

Newsletter

December 2018

DB CHARTERED
ACCOUNTANTS LTD



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Our final newsletter for the year looks at the changes from IRD about Payday filing and motor vehicle kilometre rates. We include information on overseas travel expenses, employment records required

CHRISTMAS CLOSE DOWN REMINDER

Our office will be closed for the Christmas break from Midday Friday 21 December 2018 and will re-open on Tuesday 15 January 2019.

The October/November 2018 GST Returns are required to be paid and filed with the IRD by 15 January 2019. 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.

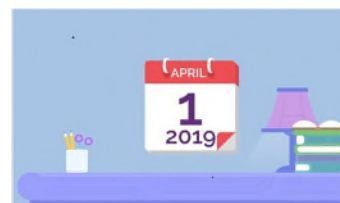
WHAT YOU NEED TO KNOW ABOUT PAYDAY FILING

From 1 April 2019 it becomes mandatory to file employment information every payday instead of just once a month. This will be due 2 working days after wages are paid. Employers will be required to provide contact details, address information and the birth date of any new staff member. This is to be submitted on or before their first payday. The initiative is to help the Inland Revenue get more timely information for the calculation of Income tax, Child Support and Working for Families tax credits. PAYE payment dates and methods stay the same.

Options for payday filing

There are four options for submitting your payday information:

1. **File direct from payroll software** - using the IRD gateway service. This is a machine to machine transfer, known as B2B (business to business). A myIR account is required to authorise any file submissions from your software. This requires payday filing compatible software. Check with your software provider now to confirm if payday filing requirements will be met.
2. **Upload a file to your myIR account.** Similar to the current ir-File process. Once payday filing is set up, a new payroll return will appear in the business section under accounts in myIR. You need to ensure the file format meets the IRD requirements.
3. **File using onscreen data entry** in your myIR account.



“If you want to grow, you need to get over any fear you may have of making mistakes”

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4. **The final option is to continue to file a paper return.** This option is **only** available if your total annual combined PAYE and ESCT is below \$50,000. Under this option you will file on a payday basis twice a month, using an employment information form, this is similar to the old IR348. You will also need to file the employee details form for any new staff. Paper returns need to be filed at IRD 10 working days after the payday.

The due date for payment remains the same, on the 20th of the month (or 5th and 20th of the month for twice-monthly filers).

You'll need to let IRD know you've switched to payday filing by opting in through your myIR account before you can see or use payday filing. You can opt in at any stage.

OVERSEAS TRAVEL EXPENSES

If you are travelling overseas on business — especially if you're also taking a holiday at the same time you need to keep detailed records.

If you are away on business but take a free half-day to enjoy exploring a new city, the personal part of the trip is incidental. You can claim all your travel expenses. However, if you are going on holiday but happen to meet up with a couple of business contacts while you're there, the business part of the trip is incidental to the holiday. You can't claim any of your travel expenses.

If you combine a business trip with a holiday, you must split out your expenses and only claim the portion that relate to the working part of the trip.

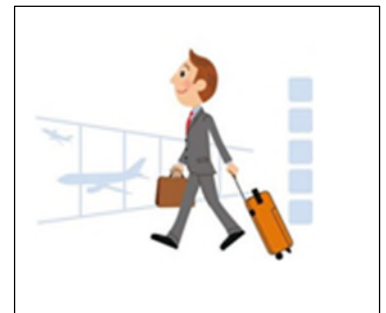
The best way to do this is to keep an itinerary or diary. It should provide enough information to calculate all your costs and make a reasonable split between business and personal expenses.

As well as all the usual receipts for air fares, car hire, accommodation, meals, taxis, etc., you should also keep:

- details of the reason for the trip, firms visited and business conducted
- details of time out from the business itinerary for personal purposes
- business contacts/cards or letters of introduction

Overseas travel expenses don't generally include GST and therefore GST cannot be claimed on expenses (including air fares).

The travel must be in relation to existing business and income earning activity of the taxpayer.



JOKES

Optimist: The glass is half full.

Pessimist: The glass is half empty.

Mother: Why didn't you use a coaster!

A recent scientific study showed that out of 2,293,618,367 people, 94% are too lazy to actually read that number.

How do you know Santa has to be a man?

No woman is going to wear the same outfit year after year.

