MFT

McIntyre Flannery Tait

Chartered Accountants & Business Coaches

Winter Newsletter 2015

A word from George

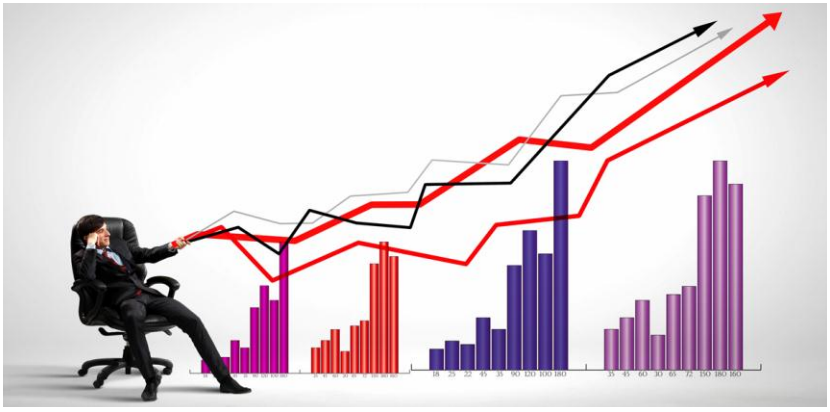
Here we are in June and the year is marching by. I'm secretly hoping to get in a bit of curling this winter unlike the previous two but I fear there could be something to all this Global Warming talk. I remember as a kid growing up in the Ida Valley, we would break the ice in the puddles on the way to school and every year we would be skating on a pond somewhere on the natural ice.

Winter for the team at MFT is always busy as we churn out our clients Financial Statements and work through their tax position. It would be fair to say that we don't need to chase work at this time of the year as there is plenty to do. However if we haven't contacted you and you need your work done bring it in regardless and we will get on to it as soon as we can.

From a tax perspective, there wasn't a lot of change that came from last month's budget aside from some increases in Working For Families Tax Credit and removal of the Government's kick start subsidy for Kiwisaver.

All the best for the rest of the year.

Index



Use of Money interest rate rises

On 8 May this year, use of money interest - the interest Inland Revenue charges on underpaid tax - rose from 8.40% to 9.21%.

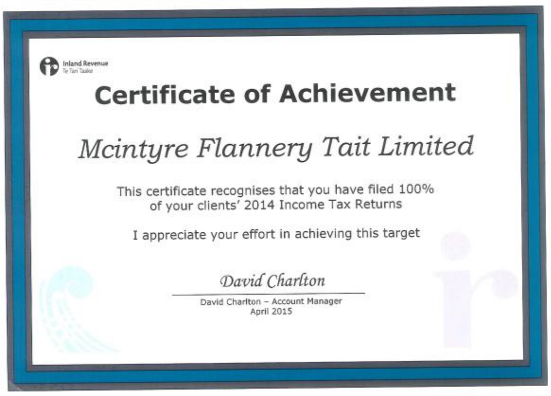
The rate Inland Revenue pay on overpaid tax rose from 1.75% to 2.63%. Remember! If you have unpaid tax owing, this rise will drive up your costs further.

Talk to us if you think this may affect you.

'Success doesn't necessarily come from breakthrough innovation but from flawless execution. A great strategy alone won't win a game or a battle; the win comes from basic blocking and tackling.' **Naveen Jain**

What's been happening around here?

We have received a Certificate of Achievement from the IRD for filing 100% of our clients 2014 tax returns. Thank you to all our clients that got their returns in on time.



Inland Revenue

Certificate of Achievement

Mcintyre Flannery Tait Limited

This certificate recognises that you have filed 100% of your clients' 2014 Income Tax Returns

I appreciate your effort in achieving this target

David Charlton

David Charlton – Account Manager
April 2015

We received a thank you letter from the Central Otago Trotting Club Inc. for the sponsorship of the 2nd January 2015 Trots. During May we also received thank you letters for sponsorship from the following:

Alexandra Musical Society, Omakau Ladies Golf Club and Alexandra Golf Club.

