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19 March 2019

Dear Client,

## THINGS TO DO BEFORE 31 MARCH 2019 & TAX CHANGES

**toni walker**   
chartered accountant  
B.Com, C.A.

It is with mixed feelings as I write this letter given the recent deaths in Christchurch as I know it affects us all in varying degrees and my personal hope is that humanity, kindness and common sense will come to the fore.

The purpose of this letter is twofold:

- To remind you of actions you can consider before completing the financial year and
- Explain some important Inland Revenue Department changes and new tax rules.

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Our end of year checklists are found at the bottom of the front page of my website, [www.toniwalker.co.nz](http://www.toniwalker.co.nz). They are brief and are a good reminder of what information you may need to bring in.

Please remember that we prepare financial accounts and tax returns on a 'first come, first served' basis.

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## THINGS TO DO BY 31 MARCH 2019

1. Read our checklists.
2. Bad Debts – for a bad debt to be tax deductible it must be written out of your accounting system as a bad debt by 31 March 2019.
3. Prepay expenses – any expenses to pay early and increase tax deductions?
4. Sales – can sales invoices be delayed until April 2019. (This may affect cash flows negatively.)
5. Stock – if your stock on hand exceeds \$10,000 then it must be counted at 31 March. The value used is the lesser of cost price or market value, GST exclusive.
6. Work in Progress – if you have sales not yet billed at 31 March 2019 we will need to include as income the cost of materials and labour up to 31 March.
7. Holiday pay – keep a record of holiday pay paid between 1 April 2019 and 3 June 2019 as this is tax deductible in 2019 accounts.

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## **TAX CHANGES TO BE AWARE OF**

1. Domestic rental property losses – there is current a tax bill (not yet law) that will ‘ring fence’ rental property losses effective from 1 April 2019. This means rental losses could only offset rental property profits and not be used to offset other income.
2. Tax Working Group & Capital Gains Tax – there have been quite a few queries about how a Capital Gains Tax (CGT) would work. The Tax Working Group’s report to parliament is a document to start discussion and now it is up to the coalition to agree a plan. So any final tax decided will not be the same as the Tax Working Group report as political pragmatism will probably override the Tax Working Group’s theories.
3. Land Sale ‘Brightline Test’ – this taxes residential property owned for less than five years. It does not include your own home. Last year this test was extended from two to five years.
4. ‘Amazon Tax’ – as per the current tax bill, GST will be charged by internet suppliers of goods less than \$1,000 from 1 October 2019 so the purchase price will increase. If you are a New Zealand GST registered business buying online you will be able to GST zero rate these purchases.

## **MAJOR CHANGES AT INLAND REVENUE DEPARTMENT**

We are currently about half way through the Inland Revenue Department’s intended business transformation but the really tough work starts April 2019 with income tax and payroll changes.

The Inland Revenue Department systems will be down and their offices closed for eight days in April between Easter and ANZAC Day and there is no guarantee it will not take longer.

The biggest changes are:

1. Employer payroll changes to ‘Payday Filing’. In the new payday filing every employer must advise the Inland Revenue Department of full payroll details of every employee within two working days of pay to staff. (There are minor exceptions.)

**THE DATE OF PAYING PAYE REMAINS THE SAME.**

We are making good progress with clients gearing up for these changes. Beware of payroll software firms trying to sell you ‘the best software around’ as all Inland Revenue Department approved payroll software works.



The aim of this change is so the Inland Revenue Department has constant correct data flow about employees to check constantly that tax is being deducted correctly and for government subsidies (eg. family support).

The Inland Revenue Department has been working on this project for more than five years.

2. Income tax returns – the logic of an IR3 return (for self employed and investors) and a Personal Tax Summary (PTS) for wage and salary earners is gone.

A PTS was designed so that most simple tax returns were no longer required to be filed to the Inland Revenue Department unless the taxpayer wanted to. A bevy of tax refund companies (remember 'Woohoo') grew up in malls and online so people could get tax refunds (they were only doing work you could do yourself on the Inland Revenue Department websites). This industry is now dead.

For the current year IR3 self employed and investor will remain so what we will do will not change.

To replace the current systems the Inland Revenue Department has changed its logic and gone back to wanting all taxpayers to file tax returns, but the Department will 'prepopulate' most of the income details from employers and banks. The new system will apply to individuals only.

There will be three types of individual's tax returns depending on their sources of income and complexity. Taxpayers will confirm whether the details are correct or not before the Inland Revenue Department will automatically process.

This new system starts next month. No one has yet seen any templates for this so it is difficult to advise you. However, I can see much confusion coming up with both the Inland Revenue Department and ourselves.

Yours faithfully

A handwritten signature in blue ink, appearing to be 'AC Walker', with a stylized, sweeping flourish extending to the right.

AC Walker  
**Chartered Accountant**