

ACCELERATE

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OUR NEWSLETTER FOR GROWING BUSINESSES

THE FRINGE ISSUE

Given the importance of keeping your PAYE and GST records keeping and payments in order, it might be tempting to think that Fringe Benefit Tax, or FBT, is a relatively minor thing. But don't be fooled. In 2017, Inland Revenue created a dedicated audit team to focus on this issue.

One of the team's aims is to ensure employers have the right business structures and documentation in place. And it turns out that many don't.

If this sounds like you, now's a good time to put things right. Regardless of whether you're acting correctly or not around FBT, a lack of proper records leaves you in a weak position and liable to negotiated settlements (that is, having to pay more than you expected) or, worse, serious penalties.

Most FBT revolves around company vehicles, so let's look at what IRD expect from you if you provide one to any of your staff:

- The employee's job description and employment contract
- The company policy on motor vehicles
- Any private use restriction letter in place, signed by the Directors and the employee
- Documentation that shows regular checks on the vehicle to ensure it's not being used for private matters
- The employee's performance review notes confirming they're sticking to company policies.

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DON'T JUST THINK – ACT!

FBT... SO, WHAT CAN YOU DO?

For an SME owner, that's quite a daunting list, and a good reason to talk to your accountant. An expert, independent set of eyes will help you determine what you need to do in all cases, what you don't need to do, and also how to go about doing it (including creating proper documentation).

The value of expert advice is heightened by some of the finer points of FBT legislation. For example, did you know that if an employee takes a vehicle home one evening and returns to work with it the next morning, the laws says it's been available for private use on two days?

Did you know that IRD expects you to check that employees are adhering to restricted use policies at least once every quarter?

Did you know that just because a vehicle has your company logo on it, that doesn't automatically make it a work -related vehicle, which then means it doesn't automatically become exempt from the usual requirements of FBT?

Did you know there is also a new option for some companies that have one or two vehicles to elect to use the motor vehicle expenditure rules rather than pay FBT in certain circumstances?

If you didn't know all those things, take a bow – you're in great company! FBT is complex, to say the least!

The good news is that IRD also recognises this and will work closely with you to help you comply. The best approach is to get professional advice (that's us) and, where appropriate, go to IRD for a written opinion on any matters that aren't crystal clear.

That way, even if IRD disagrees with your FBT return, they'll see that you've taken reasonable care to get things right and may not impose penalties.

So, when are you liable for FBT? Any time you provide non-cash benefits to your staff – which means the list is potentially endless. In practice, however, most non-cash benefits fall into one of these categories:

- Insurance premiums
- Motor vehicles
- Subsidised transport
- Staff vouchers
- Offsite carparks

CHANGES TO FAMILIES PACKAGE

If you receive the Families Package (formerly the Family Incomes Package), you may be affected by three changes coming on 1 July. They include:

- § a Winter Energy Payment to help older people and low income families heat their homes
- § a Best Start tax credit for families with young children
- § increases to Working for Families tax credits

Because the changes will be made automatically, you don't need to do anything. Anyone who isn't a Work and Income client may need to apply for Best Start tax credit through Inland Revenue.

Boosting Working for Families tax credits

From 1 July the eldest-child rate will increase to \$5,878 a year, and for subsequent children to \$4,745. The abatement threshold will increase from \$36,350 to \$42,700, and the abatement rate from 22.5% to 25%. This means that the amount of the family's income at which Working for Families tax credits starts reducing is increased, however the amount of the reduction has increased from 22.5c in the dollar to 25c in the dollar. The result is net increase to families receiving Working for Families tax credits.

Best Start

The Best Start payment of \$3,120 a year (or \$60 a week) per child is designed to help families meet costs in a child's early years. It will be available to all families in their child's first year and for low- and middle-income families in the child's second and third years. Best Start payments will be abated at 21% for income above \$79,000. It will be made available for children born after June 30 and will replace the Parental Tax Credit.

Winter Energy Payment

The Winter Energy Payment is aimed at helping people on a benefit, New Zealand Superannuation or a Veteran's Pension to heat their homes in winter. It provides \$20.46 a week for single people, and \$31.82 a week for couples or people with dependent children. It will be paid from 1 July to 30 September 2018.

KEY TAX DATES

JUNE 2018

DATE	CATEGORY	DESCRIPTION
5 June	PAYE	Large employer returns and payments
20 June	PAYE	Small employers return and payment Large employers return and payment
20 June	RWT	RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during May
20 June	N-RWT / Approved Issuer Levy	Payment and return for May
28 June	GST	Return and payment for May

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