We are all trying to stay warm and in good health this winter with only one nasty going around the office so far. Let's hope we keep them at bay for the rest of the season!

Call before you click

If you have a company, we'll let you into a secret. We know, each year when we speak with you about what you want to do about dividends, that's the minute we start to talk about imputation credits and the imputation credit account, we watch your eyes glaze over and we know the 'la la la la la la' soundtrack is playing in your head. It's okay. Almost everyone finds them hard to understand. And really, that's okay with us because… that's what we're here for, right?

So, we know it might not occur to you, when you log on to the Companies Office website to update your shareholder details, that you could have made your tax position more complicated by doing yourself out of tax credits.

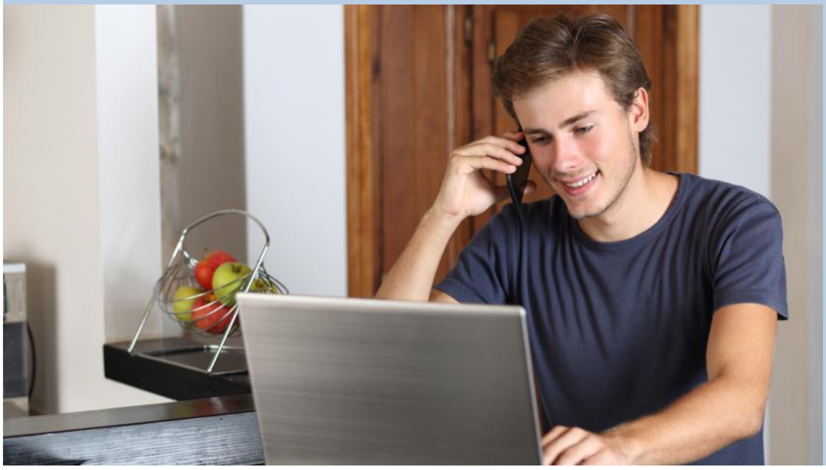
Because the Companies Office has made it really easy to update details on their website and that's great. Particularly for small companies, it makes it quick, easy and convenient. However, it's not the Companies Office's job to look out for your tax position. It's ours. So when you go to update shareholder details for prior shareholding changes, there's nothing to remind you that if your company's shareholding has changed by more than 33% each year, you lose what they call '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. You may end up paying more in tax, and you'll lose the credits you built up in previous years and there's nothing you can do about 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 is not always straightforward.

Size and timing of the proposed change? If you want to make more than a 50% change to shareholding, can we talk about it to make sure you understand all the implications? Should the company pay a dividend now to utilise available imputation credits, before you make that change in shareholding?

Tax losses? Did the company have tax losses last year which were carried forward? If 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.

Look Through Company? If the company is a Look Through Company, a transfer in shareholding may cause the company to fall out of the Look Through Company regime. Will you be happy with that? Do you want us to advise Inland Revenue? Do you want us to arrange for the company to re-elect to be in the Look Through Company regime for the next tax year?



Directors' interests? Does the proposed change affect directors' interests in any way? We should make sure the register of directors' interests is updated, in that case.

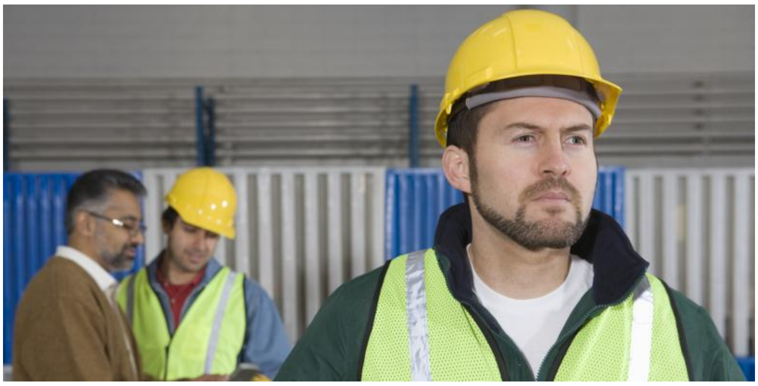
So, next time you want to just make a quick update to your company details on the Companies Office site, put down that mouse and pick up the phone. Talk to us. We can look at your situation and what options are available. And we can also put together the documentation you need to record the transactions so everything is squared away.

