

*Wishing you a safe and happy Christmas and a prosperous new year!*  
 Our office will close on the 22 December at 2pm and reopen in the New Year on 11<sup>th</sup> of January 2018. Thank you for all your support this year.

## SEASON'S GREETINGS!

This is our last newsletter for the year. We know you are probably busier than ever so we will keep it short.

Are you still tacking up the tinsel while thinking about everything on your to-do list? Do you have all your reindeer in a row or is your sleigh skidding into the silly season? Check your cashflow to make sure the business is in good shape for December and January tax dates.



# DON'T LEAVE IT LATE - GET TAX SORTED BEFORE CHRISTMAS

### Provisional tax and GST are due on 15 January.

The timing of these payments isn't ideal as many of you will be indulging in the delights a summer break offers.

But it's important that you don't neglect your tax obligations – especially as Inland Revenue will charge 8.22 percent interest and late payment penalties if you don't pay the tax you are required to pay on time.

That's why we have put together a list of suggestions below to help you get tax-ready before Christmas.

You're probably already doing these things, but it never hurts to be sure. We've also mentioned an option that gets around paying provisional tax when IRD tells you to.

**As always, we are happy to work alongside you to come up with a strategy and talk through your options. Give us a call.**

<p><input type="checkbox"/></p> <h3>REVIEW YOUR BOOKS</h3> <p>Make sure your records are accurate and up to date, to get an indication of your overall cashflow position.</p>	<p><input type="checkbox"/></p> <h3>PREPARE A QUICK BUDGET</h3> <p>Figure out what you are going to need to cover overheads while on break, especially if it's going to be several weeks before you start earning again.</p>
<p><input type="checkbox"/></p> <h3>COMPLETE JOBS EARLY</h3> <p>Prioritise work that can be finished quickly so you can bill clients and have money in your bank account before Christmas.</p>	<p><input type="checkbox"/></p> <h3>CAST YOUR EYES OVER DEBTORS LEDGER</h3> <p>See if those who owe you money can pay early (sweeten the deal by offering a slight discount). Chase outstanding invoices.</p>
<p><input type="checkbox"/></p> <h3>BUY TIME WITH OTHER CREDITORS</h3> <p>Explain your situation and see if you can pay suppliers later.</p>	<p><input type="checkbox"/></p> <h3>CONSIDER USING TAX POOLING</h3> <p>IRD-approved tax pooling intermediaries such as Tax Management NZ offer payment plans that let you choose how and when you pay provisional tax. These wipe late payment penalties, and you are charged interest which is lower than that of IRD's.</p>

## PRESENTS AND PARTIES

Are you planning a Christmas event for your clients? Is gift-giving on your to-do list?

Take a minute to refresh yourself on what is deductible as a business related expense.

### Present

Are you thinking of gifts for clients, business associates or team members?

If gifts consist of food or drink, you can only claim 50% of the expense as a tax deduction. If gift baskets or hampers 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.

### Parties

The basics: an expense is business-related if you spend the money to help your business earn income. Business-related expenses are generally fully deductible. If the expense does not help your business earn gross income, it is a private expense, not claimable as a deduction. Purely promotional events put your brand out there and are a marketing expense for the business. But entertainment events such as Christmas parties inhabit a grey area sometimes.

You will need to make a GST adjustment for any entertainment expenses which are 50% deductible. This will be required when your income tax return is filed. We can help you with this.

## MUST I PAY TAX ON HOLIDAY HOME INCOME? THAT DEPENDS

If you rent out your holiday home sometimes, you may have to pay tax on that income.

The IRD says you have a “mixed-use” holiday home if, during the tax year, you use it for:

- Private use, and
- Income-earning use, and
- It's unoccupied for 62 days or more.

It is still private use if you receive rent from family members, or from non-family members who pay less than 80 percent of market rates. The property becomes “income-earning” if you get rent from non-family members at 80 percent or more of market rates.

You can keep the property outside the tax system if it's privately owned, and your income-earning revenue is less than \$4000 a year. But then you can't claim any of your related expenses. You can also remain outside the tax system if you make a loss, and your gross income from income-earning use is less than two percent of the property's rateable value.

If an expense relates to income-earning use and private use, you need to apportion it using this formula:

$$\frac{\text{Expenses} \times \text{income-earning days}}{\text{Income earning days} + \text{private use days}}$$

If you make a loss from your mixed-use holiday home, and your gross income from income-earning use is less than two percent of the rateable value, you can't claim the loss in the current year. You must carry it forward to offset against income from your holiday home in a future tax year.

## AIRBNB—Usually a tax case on its own

If you use Airbnb to provide short-term accommodation in your house in which you also live, the IRD's “mixed-use asset (holiday home)” rules don't apply and guests are not classed as boarders. Except when you list a whole house which is vacant for 62 days each year, mixed-use asset rules do apply and calculations differ from those for homes where the hosts also live.

## CLAIMABLE EXPENSES

Anything you spend as an Airbnb service provider may be claimed as an expense. For shared expenses, like power and Internet, claims need to be fair and reasonable.

You can claim some home utilities, rates, insurance, and interest – and all food and other consumables that guests use. You can also claim depreciation on chattels and appliances used by guests only. You can claim some depreciation on other shared chattels and appliances, like claiming a portion of utilities.

If you spend money to keep your property attractive for guests, you can claim some of those costs.

You'll have to apportion expenses and, to do that, you need to know:

- The floor area used exclusively by Airbnb guests (say, 25m<sup>2</sup>)
- The shared area used by you and Airbnb guests (say, 90m<sup>2</sup>)
- Total of guests plus you and your family

Your apportionment calculation then is:

Guest floor area + (total shared floor area x [one divided by total guests plus family] x percentage of year you have guests). Then you divide that product by total floor area, and the resulting figure is the apportionment percentage you use for expenses.

If your room or home was unavailable for part of the year, your calculations must reflect that.

Unlike residential rent, GST applies to Airbnb. You must register for and file GST if your turnover is \$60,000 or more in the past 12 months, or will be \$60,000 or more in the next 12 months.

There's a lot to this, so we recommend that you get professional advice.

## better control coming over hazardous substances

Fifty years ago, farmers and others sprayed toxic chemicals onto weeds in blissful ignorance of the need for Personal Protective Equipment. How things have changed! Today, regulations govern the handling and use of all hazardous substances. And, like many other safety matters, those regulations are being constantly reviewed.

If work brings you or your staff into contact with hazardous substances, from 1 December you'll have to follow the new hazardous substance rules under the Health and Safety at Work Act. The Environmental Protection Authority (EPA) will also have a new enforcement responsibility in relation to importers and manufacturers.

## WHAT YOU WILL NEED TO DO DIFFERENTLY

You will still work with the EPA to apply for new hazardous substances approvals. The EPA will still manage applications for new approvals – whether for new substances, or for particular persons – but the safety rules move from the EPA into the Health and Safety at Work Act that will be implemented by WorkSafe. WorkSafe will then decide if the requirements in the HSW HS regulations will manage the risks to people in workplaces.

Under the new regulations, fewer substances will require certified handlers. However, handlers will get more training, better information and be subject to more robust competency requirements.

When the new regime comes in to effect, all currently approved hazardous substances will remain approved. They will also retain the same approval number.

## CONTACT OUR TEAM