MOTOR VEHICLE KILOMETRE RATES – CHANGES TO THE CALCULATION

From the 1st April 2018 the IRD has changed the calculation of mileage rates when reimbursing vehicle mileage. The method applies to self-employed persons, close companies (where there are shareholder employees) and when reimbursing employees who use their own vehicle for work purposes. The new method applies on any vehicle first used for business after 1 April.

The new method requires that a record of annual kilometres travelled for a vehicle must be maintained. A logbook is still required to determine business % usage.

The new calculation is:

Kilometre Rate x Kilometres Travelled during the year x Business % per log book.

The kilometre rate is then allocated based on the number of kilometres travelled for the year using the following rates.

Vehicle Type	Tier 1 Rates – First 14,000kms	Tier 2 Rates – After 14,000kms
Petrol or Diesel	76 Cents	26 cents
Hybrid		18 cents
Electric		9 cents

Example:

Mr X uses his petrol car for business and private. Business % per his logbook is 70%. Kilometres travelled for the year is 20,000kms

Kilometre rate x Kilometres travelled during the year x Business %

Tier 1: 76 cents x 14,000km x 70% = \$7,448

Tier 2: 26 cents x 6,000km x 70% = \$1,092

Total Mileage Deduction/Claim = \$7,448 + \$1,092 = \$8,540



Where there is no logbook supplied to determine the business % and the kilometres travelled, the claim is limited to 3,500kms in the 1st Tier with the remaining kilometres calculated at the Tier 2 rate. When using the kilometre rate method there are no GST implications (cannot claim and no GST on receipt) for self-employed persons or when reimbursing staff.

Rates set by an independent source (e.g. AA) may be used as an alternative.

Actual Cost Method

If the vehicle costs are higher than the above rates you can use the actual cost method. This method allows a claim for deductions on the vehicle costs during the year (including depreciation) by the amount of business % use.

This method requires a log book to be kept for a minimum of 90 days to determine the business % use.

The calculation is: **Total Actual Costs x Business % per Log Book**

As an example:

Mrs X has total vehicle costs of \$10,000 with a business % use of 70%

Total Deduction = \$10,000 x 70% = \$7,000

If no log book is obtained the business % use is limited to 25%.

Under the new IRD rules once an election has been made to use a particular method it is irreversible until the car is disposed of or sold. The election is on a car by car basis.

GLOBAL INVESTING – A GUIDE FOR NEW ZEALANDERS. JOHN RYDER 2017

John is joint founder of the publicly listed Ryman Healthcare. In this book he looks at the Global Financial Crisis and the stages that led up to, and followed the event. The book looks at different types of investments that are available. Also covered is technical analysis and various trading tools and strategies. Different industries are considered as well as different countries. The book does not try to show “one size fits all” but provides the reader with various information to consider when looking at investment opportunities. This perhaps differs from standard diversified portfolio recommendations.



The book concludes with a summary of the investment strategies previously used by other investors including Warren Buffett and George Soros.

IMPORTANT TAX DATES

- 15 January** 2019 Provisional Tax Due (2nd instalment) October/November GST Return Due
- 7 February** 2018 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 2018 Terminal Tax due



EMPLOYMENT RECORDS

As an employer, you must keep accurate wage and time, holiday and leave records. In particular, you must be able to show that you’ve correctly given your employees all minimum employment entitlements such as the minimum wage and annual holidays.



Good record-keeping protects the employer and the employee and prevents misunderstandings. Your employees have the right to know everything you are recording on their file and have the right to see these records.

Records can be kept on paper or electronically (as long as the information can be accessed easily and converted into written form). Keep wages and time records, and holiday and leave records for seven years **(even if the employee has left)**.

Keep a signed copy of the employment agreement (employees must be given their copy if they ask for it) and a copy of the IR330 Tax Code Declaration.

For employers with fully computerised payroll software, maintaining the records can be easier, but it is still necessary to check the payroll system to make sure it accurately records any changes to employees’ hours and pay.

For employers with manual systems, it can be harder to stay on top of recording everything. If you don’t understand or you don’t think you’re keeping accurate records of everything required, you can contact us.

For a list of records that employers need to keep, please refer to the News section of our website

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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, Maree, Pam, Kathryn and Tyler.