'If you really want to do something, you'll find a way. If you don't, you'll find an excuse.' - **Jim Rohn**

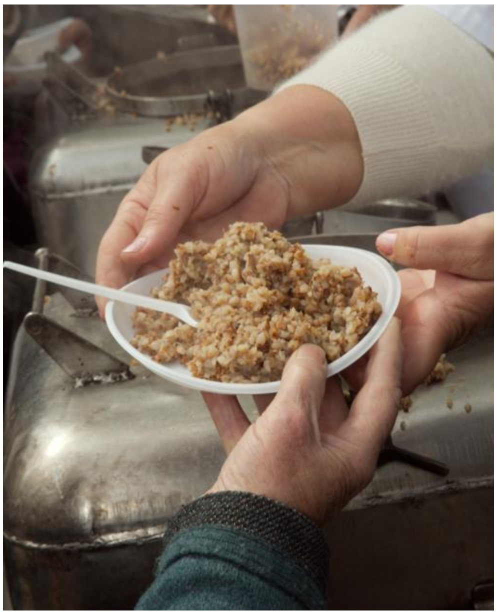
Companies and Partnerships

As the new residency and recording requirements have come in for companies and partnerships, if we don't already know the residency status of partners and company directors, we'll be contacting you soon about this.

We'll also be asking you for details of date and place of birth for partners and company directors if we don't already have this information.



Reporting requirements for charities



New reporting requirements for registered charities came into force from 1 April 2015. This means that registered charities will need to prepare financial statements in line with these new standards. These will now require quite a bit more non-financial information than in the past. While we're geared up to continue to prepare your financial returns, we'd like to flag to you that from the 2016 financial year, we'll need more information from you. We don't want to pass the costs of preparing this additional non-financial information on to you, particularly where the organisation is smaller and the costs will make a big dent. Also, as you're the ones who best know what you do and why, you're in a better position than we are to provide clear, accurate information.

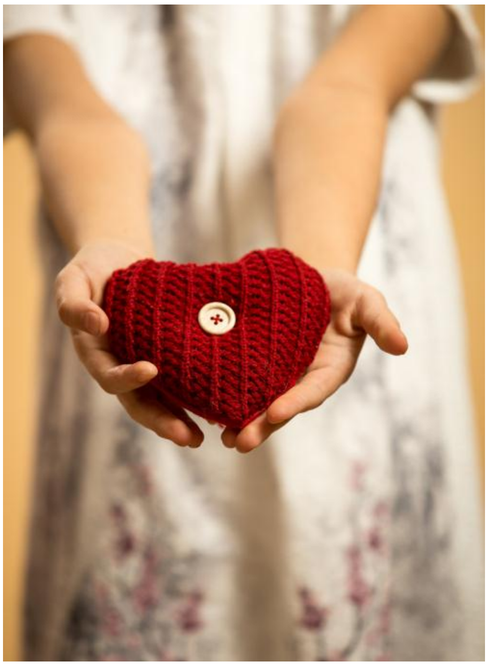
So, what additional information is called for? It varies according to the size of the organisation, its operating revenue and whether it has public accountability. The requirements apply according to which tier the organisation falls into.

Tier	Annual operating budget		Accountability	Reporting requirement
1	Over $30m	OR	Or has public accountability	Full standards
2	Under $30m	AND	Without public accountability	Reduced disclosure regime
3	Under $2m	AND	Without public accountability and uses accrual based accounting	Simple format report - accrual
4	Under $125k	AND	Without public accountability and uses cash based accounting	Simple format report – cash

Very few charities are so-called FMC reporting entities or issuers or otherwise have public accountability, as defined. (An FMC reporting entity is defined under the Financial Markets Conduct Act 2013 and includes listed companies, banks, unit trusts, credit unions and other enterprises that hold lots of money from the public).

