

# Newsletter

December 2017

DB CHARTERED  
ACCOUNTANTS LTD



Our final newsletter for the year looks at income from renting out property, planning, business organisation, a book review and a reminder on upcoming tax dates. Enjoy the Christmas and New Year period.

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## **CHRISTMAS CLOSE DOWN REMINDER**

**Our office will be closed for the Christmas break from Midday Thursday 21 December 2017 and will re-open on Wednesday 17 January 2018.**

The October/November 2017 GST Returns are required to be paid and filed with the IRD by 15 January 2018. If we complete your GST Returns on your behalf please ensure that you have your information to us so we can complete the return before the Christmas break.

### **ACCOMMODATION & TAXES (AIR BNB & BOOKABACH)**

We are often asked "How much income can I earn on a property before I start paying tax?"

If you are providing accommodation, including through websites like Airbnb or Bookabach, the income is taxable. This includes any payment for one-off or irregular rentals. This means you:

- must include the income in a tax return
- can claim expenses for the time you rented out the space, e.g. a portion of rates, insurance, cleaning, advertising and a portion of interest if you have debt on a property
- must keep clear records to confirm all income and expenses.



Where you earn rental income and the expenses are higher than the income you should still keep clear records. IRD has vast resources to patrol various websites to see ensure property owners are correctly paying tax.

If you have any queries regarding your obligations please contact us.

### **Do you have a holiday home you rent out and use yourself?**

There are different tax rules if you have a mixed-use holiday home where:

- you stay in the holiday home yourself sometimes
- you rent it out to others sometimes
- it's not used for a total of 62 days or more during the tax year.

If you have a mixed-use holiday home and you earn less than \$4,000 a year from renting it out, you don't need to include this income in your annual tax return. If you choose not to declare this rental income, you won't be able to claim expenses for the holiday home either.

There are specific rules around expenses you can claim on mixed use assets and we can provide further guidance on this if required (**Continued page 4**).

***"Things work out best for those who make the best of how things work out"***

**PLANNING – “To fail to plan is to plan to fail”**

Part of our role is to assist clients to plan ahead. We do this in many ways and planning helps manage a situation or business to reduce any “surprises” further down the track. This assistance can include:

**Business Planning** – here we will assist the business owner/s to assess the current situation, define options going forward, set priorities and set goals and timeframes. We can hold business owners accountable to stick to the goals set so they are achieved.



**Cash Flow Planning** – this may include looking at the expected income and expenses for the year and making allowances for loan payments, tax, GST payable, asset purchases and of course drawings and owner salary. What will be the cash flow position come the end of the year? In a growth phase more funds may be required for additional staff or stock, or we can plan how to nurse a business through a quieter period. The impact of new assets and related financing decisions can also be looked at.

**Taxation Planning** – our NZ tax system generally means tax is paid based on the previous years earnings. Under these rules, when profitability has increased substantially the additional tax may not be required to be paid until one year after the financial year end. Planning ahead for tax means that the business owner can set funds aside so that sufficient tax funds are available when tax is payable (reducing the “surprise” factor).

**Personal Planning** – Many business owners spend a lot of time working on their business and do not pay much attention to personal planning. Here we consider your lifetime goals and what you want to achieve outside of your business to help formulate a plan that integrates your business and personal objectives e.g. buying a home or investments. Your personal and business lives are inextricably linked and your personal plan needs to take this into account.

**Succession/Exit Planning** – this considers what issues to address in your business so that when the time comes to move on the business is ready. This may include considering the type of purchaser who would buy the business and what their requirements may be.

If you ever require help with any of the above planning scenario’s feel free to give us a call to discuss.

