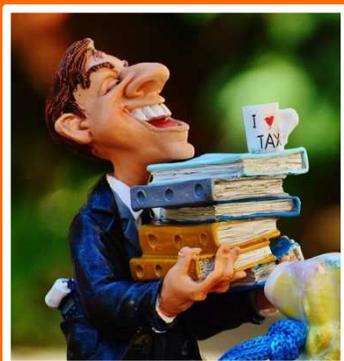


## IN THIS GUIDE:

- Record keeping tips
- Spotlight on Xero
- Land transactions
- Common GST risk areas
- 2019 IRD targets
- How to get more cash
- and more...



## Don't Put Off Your 2019 Tax Return

Scared of your tax bill? Still owe IRD something from years past? Don't let that stop you filing your current-year return.

Simply put, getting your information filed correctly and on time puts us in a better position to negotiate on your behalf with Inland Revenue with any difficulty you may need resolved.

As registered tax agents we have some neat options you may not know about.

Let us help you relieve your IRD burden.

# YEAR END STRATEGIES

THE 2018/2019 TAX GUIDE FOR YOU AND YOUR BUSINESS



Because business should be  
Enjoyable. Profitable. Sustainable.

## Year-end tax planning 2019

One thing is certain. When it comes to planning for taxation the changes are not always for the better, or any easier to understand.

Steps taken by the Government to simplify taxation in one area invariably leads to complications in another.

Combine this with business owner expectations for next year, which suggest increased sales and profitability, and we are all in for an interesting and challenging year. Like all challenges, they are best managed in pieces. Now is the time to review the last twelve months, set new goals and begin preparing for the next financial year.

Timing is crucial: ensuring the timing of a transaction or investment is right can minimise your tax obligations. Correct timing can also affect the cash flow impact of your tax payments.

Sending us your accounting and personal records early means we can discuss planning opportunities and help you manage cash flow by giving you early warning of any tax payments due.

### Keep your records

One way to prepare for the financial year is to ensure that your business is keeping proper records. It is important to keep relevant records so that the business can prove that all tax deductions are legitimate. All records must be in English and kept for at least seven years.

Some examples of the types of records that must be kept are:

- bank statements
- all income received
- wage records for any employees
- interest and dividend payments
- a list of business assets and liabilities
- all tax invoices and receipts for purchases
- motor vehicle log books

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CHARTERED ACCOUNTANTS  
AUSTRALIA • NEW ZEALAND

## Spotlight on Xero

### Using Xero to Reduce Your Accounting Bill

**Did you know you can use Xero to upload documents and attach them to invoices?**

Attaching relevant documents to your Xero invoices can dramatically cut down the time we take to complete your accounts (reducing your accounting bill).

Here are some of the documents that are very helpful to upload:

- Invoices for a new asset (vehicle, plant and equipment etc.)
- ACC invoices
- Legal invoices
- Hire purchase/lease agreements
- Bank statements (as at 31.03.19)
- Loan statements
- GST charged by customs on imported goods

#### More Xero Help

We've put together more help for our Xero clients. Click on the buttons below for specific instructions to help you out.

[Accounting for Hire Purchase](#)

[Adding Documents to Xero](#)

[Subcontractor Payments](#)

[Expenses Paid With Till Cash](#)



## Land Transactions

### (including the family home)

**Have you bought or sold any land (including the family home) in the last 12 months?**

**Read on...**

Please let us know about the transaction. We will ask you for copies of the sale and purchase agreement and legal settlement statements.

It is important that we are aware of all land dealings so we can advise you if there are likely to be any potential tax issues.

We will also save the legal documents which makes it easier for you down the track if you ever need them again.



## Addressing common GST risk areas

#### Associated party transactions

Special timing rules apply to supplies between associated parties; however IR has noticed that these rules are not always followed.

Businesses should consider GST grouping in the context of supplies between associated parties.

#### Non-routine transactions

Non-routine transactions are those that are not in the ordinary operations of the business, and are generally a one off; for example, insurance settlements and the sale of an asset.

The GST consequences of these types of transactions may not be correctly accounted for through normal processes and controls, and, therefore, may require special attention.

#### Time of supply

IR has identified the time of supply rules as a common error despite the relative simplicity of the general principles.

#### GST return preparation errors

IR receives many GST returns which contain errors resulting in an incorrect return. Common mistakes made are mistakes in arithmetic, transposed numbers, leaving fields blank and not including transactions in the correct return period.

These errors often arise due to returns not being reviewed before filing. IR strongly recommends the use of review procedures to eliminate this type of error.

## 31 March: Time Sensitive!

### ✓ Crucial Reports to be Printed

Some computer systems only allow you to print reports for stock and bank reconciliations when they are completed so remember to print these reports at 31 March. When you reconcile your bank in your computer system generate the bank rec report at the same time.

### ✓ Valuation of trading stock

Trading stock is required to be valued using a cost valuation method. Market selling value may be used only when it is lower than cost. There is also no provision for the write-off of obsolete stock. To reduce the value of these items they should be physically disposed of, or alternatively, valued at market selling value.

### ✓ Obsolete Stock

If you have this it needs to be disposed of and written off as at 31 March, preferably before.

### ✓ Holiday pay

Amounts payable to employees at balance date for holidays or bonuses are deductible in the year to 31 March 2019 if paid to the employee within 63 days of balance date.

### ✓ Bad debts

To claim a deduction for a bad debt in the year to 31 March, the debt must be bad and must actually be written off during the year. There must also be evidence to verify that a debt has been written off.

