

NEWSLETTER

October 2021

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DB CHARTERED ACCOUNTANTS LTD

In this newsletter we cover IRD Scams, Wage subsidy Scheme and Resurgence support payment, Cash flow, Residential properties interest deductibility and Bright-line and Motor Vehicle Kilometre rate.

IRD SCAM

Below is an example of a widely circulating email scam advising people of a refund due at IRD and requesting a credit card number or bank details. **THIS IS A SCAM.** IRD do not request credit card numbers. If in any doubt please get in touch with us.



From : Inland Revenue – Te Tari Taake
Sent: Friday, 3 September 2021 4:11 p.m.
To: You
Subject: Return available to file

Hi

Log into myIR to get a full refund(s). You are eligible to receive a refund of \$107.35 NZD, from a late payment made by your credit card.

“ Link to Site”

Disregard this message if you have already filed.

* Credit Card number required ONLY.

Thanks,
Customer Services Team

Beware of tax related scams

Inland Revenue will never send you an email requesting you to confirm, update or disclose confidential details through an unsecure channel such as email.

You should always independently verify the source of the email and the web address you are being directed to before taking any action. If you receive a suspicious communication of this nature, do not respond to it or follow any links. Forward it to Phishing@IRD.gvt.nz.

For more information about protecting your identity visit Inland Revenues website and keyword search “spam”, alternatively you could visit either the ID Care or Netsafe websites for further guidance.

This email has been sent to this email address as it has been registered with Inland Revenue.

Please do not reply to this email as this inbox is not monitored.

Inland Revenue, 55 Featherston Street, Wellington, New Zealand.

“Either you win or you learn.”

JOKE

Why did the man fall down the well?

Because he didn't see that well.



Why did the taxi driver get fired?

Passengers didn't like it when she went the extra mile.

WAGE SUBSIDY SCHEME (WSS)

The Wage Subsidy August 2021 #4 is available to all eligible businesses in New Zealand affected by the continuation of Alert Levels 3 and 4 from 17 August 2021. This includes businesses operating at lower alert levels.

If you've already applied for the previous COVID-19 Wage Subsidy August 2021 payments, you need to wait until two weeks after you applied before you can apply for the new Wage Subsidy #4, even if you haven't received a payment yet. If you apply earlier than this, your application for the new payment will be declined.

Your business must meet the revenue decline test:

- Your business is being or will be affected by the continuation of Alert Levels 3 or 4 from 17 August 2021, **and**
- your business has had, or you predict will have, a decline in revenue that can be attributed to the effect the continuation of Alert Levels 3 and 4 from 17 August 2021 has had on your business, and that is:
- **at least a 40% decline** between 28 September 2021 and 11 October 2021 inclusive (this is the revenue test period), compared to a typical 14 consecutive days of revenue in the six weeks immediately before to the move to Alert Level 4 on 17 August 2021 (this is the default comparator period).

For further information about the revenue test please see the work and income website or get in touch with us.

GST - the employer will NOT be liable for GST on the wage subsidy received.

Resurgence Support Payment (RSP)

A 3rd payment under the RSP scheme is available to eligible businesses and organisations which experience a 30% decline in revenue due to the increased alert levels, for the period starting 1 October 2021 and ending immediately before all areas of New Zealand return to alert level 1. Applications for this payment opened on 8 October. A business or organisation must have experienced **at least a 30% drop in revenue** or a 30% decline in capital-raising ability over a 7-day period, due to the increased COVID-19 alert level.

When the RSP is activated, eligible businesses and organisations can apply to receive the lesser of:

- \$1,500 plus \$400 per full-time equivalent (FTE) employee, up to a maximum of 50 FTEs
- four times (4x) the actual revenue decline experienced by the applicant.

Employees working up to 20 hours per week are considered part time (0.6 Full Time Equivalent - FTE), Employees working 20 hours or more per week are considered fulltime (1.0 FTE)

Businesses with low revenue will have their payment capped at four times (4x) the amount their revenue has dropped over the 7-day period. For example, if your business has 3 FTEs, they would be entitled to \$2,700. However, if their revenue drop was \$500, their RSP payment would be limited to \$2,000.

The RSP is subject to GST (on the basis that GST will be claimed on expenses paid).

For both applications note that applicant details may be published once approved. This includes the applicant name, business or organisation name, payment amount and alert level escalation period.

For both the Wage Subsidy and Resurgence applications, relevant record-keeping is required including dates of the affected revenue period and comparison period, amount of revenue earned in each period and how the revenue drop has been calculated

CASH FLOW

The 30th September represents 6 months of the trading year for most businesses, with an unexpected change in Covid Levels during that period.



If you would like to re-assess how the last 6 months trading has gone and project how the next 6 months may look (including under different scenarios), get in touch and we can work through this with you.

RESIDENTIAL PROPERTIES – INTEREST DEDUCTIBILITY & BRIGHT-LINE

The Government has released the latest proposals with regards to investors being able to claim interest against residential rental income. These rules will apply to any house, apartment, or other such building that a person could live in. It does not matter whether the property is rented out long-term, used for short-stay accommodation, or even left vacant. The main proposals are:

Interest Deductions:

New Builds – a property is considered a new build if it has received its Code Compliance Certificate (CCC) after **27 March 2020**. In these cases the investor will be able to continue to deduct interest paid on the property loan against rental income for 20 years from when the CCC was issued. Additionally, subsequent owners of the property will also be entitled to treat interest as a deduction against rental income up to the 20 year time period.

