

Summer Wilco 2015



Risk and Reward

Newproperty taxules

New legislation affects property sales made from 1 October onwards. The changes hit in a variety of ways

Brightline test and residential land

New tax rules now apply to residentially sales made from 1 October. A new 'brightline' will apply where a person who has purchased a residential property on or after 1 October 2015 then sells it within two years. The sale will be taxable if the property is the seller's main home either from a deceased estate or sold as part of a relationship property settlement. The brightline test does not apply to business premises or farmland.

How the start and end date of the brightline is counted varies with the type of sale and purchase. For instance, where it's a standard purchase, the start date will be the date a person obtains registered title for the property and the end date will be the date of entry into agreement for sale. However, start and end dates will be differently treated where the registration date may not take place immediately or be the definitive point of sale for the plan, sales of subdivided land, mortgagee sales or where the property is gifted to a trust.

Selling the main home

The seller's main home is exempt from the brightline test. Where the seller has more than one home, their 'main home' is the property with which they have the greatest connection. Just to prove that the tax system has a sense of humour, you can't be able to use the main home exception if they have already used it twice in the previous two years.

It may get tricky for family trusts where family assets are distributed between individual owners and a family trust. If a property being sold, the main home exemption will apply when it's the main home of a beneficiary of the trust. However, if the principal settlor of the trust has a main home that is not the trust, the main home exemption cannot apply to any property owned by the trust.

Claiming tax deductions

There are provisions for allowable deductions when a property subject to the brightline test is sold. However, where losses arise as a result of the brightline test they have been 'fringed' so they may only be offset against taxable gains arising on other sales. It is not possible to claim a loss arising from a transfer of property to an associated person.

Companies and trusts

Inland Revenue will keep a close eye out for where land companies and trusts try to get the brightline test. They may view a transaction as subject to the brightline test where:

- § 50% or more of the shares within a 12 month period are sold
- § there is a change in the trust deed
- § a decision maker under the trust deed changes

This applies where at least 50% of the value of the company or trust is attributable to residential land either directly or

Please contact us if you are considering buying or selling residential property; your company is thinking about a large share transfer; or there are changes to the family trust's trust deed or trustees.

You might also like to have a catch up with us on whether the changes affect your tax profile or investment strategy.

Note: these dates apply to those clients for whom we prepare returns. Different dates will apply for those clients for whom we don't prepare returns. Please ask us if you'd like more information.

Tax Type	Who / What	When it's due
PAYE	large employers return and payment	7 December (due to 5th falling on a weekend) 15 January 5 February
	large and small employers return and payment	21 December (due to 20th falling on a weekend) 20 January 22 February (due to 20th falling on a weekend)
GST	return and payment for the period ended 30 November	15 January
	...for the period ended 31 December	28 January
	...for the period ended 31 January	29 February (due to 28th falling on a weekend)
FBT	for employers with November balance date under close company option annual return and payment	7 December
	for employers with December balance date annual return and payment	15 January
	quarterly return and payment (if completed quarterly)	20 January

Provisional and Terminal Tax

I pay provisional tax...	And my balance date is...	So my provisional tax is due next...
2 monthly (6 times a year)	September, July, May, March, January or November	15 January AND 29 February (due to 28th falling on a weekend)
	October, August, June, April, February or December	28 January
4 monthly (3 times a year)	July, March or November	15 January
	August, April or December	28 January
	September, May or January	29 February (due to 28th falling on a weekend)
6 monthly (twice a year)	May or November	15 January
	June or December	28 January
	July or January	29 February (due to 28th falling on a weekend)
Terminal tax	December	Terminal tax payment due 15 January
	January	Terminal tax payment due 9 February (due to 7th falling on a weekend and Waitangi Day 'Mondayised' to the 8th)

IRD numbers for property sales

All vendors and purchasers of property other than their main home must now provide an IRD number as part of the land transfer process.

Non-residents

Offshore buyers must provide a New Zealand bank account number before they can obtain a New Zealand IRD number. Resident buyers and sellers must provide their tax identification number from their home country, along with current identification requirements such as a passport.

Family trusts

Where a family's main home is owned by the family trust, the trust is not exempt from providing an IRD number. It's quite common for a trust to own the family home, protecting the family from business or other relationship problems. Until now family trusts haven't needed IRD numbers unless they operated a business or owned commercial properties. Now, when a family home is transferred into the trust or when the trust buys or sells property, the trust needs an IRD number. Personal IRD numbers aren't acceptable.

The new requirements also affect changes of title. So, if a trustee dies, the new trustee's name needs to be registered on the property title, the trust needs an IRD number to register the change.

