

## Newsletter

WINTER 2018

# New rules for mileage

**If you are in the habit of claiming your vehicle running expenses based on your mileage, you will need to know the new rules.**

The 5000 kilometre limit has been abolished. Instead, you look at your first 14,000km of total running. This is called tier 1 and the mileage rate is higher than it is for tier 2.

You calculate the business proportion of that first 14,000km. Shall we say that is 20%, which amounts to 2800km. Next, you work out the rest of the total mileage. This is called tier 2. Shall we say you did 29,378km in the year.

This means the rest of the mileage is 15,378km and your 20% would be 3076km.

The rates have not yet been announced and

they will vary according to the type of vehicle you have, be it petrol, hybrid, electrical or diesel. You should make a point of telling us which source of energy you are using.

As you can see, you really need to know the total number of kilometres you travel every year. Make a diary note to have a look at your odometer at the end of the day on the last day of your financial year. If you sell your vehicle, note the final speedo reading on the old car and the starting figure on the new car. Similarly, note the reading on the new car.

## Where is the scaffolding?

**“You get this all the time with tradesmen.”**

This was the comment of a builder talking about the troubles of a friend. The friend, let's call him Jim, was having difficulty coordinating a scaffolding company and the painter for his house.

Jim was grizzling because he had just had a call from the scaffolder saying that they could not come as promised at 8 o'clock that morning, but would try to get there later in the afternoon.

When pressed, the scaffolder admitted the afternoon was also unlikely and then said definitely the following day.

“The trouble is this also mucks up the painter,” Jim said. “Really, the fact that three men had not turned up to work that morning should not have been my problem.”

Scaffolding may be a very difficult business to be in, but customers don't want to hear your problems. If they are in business, they have enough of their own, anyway.

If you want your business to be overrun with eager customers falling over themselves to use your service, be different from and better than your competitors.

Provide a better service. Work out how to solve your ongoing problems with staff, weather and so on. Communicate in advance with those who depend on you so they can also organise their work.

If it's impractical to nominate a specific day for delivery, say so. Give your customers a pleasant surprise by performing better than you had promised.

Reliable companies can charge a premium for better service.

Times will not always be good in the building industry. Build your reputation now.

## Beware direct debits

**Direct debits can be useful for ensuring you pay your bills on time. However, sometimes they work against you.**

Jack set up a direct debit to pay his GST. On the 28th of the month he checked and could not see a payment to IRD. He was concerned because he knew the money had to be in the IRD bank account and it was not enough for it to be in transit. So, he made an internet transfer.

Next day IRD put through a direct debit to his bank account, which was backdated to the 28th of month. Unfortunately, they put through the debit twice. This meant he had paid his tax three times and he had to contact the Department to get a couple of the payments back. They were returned quickly but not quickly enough to prevent the bank charging a dishonour fee.

Direct debit is very useful but you lose control of your payments when you use it.

**TAX TIPS, TRAPS & TROUBLES**

## Interest on short-paid provisional tax

**Are you likely to pay more than \$60,000 provisional tax per year? If yes, read on:**

Some clients will have a good idea of their income for the year shortly after it has ended. Why wait until we have prepared your tax return to discover how much tax you have to pay?

IT people are often a good example. They know the fees they have generated for the 12 months. It is the amount they have invoiced. When they look at their accounts each year, they will probably notice their overheads tend to be reasonably constant. All they have to do is to take their earnings, deduct their expected expenditure and they have a fairly accurate idea of their taxable income.

Provided you pay your provisional tax using the standard method, which is automatically generated when your tax return is prepared, there will be no use of money interest charge on the first and second instalments of provisional tax. However,

you are expected to be able to work out your income for the year in time for the third provisional tax instalment.

If you have an income which attracts more than \$60,000 tax per year, compare your income this year (after deducting GST and expenses, of course) with last year.

The standard calculation for provisional tax automatically allows for an increase in your income of 5%. If you think your income for the year ended 31 March 2018 is going to be more than this (we assume you have a 31 March balance date) make another tax payment now over and above the amount we asked you to pay on 7 May.

How do you calculate the amount? It is 33% of the difference between the income you expect and the income on which you have paid tax.

