

17 April 2020

END OF FINANCIAL YEAR NEWSLETTER

We are all facing an unprecedented event being the declared pandemic relating to the Covid-19 virus.

As it develops we are all effected and the severe economic impact will directly affect many of you.

The Government has moved to assist by announcing a major spending programme in an attempt to keep the economy moving. Some of the initiatives announced may be of benefit to you and we can work with you to get that assistance.

We have been in touch with most of you affected already, but as this situation develops further and you believe you may be affected, please don't hesitate to contact us for any assistance.

Some of the changes such as low cost asset write off's and changes to building depreciation will just occur in the normal course of accounts preparation. Other options being released are the ability to offset forecast future losses against 2019 and 2020 financial year profits to reduce tax payable.

We can assist in this and with any projections required for bank assistance.

CLIENT QUESTIONNAIRES

Where appropriate these need to be completed and signed. We are subject to review by both the IRD and CAANZ who request to view these authorities. As everyone will be aware all the paperwork and authorities are one of life's hassles.

This year for those who are able to access it, we have our annual questionnaires uploaded on the Campbell & Co website <http://www.campbellca.co.nz/resources/questionnaires> these are now available in an editable PDF format to allow you to complete these online and email through to us.

Please email your completed questionnaires directly through to your relevant contact at Campbell & Co:

Trevor Campbell – trevor@campbellca.co.nz

Graeme Falloon – graeme@campbellca.co.nz

Matt Plaisted – matt@campbellca.co.nz

Robyn Hassan – robyn@campbellca.co.nz

FARMING CLIENTS (WITH LIVESTOCK)

We have included a separate schedule which details the livestock numbers on hand at the end of your previous year to assist in producing the number on hand at the current balance date. Those with March balance dates will receive this now, while those with later balance dates will receive the sheet closer to their respective balance date. This is in addition to your farming questionnaire.

RECENT CHANGES

As it is the year has already seen a lot of changes which may have some impact on you.

One of the major changes is the doing away with cheques as a form of payment. This is becoming widespread and in most cases requires online banking facilities to make payment.

For those who do not use computers, you can still visit a Westpac Bank branch. That may not always be convenient though, and there are some other options but generally they are all still technology based.

With phones and tablets being readily available at a reasonable cost it should be possible to adapt to the new way.

INLAND REVENUE SYSTEM UPGRADE

Inland Revenue has continued with the planned systems upgrade. Systems went back online at 6pm on Thursday the 16th of April. The main changes are as follows:

Payroll: Payroll is now on the new system at IRD, which (hopefully) will remove the delays many have experienced in seeing payments clearing to these accounts. The ability to set up Direct Debiting of payments will now be available too (only the business can set this up, we cannot do this on your behalf)

THE PAYE AND DED TAX TYPES ARE NOW SET TO BE REMOVED, FOR THOSE WHO NORMALLY PAY BY INTERNET BANKING, THE NEW TYPE IS 'EMP' (FOR EMPLOYER)

Kiwisaver: IRD is now entitled to inform your Kiwisaver provider if the wrong Prescribed Interest Rate (PIR) is provided.

Student Loans: Your balance is now available through your MYIR login, the same as income tax, rather than the old method. There is also more communication with employers to indicate when a student loan is about to be repaid, to prevent any overpayments.

Payers of Dividends, Royalties and Withholding Tax (on interest paid): There are various changes to the reporting requirements with Inland Revenue. As we manage most of these (and are aware of those we don't manage) we will contact those affected directly regarding these changes.

OFFICE PERSONNEL

There have been no changes in our personnel in the last twelve months.

Trevor Campbell (Chartered Accountant) is the Director and owner of the business, supported by Matt Plaisted (Chartered Accountant) and Robyn Hassan (Accounting Technician). Graeme Falloon (Chartered Accountant) works three days a week (Tuesday, Wednesday and Thursday) and travels to Darfield on a Thursday to visit clients. Christine Andrews works as receptionist on Monday, Wednesday and Friday.

UOMI (Use of money Interest).

The rates that the IRD will pay UOMI interest have dropped from 1.02% to .81% while the rate that they will charge UOMI at has risen to 8.35% from 8.22%. So you lose both ways and banks look like the good guys compared to this!

SOFTWARE

This is a very competitive market and currently Xero has the edge in terms of market share in New Zealand. They have grown into a very large organization with staff numbers over 1000 and many involved in development work.

Matt and Trevor are accredited Xero advisors so can assist in the process of setting this up.

As is the case with most software provider's access is tied to a monthly subscription and there are different levels of the package. Costs for Xero range from \$21 to \$80 plus GST per month.

Xero is not the only software that we use. We also use Cash Manager which has a farmer friendly version, and a variety of MYOB packages and some specialist payroll packages, many of which are used by current clients and we have extensive knowledge of.

TAXATION UPDATES

The government has introduced changes to the taxing of rental properties.

The initial stage of the change was to adjust the residential bright line from 2 years to 5 years, from when a taxpayer first acquired an interest in land on or after 29 March 2018. This change means that if the property is not used as the owners' main residence and is sold within 5 years from 29 March 2018 any gain on the sale is taxable.

A further change restricts the offsetting of rental property losses. Losses from rental properties can now only be offset against other rental property profits, or taxable property sales. Any excess profit is carried forward to offset future profits. The 2020 financial year is the first year this legislation comes into effect.

WORKING FOR FAMILIES

These entitlements are now categorised into 4 headings.

1. In-work Tax Credits.
2. Minimum Family Tax Credit.
3. Family Tax Credits per child based on age and family income.
4. Best Start which is a new entitlement for up to 3 years for children born after 1 July 2018.

The Best Start Entitlement has income limits and is a maximum of \$60 a week dependent on the income level. It can be received on a weekly, fortnightly, or annual basis. Everyone is entitled to Best Start in Year 1 (outside of any Paid Parental Leave) worth up to \$60 per week, but for year 2 and 3 this is assessed based on household income.

TRUSTS

There has been a major review of the legislation and a number of changes have been made which come into force on 30 January 2021.

These changes place increased obligations on Trustees and give beneficiaries additional rights to hold Trustees to account.

As a result we recommend you consult with your legal advisors to determine if their Trust is still a good fit given the impact of these changes.