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## December 2015 – Newsletter # 2



Campbell & Co Chartered Accountants Limited would like to wish all our valued clients a very Merry Christmas and a prosperous New Year.

It has been a super busy 2015 and we would sincerely like to thank you for your continued support and loyalty. The team is looking forward to continuing our valued relationships in 2016 and providing you with the best possible service. We hope you all enjoy a safe and happy holiday season.

***The Campbell & Co Team – Trevor, Jon, Alan,  
Graeme***



## CHRISTMAS OFFICE HOURS

Campbell & Co will be closed from 12.30pm on Wednesday 23<sup>rd</sup> December, reopening at 8.30am on Monday 11<sup>th</sup> January 2016. If you require us urgently during this time please contact your accountant on the following:

Trevor – 022 354 6707

Jon – 022 432 3068

Alan - 027 900 9167

Graeme – 027 305 6460

Throughout the year we are happy to meet with you outside of our regular 8.00am to 5pm hours by arrangement, and we are always willing to meet with you offsite if preferred.

## WEBSITE

Have you visited our website [www.campbellca.co.nz](http://www.campbellca.co.nz) yet? The website offers our clients an abundance of useful information. You can scroll through our staff profiles, various calculators and key dates or peruse the nature of services we can offer your business. We encourage you to take a few moments to check it out and let us know what you think.

## 2015 ANNUAL INFORMATION REMINDER

Many clients have already completed their Annual Information Questionnaires and returned these to us along with their relevant information for the preparation of their 2015 Financial Statements and Income Tax Returns.

For clients who have not yet supplied their information, we need to see this very soon. The period before 31<sup>st</sup> March is very busy for us, so we recommend that all your information is to us **no later than 31 January 2015**, to allow us time to complete your accounting work. If you have misplaced yours please contact the office for another copy.

## NEW TAX ON RESIDENTIAL PROPERTY

You may have heard about the 'Bright Line Rule' which applies to residential property you've bought on or after 1 October 2015. Under this rule you'll pay tax on income you earn if you buy and sell a house within two years, unless you're selling your main family home or another exception applies.

All existing property tax rules still apply – if you purchase a property with the intention of resale, any profit has been and still is taxable.

The bright line rule does not apply if you sell a property you've inherited. You do not need to pay income tax on a property that is transferred to you as part of a relationship settlement agreement, however, if you go on to sell this property within two years of its original purchase, the bright line rule will apply.

If you have a situation that may be bound by this rule, please contact us to discuss.

## IRD PAYMENTS REMINDER

As our clients are aware, electronic payments are encouraged when making tax payments to the

Inland Revenue, in order to avoid the risk of a late payment due to postal delays.

When making a tax payment through online banking you must include:

- The correct IRD number
- The tax type of the payment
- The correct period end date the payment is for

There are various rules which apply to tax payments for various payment types as follows:

- by post - must be received by the IRD before or on the due date
- internet banking - payments made on the due date must be made before the end of the banks business day to be treated in time
- cash and eftpos - these are accepted at Westpac branches and must be made before or on the due date before the end of the banks business day
- Cheques - must be received by Inland Revenue before or on the due date. Post-dated cheques will be treated as late if the post-dating is after the deadline.

## GST PREPARATION SERVICE

One of the most valued services we offer to our clients is to remove the hassle and stress of preparing and filing GST returns.

By preparing these returns on your behalf, we can ensure that any issues in your accounts are dealt with when they occur, rather than waiting until the annual accounts are prepared. We have available a range of software products, such as BankLink, Xero, and Cash Manager, and from these select the most appropriate for your needs. We then use this technology to make the process as fast, efficient and accurate as possible. In most cases, it only takes a 5 minute phone call every two months to sort out any questions we have, and your GST return is prepared, filed with the IRD and a copy of the return and a payment slip is emailed or posted out to you well before the due date.

As we already have the bank transaction details for the year, clients often find it easier to get their end of year information together, removing another cause of stress for busy business owners!

## GENERAL REMINDERS

Please remember to let us know when your contact details change. This includes your address, phone numbers including mobiles and email addresses.

If you change your bank account, please let us know so that we can ensure the Inland Revenue is advised so any tax refunds find their way into the correct account. Our annual questionnaires ask for your bank account number for any tax refund or donation tax credit. Please complete this regardless of the anticipated result so we can ensure our records, and therefore the Inland Revenues, are up to date.