## Employee Christmas gifts

**Non-monetary gifts to employees are likely to be “unclassified fringe benefits”, or UFB, under tax law.**

Each employee is entitled to receive up to \$300, including GST, worth of gifts per quarter, provided the total UFBs for your business does not exceed \$22,500 including GST, in any 12-month period. Monetary gifts are not UFBs. They are additional wages and should be treated as such.

You may be entitled to switch from quarterly fringe benefit tax returns to annual ones. This could be useful if you want to make Christmas gifts worth more than \$300. Those accounting for fringe benefits annually have a limit of \$1200 per year per individual instead of \$300 per quarter. This means you could make a gift worth \$500, for example, and not incur fringe benefit tax, provided the employee didn't get \$1200 in one financial year.

Incidentally, if you exceed a threshold, such as the \$300, the whole benefit is subject to FBT and not just the amount in excess.

## BRIEFLY

### Holiday pay in advance

From 1 April 2018 you are able to choose how you tax salaries or wages paid in advance. You will be entitled to treat the payment as a lump sum instead of spreading it week by week as at present. The first way will be quicker, but the tax deductions will be higher. The second way can lead to a lot more work if another payment is made to the employee during the period of the holiday. If that happens, you have to add together the two payments and recalculate the tax.

### Do you file FBT returns online?

From July 2018 you need to file through myIR Secure Online Services. Register through myIR. Calculation worksheets will no longer be sent to you in the mail. They can be viewed online.

### IRD refunds

If the IRD sends you money you're not entitled to, don't just assume it's right. You're not entitled to keep it. You can get tax refunds in two ways. It can be lodged to your bank account or paid by cheque. Inland Revenue says you have 20 working days to give them back overpaid tax or they'll penalise you. If you don't check your bank account often and a tax refund slips into it, you could easily get caught. You might be better to get your refunds by cheque so you can make sure they are right before banking them. When returning money to IRD, be sure to give it all the information it needs to put the money back in your correct account, for example, GST June 2018 GST number etc.

### Accounting for dividend income

Some clients have difficulty in providing us with details of their income from dividends. Sometimes they get payment advice notes in the mail and other times these come via the internet. If you are one of these people why not use the summaries provided by Computershare and Link?

# The Bitcoin basics

**The way Bitcoin works seems difficult to understand for anyone but a computer geek or financial wizard. However, it could determine the future of banking and it's receiving plenty of attention from central banks.**

This article explains the basics. If you want to know more detail, the internet has plenty of websites dedicated to crypto currencies such as Bitcoin. However, look for the reputable sites, not just the ones who want you to invest.

Bitcoin is a digital currency, unlike fiat (conventional) currency. It's different because it's not just money stored in a bank account. Its value is not necessarily linked to fiat currency (ie \$100 equals one Bitcoin).

You can buy Bitcoins with normal money by contacting a crypto currency broker (just Google it). You can then trade with it or simply hold it as an investment.

Bitcoins are essentially blocks of secure data. Moving this data from one person or place to another verifies a transaction a bit like paying by credit card. But it requires huge computing power. Users called "miners" allow their computers to be used by the system to safely verify the transactions. A miner who successfully generates a new block gets new Bitcoins, which can be spent on goods and services.

So if it's a digital currency that creates "wealth" defined in cryptographic terms, how can it be spent? It's not a lot different than paying for something using a debit card.

Your Bitcoins are kept in a program called a wallet, which has your password and a connection to the Bitcoin system. If you want to trade, you send a transaction request to another user, buying or selling, and you both agree. The system verifies the transaction and securely transfers the value from one user to the next.

There's no centralised bank or credit system – the peer-to-peer network completes the transaction with the help of Bitcoin miners. The transaction is anonymous because the buyer and seller are represented only by random numbers.

There's so much more to Bitcoin than this newsletter can hope to cover. Our advice if you're looking at investing in Bitcoin or any crypto currency is to do your homework. While many companies now accept Bitcoin currency, its long-term viability is unclear. Fortunes have already been made – and lost – with Bitcoin. Don't be one of the losers.



## BRIEFLY

### ACC CoverPlus Extra

There are some very real advantages of using CoverPlus Extra instead of the ordinary ACC cover. One of the main ones is that you can insure for a specified amount so if you have a claim, it will not depend on the actual performance of your business. The premiums for CoverPlus Extra are higher than for ordinary cover. If you are using CoverPlus Extra, be careful. If you fail to pay your premium on time your policy will automatically cancel and revert to the ordinary cover. Also, your cover won't start until ACC has received your signed policy acceptance form. The Department recommends you send this by email at [cpx@acc.co.nz](mailto:cpx@acc.co.nz)

### Real estate sweet spot

There is an area in the commercial market which can give better than normal yields. It is in the range of property worth \$5 million to \$20 million. The reason for this is it is too expensive for the mum and dad investors and too small for the serious commercial investors.