Other Property – Purchased prior to 27 March 2021 – interest deductibility will be reduced to nil over a 4 year period (further details in our May 2021 newsletter).

- Purchased after 27 March 2021 – interest deductibility is only allowed up until 30 September 2021.

Reminders:

The existing residential rental loss ring-fencing rules still apply – if net rental income results in a loss, the loss will be carried forward to offset future rental income.

Commercial property (that is unrelated to the provision of accommodation) – interest is still able to be claimed against income. In addition it is confirmed that when borrowing for non-residential property purposes (e.g. business assets or commercial property), and borrowings are secured against a residential property, interest deductibility will not be impacted.

New builds for interest deductibility refer to March 2020, for bright-line (see below) the cut off is March 2021.

There are also other points covered by the proposals, which will be finalised once the legislation is enacted.

The Bright-line Period:

The bright-line property rule means that if you sell a residential property (excluding the family home) that has been owned for less than a specified period, any gain made will generally be taxable. The bright-line period that applies has been clarified:

Property purchased between 29 March 2018 and 26 March 2021 - subject to 5 year bright-line period

Property purchased on/after 27 March 2021 - subject to 10 year bright-line period

New builds purchased after 27 March 2021 - subject to 5 year bright-line period

Going forward residential property owners will need to monitor ownership periods to ensure they meet their tax obligations. IRD automatically receives information on the timing of all residential property sales and will request a “please explain” if they consider tax obligations have not been met.

BOOK REVIEW

THE RESILIENT FARMER – DOUG AVERY. 2017

While this book is now 5 years old it is still very relevant. Doug took over the family sheep & beef farm at Bonavaree (south-east Marlborough) and gradually expanded the operation. While expansion and the growing economy initially paid off, Doug has had to face family and personal trauma. Enough to put a man on edge, and then the tough times started.



During the late 1990's the farm faced 8 years of drought which took the toll on the land and the mental health of Doug.

In this book Doug explains his fight to survive, the thinking that he went through as depression took hold, the anger, the bitterness, the withdrawal from society and the changes that got him through the situation for both himself and the farm.

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Since those days Doug has spent many years travelling around New Zealand providing hope & encouragement to reduce the suicide toll and providing various examples of how communication and providing hope can save a life (he is also well known for extolling the virtues of Lucerne).

His common theme is that a broken mind can't diagnose a broken mind. While people will immediately get help for a broken leg, they fail to get immediate help for a broken mind.

Through his experiences Doug shares a number of life lessons he has learnt and emphasizes that sometimes when implementing changes things will often get worse before they get better. Another consistent message is that people have a number of things they worry about within their "circle of concern". However most of the things in this circle are outside of our control – a useful reminder as the amount of news, information and opinions we are exposed to on a daily basis increases.

The best we can do is to make sure that we concentrate on our "circle of influence" as it is in this circle that we can impact change and action. If it is not in your circle of influence – there will be nothing you can do about it so let it go.

MOTOR VEHICLE KILOMETRE RATES

As a reminder the mileage rates when reimbursing vehicle mileage are:

| Vehicle Type | Tier 1 Rates – First 14,000kms | Tier 2 Rates – After 14,000kms |
|------------------|--------------------------------|--------------------------------|
| Petrol or Diesel | 79 Cents | 27 cents |
| Hybrid | | 16 cents |
| Electric | | 9 cents |



These rates apply to self-employed persons, close companies (where there are shareholder employees) and when reimbursing employees who use their own vehicle for work purposes.

A record of annual kilometres travelled for a vehicle must be maintained. If annual travel is over 14,000 km a logbook must be kept to determine business % usage. In this case the calculation is: Kilometre Rate x Kilometres Travelled during the year x Business % per log book.

IMPORTANT TAX DATES

- 20 October** - PAYE September 2021 Due.
- 28 October** - 2022 (1st Instalment) Provisional Tax (6 Monthly tax-payers)
- 4 November** - September 2021 period end GST Returns due (2 & 6 Monthly)
- 20 November** - PAYE October 2021 Payment due -Payday returns to be filed 2 days after pay day
- 15 January** - 2022 Provisional Tax Due (2nd instalment) October/November GST Return Due



As a reminder the IRD myIR website will be offline from 3pm Thursday 21 October until Thursday 28 October. Hence the extended period to lodge September GST Returns.

JOKE

At the bank a lady asked me to check her balance.
So I pushed her over.

Thanks from the team at DB Chartered Accountants Ltd: David, Elaine, Gaylene, Karen, Kathryn, Katie, Pam & Tyler

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

DB Chartered Accountants Limited.

E-Mail: office@dbchartered.co.nz

Phone: (07) 847 8154

Website: <https://www.dbchartered.co.nz>

The fine print: The information contained in this newsletter is of a general nature only. Professional advice should be sought to confirm any matters in relation to any particular situation or circumstances.