

24 March 2020

Dear Client,

**Re: END OF FINANCIAL YEAR – 31 MARCH 2020 – THINGS TO CONSIDER URGENT**

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

It certainly feels surreal to be writing about an annual task given that all of our day to day lives have changed a lot in recent weeks. We will endeavour to keep the office open. You can always email me at [toni@toniwalker.co.nz](mailto:toni@toniwalker.co.nz) or contact 02722214-333.

Uncertainty can bring challenges and also opportunity – our role is to assist you in successfully navigating your way through these times. We certainly have experience in this from the Christchurch earthquakes. I can proudly advise that none of our clients were forced out of business due to financial reasons then.

As usual I am sending you a letter about that to consider before 31 March 2020. The letter is split into three parts:

- Things to consider before 31 March 2020
- Recent tax changes
- Reminder of key points of COVID-19 Business Package

### THINGS TO CONSIDER BEFORE 31 MARCH 2020

1. End of Year Accounting Checklists –at the bottom of the front page of my website are several questionnaires. You pick the most suitable one and then use it as a reminder for gathering information to assist us in preparation of your 2019/2020 accounts and taxes.  
This is not rocket science but certainly helps us to do our job.
2. Sales – if you can delay raising sales invoices until after 31 March 2020 in an effort to reduce the current year's sales, then you can do so, as long as it does not affect future cash flows.
3. Delay purchasing fixed assets valued between \$500 + GST to \$5,000 + GST until after 31 March 2020 – these will be fully tax deductible if brought between 1 April 2020 to 31 March 2021.
4. Bad Debts – if you have realistically given up on collecting a debt either:

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PO Box 37060, Halswell  
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Telephone 03 335 0300  
Facsimile 03 335 0425  
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- Recognise it as a bad debt in your accounts receivable accounting system, or
  - If you are a small business, make detailed notes of why this debt is now bad.
5. Expenses – if current cash flows allow and you want to reduce taxes then you can consider prepaying rent and consumables. (There are limitations on this so please contact me before you do so.)
  6. Holiday Pay – not all employers realise that holiday pay paid to staff within 63 days of balance date is tax deductible in the prior year. So if you pay any holiday pay between 1 April 2020 to 3 June 2020 please let me know and we can claim in the accounts.

### **TAX CHANGES POST 1 APRIL 2020**

These are mostly beneficial to taxpayers:

1. Ring fencing of rental property losses from 1 April 2019 – this means that all net rental property losses from now on will not offset other income and create tax refunds. Instead rental property losses will be 'ring fenced' and only able to offset rental property profits in future.
2. From 1 April 2020 depreciation will be tax deductible again on commercial buildings.
3. From the 2020/2021 financial year provisional taxpayers will have a minimum tax bill of \$5,000 and not \$2,500 as is currently. This will remove small business owners and investors from the provisional tax system.
4. Minor fixed asset purchases – currently fixed assets costing more than \$500 GST exclusive need to be treated as assets and a partial tax deduction is allowed as depreciation for each year of ownership.  
From 1 April 2020 to 31 March 2021 this value is increased from \$500 + GST to \$5,000 + GST – this is good news as any asset brought during that time for less than \$5,000 will be 100% tax deductible.  
After 1 April 2021 the limit will reduce to \$1,000 + GST.

### **COVID – 19 BUSINESS PACKAGE REMINDERS**

1. Wage Subsidies – some clients do not realise that this subsidy includes self employed persons and owners of small companies. If you have suffered/or can predict a reduction of sales by 30% between 1 April 2020 and 30 June 2020 then you can apply online at the Ministry of Social Development now for this wage subsidy.  
The subsidy is not subject to Income Tax or GST.

2. Late payment of taxes – the IRD will look to reduce interest and penalty charges only on COVID-19 affected taxes. The IRD considers this does not include tax due on 7 April 2020 for the year ended 31 March 2019.

There is a lot of information in this letter so any questions please let me know. We are here to help you.

Yours faithfully

A handwritten signature in dark ink, consisting of stylized, overlapping loops and a long, wavy horizontal stroke at the end.

AC Walker  
**Chartered Accountant**