# Adding a large column of figures quickly

**If you need to check a column of numbers, forget the adding machine unless you're a touch typist.**

Absolute accuracy is usually not important. You could just add the dollars and ignore the cents in most cases. An even quicker way of checking is to round the dollar amounts.

Supposing you had the following five figures to add up: \$350, \$275, \$176, \$47 and \$521. My adding machine makes that \$1369 in total. Now try rounding the figures as follows: \$400, \$300, \$200, \$0 and \$500. You will see this makes a total of \$1400 and it is very easy to add it up in your head. The figure of \$350 is exactly halfway between \$400 and \$300, so we rounded up to 400.

\$275 becomes \$300 because this is the nearest round figure and \$47 becomes nil because it's below the halfway point between \$100 and \$0.

If absolute accuracy doesn't matter then \$1400 is near enough and you know there hasn't been a major mistake.

If you're checking a column of figures with someone else and they are hand written, make sure the person calling the hand-written figures is not the same person as the one who added them up in the first place. The second person might see a hand-written figure as being different from the way the first person read it.

# Keep Facebook at bay

**The recent scandal revealing Facebook information has been shared without the knowledge of users, has highlighted the need to review data privacy.**

It's been revealed that third parties have had access to information about almost everything we do in our everyday lives. Most of us have allowed it to happen because we haven't changed the default settings in Facebook.

So here's some advice that will keep most of your information private to you only.\*

Go to Facebook's Settings. It's a good idea to review all the tabs and make appropriate changes.

The Privacy tab is the biggie here. It's where you can limit who sees your Facebook information, such as your posts, photos, email address and phone number. If it's only friends who you want to see your information, change the list in "Your activity" and "How people can find and contact you" to "Only friends".

Make sure you click "Limit" for the audience for past posts, and select "No" for the setting "Do you want search engines outside of Facebook to link to your profile?".

Don't use Facebook to log in to another service or application. It makes login simple, but by doing so you're giving both

Facebook and the third-party service access to your data. Use a separate password unique to that service. In Facebook's Settings is a link "Apps and websites". This shows the apps and websites you've logged into using Facebook. Delete any or all.

And finally, turn off your location setting on your mobile device (usually Settings > Privacy > Location Services). This will stop Facebook and other apps knowing where you are – and where you've been. You might have to put up with some of your apps asking you to turn it on again to use them (though why using the Lotto app to check a ticket requires Location Services seems odd).

After all this, you have to remember that Facebook will still keep track of all your Facebook activity, including what ads you click on, what you "Like" and what you read.

If you're managing a business page on Facebook, consider carefully any changes you make. You will probably want as many people as you can to see your information.



## TAX CALENDAR

**May 28**

First instalment of 2019 Provisional Tax (December balance date)

**May 31**

Last day to put in final FBT return for 2018

**June 30**

Last day to apply for annual FBT returns for those who qualify

**July 30**

Third instalment 2018 Provisional Tax (June balance date)

**August 28**

First instalment 2019 Provisional Tax (March balance date)

## Set for when you go

**In our summer newsletter last year we suggested clients think about how loved ones could access your personal bank and social media accounts when you die.**

While Facebook is under fire at present, it has to be congratulated for making it easy for a nominated person to operate your account or close it when needed. Under its Settings > Personal Information > Manage account is something called Legacy contact.

It's here you can nominate someone you trust, to manage or close your Facebook account. They'll be advised and be able to do what's required at the right time. They can use your account to tell all your Facebook friends about your demise, let them respond with (hopefully) kind words and then close your account.

## The late Lord Bates

**Lord Bates recently turned up two minutes late for a House of Lords debate.**

He apologised and shocked his colleagues by immediately resigning from the House.

While this was an extreme reaction, lateness is a bad habit and it's inconsiderate to keep people waiting. Although often not intended, it suggests the late-comer considers themselves to be more important.

Kick the habit with better planning. Allow for traffic and parking, and plan to leave early so that last-minute phone call doesn't make you late.