### ✓ Dividends

If you intend to declare a dividend in March 2019, the company must pay the RWT on 20th April 2019.

### ✓ Invoicing in Advance and Retentions

If you have invoiced in advance for deposits or services not performed by year end, this income can be rolled in to the next tax year. With retentions on construction projects – retentions become taxable income once they are due for payment.

### ✓ Prepaid expenditure

Certain expenditure can be incurred in advance of the 2019-year end and, provided it is not capitalised on the balance sheet, may be claimed as a tax deduction in the 2019 financial statements. Some expenses can be prepaid regardless of the amount or period being prepaid.

## More 2019 Tax Tips

### ✓ Loss offsets

Loss offsets elections must be filed with Inland Revenue before 31 March. Once they are approved they are unable to be reversed.

### ✓ Repairs and maintenance

The end of year is a good time to take a look at spending throughout the year in order to determine whether items are deductible, or need to be depreciated.

### ✓ Legal expenditure

Businesses with \$10,000 or less of business-related legal expenditure can claim a full deduction in the year the expenditure occurs, regardless of whether the expenditure is capital or revenue in nature.

### ✓ Home office expenses

Areas in the home used primarily for business, or as a storage area for the business, can be claimed as part of the overall costs of running the house as a business expense. Floor area is the most common base used for calculating the portion claimable.

## Shortfall penalties regime

A shortfall penalty is applied as a percentage of a tax shortfall resulting from actions of a taxpayer.

The law has divided these actions into five categories, with each category having a



specified penalty percentage of the tax shortfall:

### Lack of reasonable care

The penalty for not taking reasonable care is 20 per cent.

The law requires taxpayers to take reasonable care in meeting their tax obligations. This means that taxpayers need to exercise the care that a reasonable person in the same circumstances would.

For example, a reasonable person would be expected to seek professional advice if they were uncertain of their obligations.

### Unacceptable tax position

The penalty for an unacceptable tax position is 20 per cent. An unacceptable tax position is difficult to define; however, it is seen as one that fails to meet the standard of "being about as likely as not" to be correct.

### Gross carelessness

The penalty for gross carelessness is 40 per cent. Gross carelessness refers to behaviour that demonstrates high levels of carelessness and disregard for the consequences.

### Abusive tax position

The penalty for taking an abusive tax position is 100 per cent. An abusive tax position is one that is based on an unacceptable tax position and has tax avoidance as a dominant purpose.

### Evasion

The penalty for evasion is 150 per cent. Tax evasion can involve a variety of situations; for example, using deducted or withheld tax for anything other than its lawful purpose

In some situations, the IRD may consider prosecution before imposing the shortfall penalty.

## IRD current targets for 2019

With the year-end fast approaching now is the time to get organised and ensure that you are compliant with tax laws and stay off Inland Revenue's tax hit list.

### Everybody files and pays on time.

IRD are contacting taxpayers and agents once a return is late. The immediate focus is an employer's monthly schedules (PAYE schedules).

### High wealth or income taxpayers

The IRD focus on unusual transactions, mismatch of wealth and amount of taxes paid and mixed use assets. They are able to obtain information from offshore sources about funds owned by New Zealand tax residents.

### Residential property

Focus on residential property trading and one off speculation with a focus on new and infill developments. They have the ability to place an alert on any future property transactions you make to ensure any profit is included as taxable income if applicable.

### Trusts

Focus on trusts being used to deliver favourable tax advantages or their use does not make commercial sense.

### Under reporting income and operating outside the system

IRD monitor websites such as trade me for traders and check this income is returned. The IRD share information with other government departments and overseas organisation such as the Australian Tax Office.

### Contractors

Self employed contractors are required to file income tax returns. They look at under declared income, not accounting for GST, claiming of private expenses, incorrect income splitting with spouse/partner.

### Small to medium enterprises

The compliance focus for this group identifies common mistakes by SME's and also provides guidance on how to avoid these mistakes.

Some of the areas identified are GST errors, employer monthly schedules, accurate record keeping, accounting for contractors versus employees, non-resident contractors' tax, child support deductions, use of industry benchmarks, KiwiSaver contributions and income tax for the self-employed.

## Looking to Step Up in 2020? How to get the cash you need

How can you get that new vehicle, premises or machine to take your business to the next level?

### You may be surprised at how we can help

If you are able to demonstrate to a bank how a purchase will benefit your business' gross profit, and at the same time repay the loan, they will be more than happy to lend you what you need.

### How can you satisfy a lender that you deserve their cash?

By providing them with a predictive



cashflow.

A predictive cashflow is a document that takes into account all of the foreseeable factors affecting your business for the next 12 to 36 months.

When this is put together by Chartered Accountants all the hard questions a lender wants the answers for are already answered. This dramatically increases your loan approval.

### Instead of waiting for years to get the cash position you are aiming for, get there today.

Contact us to find out more...

### What if you are just wondering where all your cash went?

We can also help you. A very common question we get from clients is "We made a profit this year, so why don't we have any money in our bank account?"

Company cashflow and net profit don't always equate one to the other. We can help you discover where the cash in your company is flowing, or where has become stuck.

If you want to free up your cashflow again, **contact us.**

## Due Dates for Returns and Payments to Inland Revenue

What does Inland Revenue mean when it refers to the due date?

Does this mean returns and payments need to show that they were *posted* by the due date?

Or does the due date refer to the time Inland Revenue must have *received* the return or payment in question?



### Answer:

Inland Revenue's due date is the date when the return or payment **must be received by them.**