If you are arranging for the family trust to buy, sell or transfer property, please contact us. If they have an IRD number we can take care of this. Otherwise you could face costly and stressful delays while you sort out the paperwork.

Sensible seasonal housekeeping

- ü If your business peaks during the holidays, have your marketing organised and plan your staffing. Is there a good approach to when everyone is taking their holidays?
- ü Have extra business cards or other marketing giveaways on hand for networking. Magnetic car signs can attract enquiries as well
- ü Everyone is used to being cash strapped in the New Year but no one ever really prepares for it. Follow up with your clients to encourage payment before Christmas to help your cashflow off to a good start for the New Year
- ü Speaking of cashflow, check what tax payments are coming up in January and make sure you're prepared. Ask us about the new Flexitax option
- ü Are you sending gifts to top clients? Splashing out on an event? What about bonuses for your staff? Call us for a reminder about the rules around entertainment expenses and FBT
- ü What needs to happen while you're at the beach? Is payroll all set up for the holiday period? It's worth it to check on your calendar, especially if there are tricky elements in the mix such as holiday pay, scheduled payments or time and a half rates. Call us if you need a sanity check
- ü Do you have something coming up where you'll need professional advice from a lawyer? Connect with your advisors before Christmas as most offices shut down for a minimum of two weeks and senior professionals can be harder to reach
- ü Have you done a computer health check, updated your virus protection and backed up files to your server or cloud?
- ü If your business is shutting down, make sure your voicemail message and website mention closing date information and emergency contact details. Also, who will be responding to work related emails?

Christmas closedown

Wishing you a safe and happy holiday from all of us here. Our office will close Wednesday 23.12.15 at 1.00pm and re-open in the New Year Monday 11.01.16 at 8.30am. Thank you for all your support this year. We wish you a safe and happy Christmas and a profitable 2016! From the team at:

Flexitax-Cashflow for Christmas

Tax Management NZ (TMNZ) have come up with a new payment option to give businesses more flexibility to manage their cashflow and their tax. Businesses that are on a cashflow basis can pay variable instalments, based on their cashflow at the time. Businesses can pay in instalments for income tax for the current tax year or the one just gone. It wipes late payment penalties and interest costs. TMNZ charges a business interest calculated on the remaining amount of tax owed every month. And they have until 75 days after their terminal tax date to make their last payment. Call us to find out more.

Business Perspective

Small Batch

Fat, fat, fat. This is what we're all being told is now good for good fat that is. The fat that we all need in the guise of rich and nutrient dense foods. Part of this food revelation is the addition to the menu of nut butters. Lathered onto toast with chunks of banana and a drizzle of honey and you're in pudding heaven.

One of the biggest ranges of nut butters currently available brought to us by Small Batch. Owner Nick Delaney had worked as a chef for 18 years, when he did something unusual and left the kitchen to become an employee and pursuing a lifelong dream. "I knew early on in my cooking career that I wanted to get away from restaurants and into product design."

"I can remember being a 20 year old chef and thinking of going to Australia for a couple of years then come back and start a food oil company. It was the nineties and oils were all the rage. It all started with a range of aioli in 2012, peanut butter in 2013 and the addition of other nuts along the way.

Nick has found that he has been able to manage his own accounting until now, but as the business has grown, he has delegated this task to a professional. One of my best management decisions has been the most understanding that you don't have to do everything on your own. It's okay to pay other professionals to take care of various parts of your business. It gives me more time to do what I do best - making food."

Marketing however is a different story and Nick has been very active in promoting his brand. We have had some media attention, which has been great. That helps make people aware of who we are and what we do. I am a big fan of social media and it does work. We get a reasonable amount of interaction from our followers and it has helped drive sales both in stores and online. People want to know who is making the food they eat. People take pride in what I sell and they love their community."

Nick has also found word of mouth to be hugely beneficial, knowing that if you make a great product or provide a great service, people will come, regardless of location. "We also do in-store promotions which work much the same way as a bankable to tell the consumers about the products, taste testing them the story, my response is always fantastic."

Sourcing the best and freshest nuts is vital. The best possible I can buy local, direct from growers. Our macadamia just grows on the road, the hazelnuts are from New Zealand and the peanuts and almonds are Australian. It comes down to trust. Consumers, me included, trust what they see."

Most artisanal food products are born from humble beginnings and Small Batch is no exception. Nick finds his local farmers market each Saturday and Sunday with a delectable range of butters, almond, cashew, macadamia and hazelnut. Of course, and every one has a chocolate hit option, adding the ever so slightly naughty indulgence of their fats.

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.