## USING YOUR HOME AS A BUSINESS

Many people who run a small business use an area in the home for work purposes. You do not have to have an area specifically set aside for the business. If you're doing this, you can make a claim for the area so long as you keep a full record of all expenses you wish to claim.

If there isn't a separate area for the business the apportionment will need to take into account criteria such as the amount of time spent on income-earning activities and the area used at home. No deduction is permitted for any private or domestic expenditure.

The responsibility for keeping invoices and records for a home office is the same as for any other business expenses you're claiming.

You can claim a portion of the household expenses, such as the rates, insurance, telephone and power. You can also claim a portion of the mortgage interest if you own the house. You must keep invoices for these expenses.

You can only claim the expenses that relate to the area used for business. If this situation applies to you and you have kept the relevant information in order to make a claim, please ensure you fully complete the appropriate section of our Annual Information Questionnaire so a claim may be included when we are completing your returns.

## GST ON SECOND HAND GOODS

Buying second-hand goods for your business can help keep costs down because they are usually cheaper than new goods. The good news is that if you're GST-registered, you can claim a GST credit on second-hand goods bought in New Zealand for your business – even if the seller isn't registered for GST.

For example, you may buy a second-hand ladder from your neighbour to use in your home maintenance business, or pick up a second-hand trailer in an online auction to use on your farm. Certain goods can't be considered second-hand when it comes to GST, including:

- livestock
- goods supplied under a lease or rental
- primary produce
- goods made with fine metals – platinum, gold or silver.

Otherwise, it's considered second-hand if it's been used and paid for by someone else, and was in New Zealand when you bought it.

It doesn't matter which accounting method you use, you can only claim GST on what you paid for the goods.

As with all things tax-related, it's important to keep good records, even if you pay cash at your neighbour's garage sale. To claim the credit for GST purposes, you'll need to record the following information:

- the name and address of the person or business you bought it from
- the date of the purchase
- a description of the goods
- the quantity of the goods
- the price paid

You'll also need to keep details of the transaction if you're going to make a claim for income tax purposes.



## RESIGNING AS A TRUSTEE OF A TRUST

If you are a Trustee of a Trust, you are personally liable for the tax obligations of the Trust. If you resign, the Inland Revenue Department must receive notification of this as soon as possible following the resignation, so they can update their records.

If you resign as Trustee of a Trust and don't send the IRD written confirmation, they'll still recognise you as a Trustee, which makes you liable for any tax obligations of that Trust.

For income tax and GST purposes, you may be liable for any outstanding tax for the periods you were a Trustee. This includes the period of time between your resignation as a Trustee and when the Department receives written confirmation of the resignation. This liability continues until any debt is paid.

If we are made aware of your resignation we can assist by making this communication to the Department at your request. If attending to this yourself, we suggest you request confirmation that the Department has received your resignation notification to ensure no unintended responsibility remains.

## PROVISIONAL TAX

A reminder, if you think your income is going to be significantly higher than your last financial year then you should consider making voluntary payments to avoid IRD applying Use of Money Interest.

The flip side of this is if you feel the current year's income is going to be less than the previous year, you may be able to pay less and avoid overpaying.

Please talk to us if you feel there has been a significant movement in this year's income.

## SHAREHOLDER CHANGES

In this day and age it is very easy to update company details via the Companies Office website – however some changes to shareholdings could have a detrimental impact on your tax position so should be discussed with us first.

If your company's shareholding has changed by more than 34% each year, you lose what is called 'continuity of shareholding'. Put another way, if your company doesn't have 66% commonality of shares in any given year, it loses its imputation credits and you may end up paying more in tax. You'll lose the credits you built up in previous years and there's no way to undo it.

The rules around shareholder continuity are about making sure that this year's shareholders who enjoy the benefits today of the tax losses that were carried forward and the imputation credits that accrued last year are largely the same people who were shareholders when those benefits were building up. To calculate a company's shareholder continuity you generally have to track the voting interests of the individuals who ultimately own the company.

This can be – but is not always – straight forward. If you want to make more than a 34% change to shareholding. We will look at whether the company should pay a dividend to utilise available imputation credits, before the change in shareholding.

If the company had tax losses last year which were carried forward and the proposed change in shareholding affects more than 49% of the shares, then the company won't be able to carry the tax losses forward. Please contact us to discuss any change with us before it is actioned to alleviate any avoidable consequence.