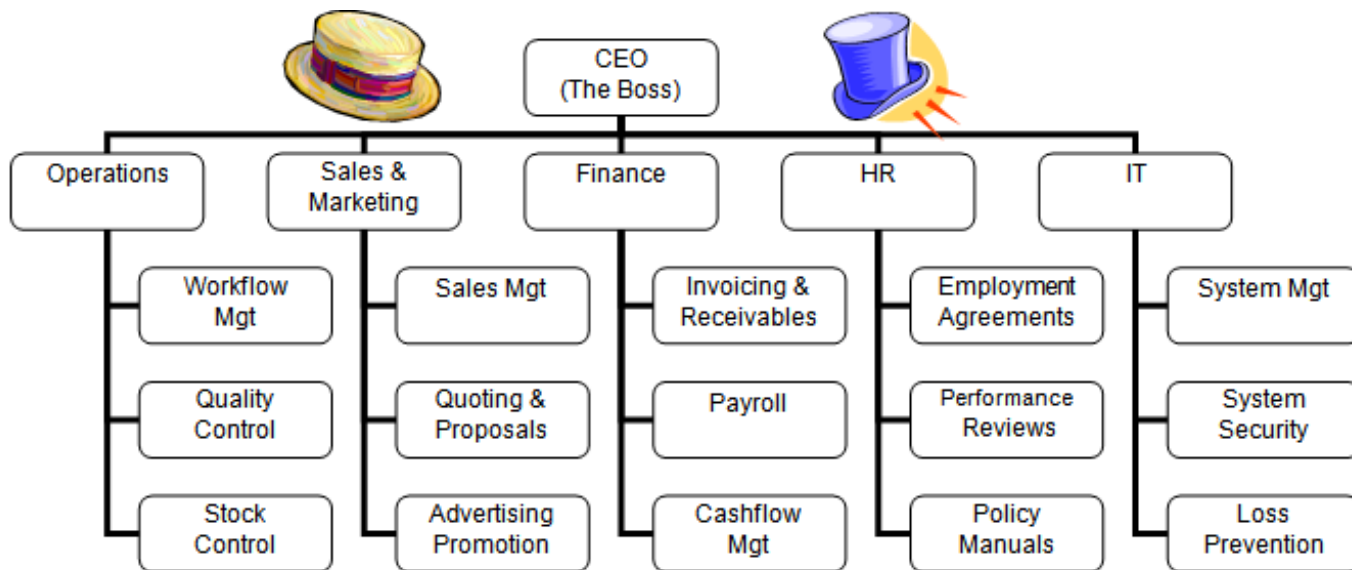
**JOKE #1**

“Just relax”, the hospital staff kept telling Jim, but it was to no avail. Jim’s wife was in labour and Jim was a nervous wreck. After what seemed like a week, to both Jim and the hospital staff, a nurse came out with happy news, “It’s a girl”, she cried. “Thank goodness, a girl”, said Jim, “at least she won’t have to go through what I just went through!”



**HOW IS YOUR BUSINESS ORGANISED?**

*We first covered this off in our June 2011 newsletter and we thought it was timely to include again as it is often an area business owners can assess to see where they require assistance in their business.*



As a business owner it is necessary to wear different hats as part of managing a business. The brief organization chart above covers off some of the areas a business owner needs to address on a regular basis. While some businesses may feel they are too small to have to consider their organizational chart, the functions are the same as a bigger business, just on a smaller scale.

CEO “The Boss” – often the business owner, oversees all areas of the business. This is where the buck stops and final decisions are made.

Operations – this includes the management of work, timing of work, assessing bottlenecks, ensuring goods and services are delivered on time, enough stock held (not overstocked or under stocked) and ensures quality is maintained.

Sales & Marketing – ensures the business effectively promotes itself, quotes are completed in a timely manner and client relationships are maintained.

Finance – responsible for ensuring customers are invoiced correctly and that accounts are paid when due. Manages and monitors bank account to ensure adequate funds. Ensures staff are paid correctly and tax paid to the IRD when due.

Human Resources – ensures all employees have an employment agreement and that all staff understand what they are supposed to be doing. Performance reviews are completed as required.

Information Technology – making sure systems are adequate, computer back-ups are completed and tested on a regular basis and the system has adequate passwords and security to prevent unauthorized use.

It is useful to establish your own detailed organisational chart to confirm all the different areas of the business are being taken care of. The Owner/CEO can then monitor each of these areas, either through their staff or by turning their mind to each of the areas on a regular basis. It also provides an opportunity to assess which areas of the business need extra skills or attention to improve the performance of the business, either now or as it grows.

**“A WOMANS PLACE – Life, Leadership and Lessons from the Boardroom. Joan Withers 2017.**

From leaving school at 16 Joan has progressed from selling advertising to CEO roles and various governance roles including Auckland International Airport, Meridian and The Warehouse.

The book covers lessons learnt along the way from other people, situations, takeovers, good times and challenging times.

As well as providing feedback on her experiences and ideas for those wanting to progress in their careers (both CEO and Governance) the importance of a good CEO/board relationship is covered as well as some ideas to improve the ratio of women on the boards of our listed entities and companies.



**ACCOMMODATION & TAXES (from page 1)**

**Do you have flatmates or tenants?**

If you have flatmates living with you or tenants living in your property, then you must include this rental income in your annual income tax return.

Expenses can be claimed against your rental income in one of two ways:

- Record the expenses that relate to the part of the property you're renting out, and claim these against the rental income you've earned.
- Record all the expenses for your property and apportion these according to the part that is rented out. For example, if a flat takes up a quarter of your home, you can claim 25% of the house expenses.

**Do you have boarders or home-stay students?**

This covers the situation where you provide food, lodgings and utilities (unlike a flatting situation where each flatmate would pay their own way).

If you have four boarders or less, and the income you earn is under the weekly standard cost that IRD set each year (currently \$210 - \$257 per boarder), you don't have to declare this income in your tax return. If you choose not to declare this income, you won't be able to claim expenses for any costs associated with the boarders either.

If you have five boarders or more then you must complete an annual tax return.

**IMPORTANT TAX DATES**

- 15 January** 2018 Provisional Tax Due (2<sup>nd</sup> instalment) October/November GST Return Due
- 7 February** 2017 Terminal Tax due (if no extension of time with IRD)
- 28 February** Provisional Tax due for GST Ratio option tax payers
- 31 March** Final date for Ratio Option Provisional Tax applications
- 7 April** Final date for 2017 Terminal Tax due



**MERRY CHRISTMAS**

*Thank you for your support over the past year. From all of our team, we wish you a Merry Christmas and a safe and Happy New Year from David, Emma, Gaylene, Jo, Maree, Pam, Raywin and Tyler.  
Raywin is retiring at the end of this month and we wish her well for her retirement.*

If you would like to discuss anything mentioned in our newsletter please contact us at:

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