

Autumn Newsletter 2017

The start of Autumn is synonymous with harvesting.

There is so much changing in everyone's business environment we thought we'd just let you know a few issues that have come to the fore over the first 3 months of summer.

If there is anything you'd like to discuss further please just call us.



The IRD have signalled that they are increasing their activity around private use of work vehicles. When the IRD see a sign written vehicle at a boat ramp or even schools and sports grounds they may raise a query with you about private use of a work vehicle.

Please contact your manager to make sure you have the correct documentation.



MINIMUM WAGE

The Government announced on 24 January 2017 that the minimum wage will increase by 50 cents to \$15.75 on 1 April 2017. The starting-out and training minimum wage rates will increase from \$12.20 to \$12.60 per hour - remaining at 80 per cent of the adult minimum wage.

Employees must be paid at least the minimum hourly wage rate for every hour worked.

Type of minimum wage	Per hour	8 hour day	40 hour week	80 hour fortnight	Per Annum
Adult	\$15.75	\$126.00	\$630.00	\$1,260.00	\$32,760.00
Starting-out	\$12.60	\$100.80	\$504.00	\$1,008.00	\$26,208.00
Training	\$12.60	\$100.80	\$504.00	\$1,008.00	\$26,208.00

Relevant to our clients is that employees on contract/piece rates e.g. silviculture workers must be seen to be earning at least the minimum wage. Department of Labour inspectors are actively policing this requirement.

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Airbnb and Book a Bach

With the rapid growth of these 2 options by holiday home owners it is timely to remind you of the income tax and GST implications. In summary:

Any income from this kind of short term rental is taxable income and must be included in your income tax return. You can claim deductions for expenses directly involved such as food for breakfasts provided, cleaning costs etc, and portion of the overhead costs such as electricity, rates, insurance and mortgage interest as they relate to the occupancy time.

GST is not so straight forward.

- If you are registered for GST as an individual (sole-trader) because of another activity then the holiday rental can be caught in the GST net.
- If you are not registered for GST and your gross income in any 12 month period is over \$60,000 you will need to register for GST.
- If you own the property as a legal entity you could also breach the threshold for registration. There are also sorts of adjustments that need to be made when you register for GST, but the important thing to note is that when you sell the property or stop being registered for GST you may be liable for some GST on the sale
- Tax and GST aren't the only issues to think about. You also need to consider local council requirements, insurance and lending criteria.
- Some local councils are contacting Airbnb and Book a Bach owners who do not have consents to operate, where that council require it. This can mean a 25 – 50% increase in rates and possibly a development contribution, depending on your local council's requirements. You need to check this with your local council.
- Your usual home-owner insurance may not be adequate to cover you for this activity and is also something you should check and review with your insurer.
- If you are purchasing a property, lending criteria with most banks do not take the income for short term rental into account when considering the loan. And, if you have a situation where you need funds for GST at the time you cease the activity, as outlined above, most banks will not lend to cover a GST liability.
- Where the house involved is a holiday home rather than your permanent home if you or family use the home this can significantly reduce entitlement to claims for expenses.

As you can see there are pitfalls and we are happy to help with any questions you might have; please contact Sonya, Mark or your manager.

Don't think they'll never find out – it's all readily available on the internet, so local councils and IRD can hop on line and find you!

Faster GST refunds

It is now compulsory for Inland Revenue to provide GST refunds by direct credit to a taxpayer's identified account, resulting in faster GST refunds. It's important that Inland Revenue has your correct banking details. If you would like us to confirm they have your current account details please let us know.

From here on, Inland Revenue will only make GST refunds by cheque if they do not have a customer's bank details or if there are extenuating circumstances, such as hardship.

7 April 2017 Tax due reminder

Inland Revenue plans to send reminder letters directly to customers who have filed their 2016 Return and have a liability to pay by 7 April 2017. Also they will be making it clear for those who have short paid or underpaid provisional tax that it is accruing interest.

They will also be issuing a text reminder to those customers who they don't send a letter to.

If you receive one of these letters and it is different from the notice you received from us please give us a call so we can clarify the amount payable.

Disclaimer

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.