All charities will have to report on 'service performance'. This is a report on what the organisation did to achieve its core objectives. The reporting requirements distinguish between 'outcomes' and 'outputs'. An outcome is the benefit you want to provide to the community, say 'Improve the quality of life of those living with XYZ disease'. An output is the specific service (or goods) delivered, e.g. 'Provide cheap/free accommodation near base hospitals for rural patients' or 'Train puppies to become guide dogs'.

Some charities only provide a few activities or services, which will make it easy for them to identify all the different parts to include in their reporting. For others it might not be as straightforward, as they may have many activities or services which operate independently of each other. All these different parts of the charity must be reported on, as they all enjoy the benefits of being a registered charity.



What you have to do:

- ✓ Identify your organisation's outcomes. They can often be derived from the mission statement
- ✓ List your major outputs
- ✓ Establish a system for measuring delivery of outputs. You will want to report quantities delivered, e.g. number of patients accommodated and/or number of nights, and optionally:
  - ✓ Costs associated with the output
  - ✓ Quality and
  - ✓ Timeliness
- ✓ Prepare a budget for the delivery of outputs and
- ✓ Establish, if practical, the quantities delivered in the previous year

Leaving this until the end of the financial year will make it all MUCH harder. Start now!

Timely Reminders

Note: these dates apply to those clients for whom we prepare tax returns. Different dates will apply for those clients for whom we don't prepare returns. Please ask us if you'd like more information.

1 June (due to 31st falling on a weekend)	FBT	Return and payment due for quarter ending 31 March, for employers who pay their FBT quarterly Annual FBT return and payment due for the year ended 31 March for employers who pay their FBT annually. Employers who provide no fringe benefits should file a Nil return unless Inland Revenue has waived this requirement
30 June	FBT	Last date for employers to elect to pay FBT annually
22 June (due to 20th falling on a weekend)	Dividend Withholding Payment	If a company has elected to maintain a dividend withholding payment account and the account had a debit balance at 31 March, a further dividend withholding payment and dividend payment penalty is now due
22 June (due to 20th falling on a weekend)	Imputation penalty tax	Where a company had a debit balance on their imputation credit account at 31 March, further income tax and imputation penalty is now due
29 June (due to 28th falling on a weekend)	Provisional Tax	GST ratio method taxpayers on January, March, May, July, September and November balance dates Standard provisional taxpayers on January, May and September balance dates 6 monthly GST taxpayers on May and November balance dates

Mums are always right!

One of the (male) team members at MFT has recently been through a very rough time with illness, and was in a lot of pain. He was eventually hospitalised and had surgery but is now on the mend. However, the ladies at work reminded me his ordeal was apparently nothing compared to child birth.

It seems that child birth must also bestow on the woman all of the world's knowledge, because from that point on you become a Mum, and Mum's are always right. I do wonder though if, just occasionally, a Mum might be wrong (dare I say it). And these rare occasions give rise to some old wives tales.

From a business/tax perspective, there are two old wives tales that still float around NZ, and I still hear them from time to time.

One old wives tale is that it is a good idea to spend money near the end of the tax year to avoid paying tax. In fact you still see some TV adverts which deliberately play on this. Well, yes, if your business went on a big shopping spree it may reduce your tax. But, firstly, you have spent money. What is the point of spending $1 on items which may not be necessary simply to save 28c in tax? And, if you spent over $500 on an asset, then you wouldn't get to claim that as an expense, although you would be able to claim depreciation.

The second old wives tale is that if your business buys a vehicle and it gets sign-written then it means that no Fringe Benefit Tax ("FBT") is payable. The old wives tale especially applies when that vehicle is a ute of some sort. Well, that is completely wrong. If the vehicle is available for private use then it doesn't make one bit of difference if it is sign-written or not. FBT will be payable. Note that it is not whether it is used for private purposes; the test is simply whether it was available for private use. There are ways and means of reducing or eliminating the FBT, but they will be at a cost to the business owner.

So, if you have heard a tale about how to reduce tax, and are not sure if it is true, I suggest you talk it over with your accountant first. Unless you heard it from your Mum!

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