

Reimbursement for employees working at home

Inland Revenue's opinion is any reimbursements to employees must equate to the necessary additional costs arising due to the employee working at home.

The Department has taken a very narrow interpretation of this. It effectively says the only extra costs are the variable costs, for example the power bill. It claims the employee does not incur any additional cost of rent, rates and interest on mortgage, for example, as a result of working from home.



For the self-employed, partner in a partnership or shareholders in a look-through company there is no problem because they can apportion all costs on an area basis. A look-through company is not a company from the Inland Revenue perspective. It is a partnership. For shareholder employees, there is a problem because they are employees and need to be treated as such from a tax perspective.

There is a perfectly reasonable way around this. The shareholder employee should charge the company a market rental for the space used. This would become tax-deductible for the company and taxable income for the shareholder employee. The individual could then deduct a fair share of the costs of the house against the rental income and show a small profit in their tax return. If you are feeling generous towards your employee working from home, you could use exactly the same principle as in the paragraph above. The employee could charge your business a fair market rent and claim a fair share of costs against this, returning any surplus is taxable income. *Image by Pixabay*

GST on software payments

Most of us are now making monthly payments for the use of software. How do you know if you can claim GST on these payments?

Facebook, Adobe and other overseas suppliers are required to register for GST and pay it on the “remote” services they supply to us. To save them compliance costs, they don’t need to worry about charging GST when the purchaser is GST registered. Instead, they can ask you to supply your GST

number to show you are registered for GST. If the overseas supplier doesn’t get a GST registration number it charges GST.

So, if you buy an Adobe subscription and you have supplied your GST number to the company, the payment you make doesn’t include GST. You should not be claiming GST on it.

If a GST registered business doesn’t advise it is GST registered, and is therefore charged GST, that can be claimed back if the price

of the goods is less than \$1000. Over that figure, it has to apply for a refund from the overseas supplier.

LinkedIn and Google have a base in New Zealand and therefore charge GST, so it can be claimed back the normal way even if it is over \$1,000.

How do you know when to claim GST? Look on the invoice. If GST is not mentioned, there’s no claim.

BRIEFLY

Backdated payments from ACC

From 1 April 2024 a fairer system of taxing back-dated lump sum payments is to be introduced. The amount will be taxed using the recipient’s average tax rate for the four years prior to the year they receive the money.

Interest deduction on rental property

For those who owned property before 27 March 2021, the interest deduction for the year ended 31 March 2023 is reduced to 75 percent. If the law is not changed, next year it is going to be 50 percent. Generally, if you have bought your residential rental property more recently, you can no longer claim a deduction for any interest.



Changes to our Terms of Trade

Over the past years we have been able to offer our clients 7 days payment on all invoices. At times this extends to 30 days and we have been OK with that.

Unfortunately, we are now in a position where we need to review our terms of trade.

We will continue to offer 7 day payment on invoices relating to GST, PAYE, Xero

Subscriptions, and Company Annual Returns. However, financial forecasting (budgets) and end of year financial statements and income tax returns will now not be released until the account is paid.

I regret having to make this change but it is one of the ways I can continue to keep my fees down.



TAX CALENDAR

August 28, 2023

First instalment of 2024 Provisional Tax for taxpayers with 31 March balance date, who pay provisional tax three times per year.

September 28, 2023

Second instalment of 2024 Provisional Tax (December balance dates).

October 28, 2023

First instalment of 2024 Provisional Tax for those with March balance dates, who paid GST twice a year

November 28, 2023

First instalment of 2024 Provisional Tax for those with June balance dates.

Here's looking forward to warmer weather

Take care

Jeanette,
Kim, and
Hannah

