

Autumn 2014

Risk and Reward

Superannuation: decisions, decisions

If you have (or had) funds in foreign superannuation schemes, let us know. Recent changes to legislation and further impending changes may affect you.

I transferred my Australian super to KiwiSaver. Is it taxed here?

Transfers from complying superannuation funds in Australia into KiwiSaver won't be taxed in New Zealand on transfer. However, future earnings on these transfer funds will be taxed as normal KiwiSaver investments.

This isn't the case with transfers from other countries - there are New Zealand tax implications on transfers in these cases. However, under the new rules, if you transfer your non-Australian foreign superannuation into KiwiSaver after 1 April 2014, you will be allowed to make a withdrawal from KiwiSaver to pay your tax bill.

I withdrew (or transferred) funds from my foreign super last year. What are the tax implications in New Zealand?

If you withdrew or transferred funds any time between 1 January 2000 and 31 March 2014, and have not previously accounted for New Zealand tax on these funds, you will be able to meet your tax obligations by paying tax on 15% of the amount transferred or withdrawn. The remaining 85% of that sum will not attract income tax. However, it has to be shown in the tax return for either the 2013–14 or 2014–15 income years.

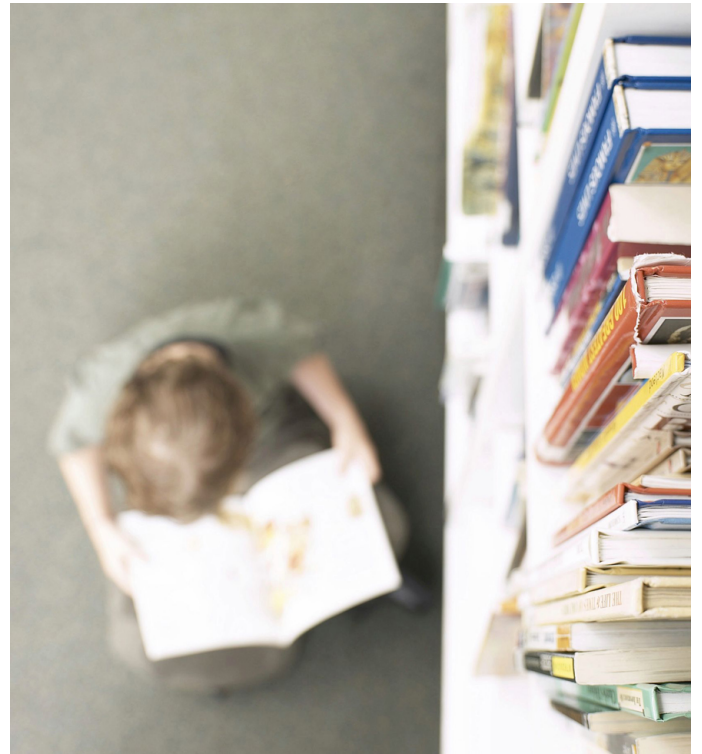
For a limited period of time only, you can choose to calculate your tax liability using this concessionary 15% rate option without penalties or interest, or under existing law (which may involve imposition of penalties and interest). Talk to us to work through the options that are best for your situation.

I'm confused. I've been declaring my foreign super under the FIF rules. What happens now?

The current foreign investment fund rules will no longer apply to foreign superannuation schemes from the proposed date of 1 April 2014. However, if you previously declared your foreign superannuation and used the foreign investment fund (FIF) income rules prior to 20 May 2013, you may choose to keep using them in relation to your foreign superannuation interest after 1 April 2014 under the 'grandparenting' provisions.

Anything else?

Don't forget also, superannuation is counted as adjusted taxable income when calculating income for child support, family income for Working for Families tax credits, and parental income for student allowances.



Tax Talk

and the good news is... ACC

Workers and employers will pay \$387 million less in ACC levies in 2014/15 (subject to the regulation being passed). The cuts affect the Earners Account (paid by workers) and the Work Account (paid by employers).

	Work Account Average levy (per \$100 of liable earnings, ex GST)	Earners' Account levy (per \$100 of liable earnings, ex GST)
2014/15	\$0.95	\$1.26
2013/14	\$1.15	\$1.48

The Health and Safety in Employment (HSE) Levy is changing to a flat rate of \$0.08 per \$100 liable earnings. Look for more news on this later in the year.

Motor Vehicle Account levies, incorporated into car registration and petrol prices, will remain the same. The Government expects to introduce cuts for motor vehicle owners from 1 July 2015.

In other news, there have been some minor changes to classification unit codes, affecting second-hand booksellers and people working in digital effects industries.

Are you managing ACC on your own? We could help you with that, with our ACC Administration and Advisory service. Talk to us about how the service might save you time and money.

Working for Families

The minimum family tax credit threshold will increase from an after-tax income of \$22,724 to \$22,776 from 1 April 2014.

Student loans and allowances

The government continues to tighten up access to assistance for students as well as extending their reach for repayments.

Limits on access

If you are starting study after 1 January 2014, there is now a residency requirement of three years (previously two years) before you are eligible for a Student Loan which applies to those who are not New Zealand citizens, refugees, or protected persons. Age limits apply for Student Allowances. The amount of assistance people over 40 are eligible for is limited to 120 weeks and students aged 65 or over are no longer eligible for a Student Allowance for study starting after 1 January 2014.

