 million plus interest to more than 300,000 businesses, including the self-employed. Refund amounts would vary depending on the business circumstances, with refunds intending to be released by April 2019.

ACC has a tool on its website, to check if you may be entitled to a refund  
<https://business.acc.co.nz/refunds/>

### ACC CoverPlus Extra Changes

If you're applying for an ACC CoverPlus Extra policy, it's worth noting that the policy no longer starts on the date of the application, but when you sign the offer letter. So if you have such a letter in your in-tray waiting to be signed, now's the time to get onto doing that.

ACC has also issued a reminder that CoverPlus Extra policies are being cancelled when invoices are not paid by the due date.

Please contact us if you'd like us to check your cover is current.

Other recent changes include how payment plans and credit payments are managed.

If you're affected by these changes, you'll receive an updated schedule from ACC, so there's nothing you need to do. If you want to discuss your payment schedule with ACC, call their freephone number

0800 222 776.

If you would like us to manage that for you, please let us know.



## REMINDER: CHRISTMAS HOLIDAYS AND ENTITLEMENTS



Many businesses are closed over the Christmas period and staff are required to take time off, even if they don't have any annual leave entitlements.

If you have an employee who has been in the job for less than 12 months, they still have to take time off during an annual shutdown. Here's what you should do for these new employees:

- Step 1 - Pay them 8% of their gross salary earned up to the shutdown start date, less any annual leave already taken
- Step 2 - Change the date they become entitled to annual leave to one year on from the start of the shutdown

Alternatively, you could let them take paid annual leave in advance (you both have to agree to this). Hopefully you've remembered that you need to give your employees 14 days notice of the closedown.

All staff are entitled to a paid day off on a public holiday if it would otherwise be a working day for them. If these public holidays fall while you are closed, you will need to pay your staff if they fall on days that they'd normally work (instead of using their Annual Leave).

If your staff work a public holiday they must:

- Be paid at least time-and-a-half for the time worked
- Be given an alternate holiday to take later - if the public holiday worked falls on a normal day of work

If you need assistance in calculating pays for employees who are working on Public Holidays please contact us.

## KEEP CASH CROWNED AS KING



Your business cannot survive without cash, which is why it is said that "Cash is King".

Some important points to take away about cash:

**BUILD A CASHFLOW STATEMENT** - A cashflow statement reports the inflow and outflow of cash and it identifies your cash position at a given time. This will help to identify if there is going to be a shortfall.

**EVERY DOLLAR YOU SPEND REDUCES YOUR CASH** - The best way to protect your cash is to create a budget for the spend you need and stick to it. Many West Coast businesses face a downturn at some stage during the year, for most this is during the winter period. Knowing how much cash you will need to get you through until business picks up again is important.

**CREATE A BUFFER** - This acts as insurance against any unexpected difficulties.

**CREDIT CHECK UP FRONT** - This will reduce the risk of customer non-payment. Have clear payment terms agreed in writing. Remember that while customers owe you money they are using you as their bank.

We should note that cashflow is not the same as profitability. While you will

need to be profitable for the long-term success of your business, it is cash that will get you through day-to-day. Profit relates to your revenue and expenses whereas cashflow also covers payments you make that don't affect your profitability like taxes, equipment purchases and loan repayments.

## JoKe

A guy bought his wife a beautiful diamond ring for Christmas. After hearing about this extravagant gift, a friend of his said, "I thought she wanted one of those sporty four-wheel-drive vehicles." "She did," he replied. "But where was I going to find a fake Jeep?"

## IN AND OUT OF THE

# Office

We'd like to introduce our newest team member Marie Kirby. Marie has been on the coast for 11 years. She will be processing client payrolls plus managing our tax system. Welcome to the team Marie.

Congratulations Erica! Amongst having two children, Erica has managed to study part time and complete her Diploma in Business, as well as further accounting papers, to be awarded her Accounting Technician Certificate. She found having the opportunity to study while working was sometimes challenging however there were plenty of positives, as she had the opportunity to apply theory into actual life practice. There was also plenty of expertise around if she needed any assistance.

Congratulations to Jeff Kay who now holds a public practicing certificate with the Institute of Chartered Accountants Australia New Zealand. This means that in addition to being a Chartered Accountant, Jeff can now have his own clients and sign off on work completed. Jeff will be taking a part ownership in the business from 1 April next year.

Jeff has been doing most of the work for some clients for a number of years now, but Peter always had to do the final sign off and usually did the final interview. If anyone wants to swap over to Jeff doing all of their work just email [jeff@cuffs.co.nz](mailto:jeff@cuffs.co.nz)



## ANTI-MONEY LAUNDERING LEGISLATION

If you've seen the film "The Wolf of Wall Street", you'll be familiar with the concept of money laundering - an illegal process where 'dirty money' received from criminal activities is passed through legitimate businesses and made 'clean'.

In response to a growing number of laundering incidents in New Zealand, the government has made changes to the law, which now affect accountants. As of October 2018 we're required to put new preventative measures in place to help tackle money laundering and financing of terrorism.

### What does this mean for you?

We might need to ask you for more information about your business than what we have in the past, especially if it involves large cash transactions (\$10,000 or more in one transaction). There are also additional requirements around trusts, where the source of the wealth may need to be identified. This isn't so bad for accountants, as we will often have this information, but it can be difficult for the lawyers who might not have this background information and need our assistance to establish it.

You may also be asked for additional information about your identity. Whilst both you and I will think this is a waste of time for small town New Zealand, unfortunately we have no choice.

From 1 January 2019 Real Estate Agents will also be required to comply with these rules and from 1 August 2019 dealers of high value goods will also have to comply. Think Boats, Cars, Antiques, Jewellery. All this means it is just that little bit more difficult doing business.