Repayment obligations – don't be late

If you defaulted on your student loan repayments while living overseas, but returned to New Zealand, Inland Revenue can now request an arrest warrant if you are about to leave New Zealand. Inland Revenue and the Department of Internal Affairs now have an information sharing agreement allowing them to share contact details for overseas-based student loan defaulters when they renew or apply for their passport. Inland Revenue will be able to contact individuals to discuss their outstanding arrears.

Coming together is a beginning; keeping together is progress; working together is success. Henry Ford

Mixed use asset rules now apply to boats and planes

We've talked a lot about mixed use assets over the last six months so we'll keep it short. From 1 April 2014 the mixed use assets rules apply to boats and aircraft. This means you now need to keep similar records as for holiday homes.

If you use the asset for private use and for earning income, if it's also unused for 62 days, if it had a cost or market value of \$50,000 or more when you bought it, you need to record:

- \$ The amount of time it was used and who used it (number of days, flying or cruising hours)
- \$ The amounts received
- \$ Expenses related to making it available for hire as well as expenses in generally maintaining it

If you make a loss and if your gross income from the asset is less than 2% of its value, you may not be able to claim the loss straightaway. Instead, you'll have to 'quarantine' the excess expenditure and carry it forward to a future tax year to offset against future profits from the asset.

GST input tax deductions are calculated in a similar way to how you calculate expenses allowed as a deduction. If you sell the asset partway through the year, the calculations relating to income, expenditure, apportionment and quarantining can change.

If you'd like a rundown on how this applies in your case, or some tips on easy ways to keep track of it all, please contact us.

Innovation is the ability to convert ideas into invoices. L. Duncan

Business Perspective

Year End

It seems like we have just gotten over the end of the calendar year and we are facing for most the end of another year – the financial year!!!!

With that comes a raft of things that you need to consider:

- Stock Take – remember to conduct your stock count and to write down obsolete items to their net realisable value.
- Debtors – are there any that you consider are irrecoverable and should be written-off? You may be able to make a deduction for these in your 2014 returns.
- Fixed Assets – should any be written off?
- Holiday Pay – monies owed and paid within 63 days of year end can be claimed.

For other items make sure that you consult our annual checklists which will be sent to you shortly.



Election Year Impacts

With the election year upon us we are seeing the role out of election promises and the vote catching incentives to sway us. Already we have seen the minimum wage raised and promised of more. What impact will this have on you?

Have you considered the impact if any of this on your margins and prices? Can you afford to absorb these in your margin or will you need to be passing these on to your customers?

It's a great time to assess your margins and any additional costs that you absorbed in the previous year and evaluate if you can still achieve the results that you want with the targets you have set yourself.



2015 Predictions

We are all well aware of the publicized anticipated interest rate rises. How will this impact your business and personal life?

How will this impact the already high NZ dollar? Have you planned for this and if FX impacts your business directly? Should you be looking at forward contracts to secure your overseas purchasing?

Like many others, we do not profess to be experts in this area nor profess to have inside knowledge on what might happen – but if you could be impacted by this we can recommend it prudent to assess the potential impact this could have on your life and make decisions to plan for these.

Enclosed are a few other tax and business titbits that we consider could be of interest to you. Enjoy the read and please contact us should you wish to discuss these or other matters.

We look forward to being of assistance to you in 2015 and are only a phone call or email away.

eXPired technology?

Taking your business online? Look at whether your current setup will let you keep up with the change.

For instance, if you're still running XP, be aware that Microsoft will no longer support Windows XP and Office 2003 from this year.

From April, if you use Windows XP, you won't receive technical support for it. This means no new security updates, or non-security hotfixes. No support and no online technical content updates.

Until July 14 2015, Microsoft will continue to offer Windows XP users its malware scrubbing program (MSRT). However, your system will become more vulnerable to security risks and viruses.

Over time you'll encounter more applications and devices are incompatible as software and hardware manufacturers upgrade their products.

You're already onto this ... right? But call us if you'd like to talk through how your computer system interacts with your accounting system or other business processes.



Building Claims

Time quickly running out for leaky building claims. By James Skinner and Andrew Hooker, North Harbour Legal Chambers 09 414 1952 www.hookerlaw.co.nz

Many people in Auckland have suffered from the effects of a leaky home and are fully aware of the legislation and rules governing the same. However, if you are suspicious that your home is potentially a leaky home then you must take action now, to avoid the time limits that may subsequently prevent you from claiming.

The Building Act 2004 states that you cannot bring proceedings in relation to any building work more than 10 years after that building work was carried out. If the building work was more than 10 years ago you may still have a claim against the council if a final inspection and / or issue of code compliance certificate was less than 10 years ago. As many leaky homes were built before 2005, time is quickly running out for many people to bring a claim.

If you find yourself out of the 10 year time period from when your house was originally built you may still be able to bring a claim if any alterations or repairs have caused your house to leak.

Don't go to sleep wondering whether you are sitting on a ticking time bomb only to find that when the bomb goes off you have no form of recourse against anyone who may be required to contribute towards the repair cost.

Andrew Hooker and James Skinner work together at North Harbour Legal Chambers, the North Shore's leading civil litigation chambers. Andrew has a particular interest in insurance and financial services litigation and James in leaky building litigation. They are based in Albany, Auckland.

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.

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