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Provisional Tax Reminder

The second provisional tax payment for the year ended 31 March 2012 for those taxpayers who pay GST on a two-monthly basis or for those individuals who are not GST registered, is due 16 January 2012. Normally it would be due 15 January but since that day is a Sunday, returns and payment are due on Monday 16 January.

If you don't know how much provisional tax to pay please contact us.

GST Due Reminder

GST for those who pay GST on a 2 monthly basis is also due for payment by 16 January 2012. This is the GST for the 2 month period ended 30 November 2011 and this is usually due 15 January.

Because of the Christmas and holiday period it is often easy to forget these payments. But Inland Revenue charges interest and penalties for late payment so we'd recommend that you set up the payments via internet banking for payment by 16 January (or post date a cheque for that date) before Christmas.

Depreciation on Commercial Buildings

As you know depreciation may not be claimed on buildings from 1 April 2011.

For commercial property owners this can be a major concern because in the past some of these owners have chosen just to depreciate the building and all its fit-out and chattels at the building depreciation rate. Often the tenant has paid for the fit-out and has been claiming the depreciation. With building depreciation no longer available there is no ability to claim any of the cost of the building.

Therefore Inland Revenue has instituted a transitional rule that applies to building owners who have purchased a commercial building in the 2010/11 or earlier income years and who have not separated the items of commercial building fit-out when purchased.

A deduction of 2% straight line depreciation rate may be claimed on the starting pool value. The starting pool value is 15% of the building's book value at 31 March 2011 less the value of any items being separately depreciated.

When the building is then sold the depreciation claimed under this method is **not** recovered if the property has increased in value ie there is no depreciation recovery.

For example if a company purchased a warehouse for \$1m on 1 April 2001 and a year later spent \$50,000 on fit-out which is being separately depreciated then at the end of the 2011 tax year the property would have a book

value of \$800,000. The book value of the fit-out after 9 years would be \$41,000. The starting pool value would then be:

$$(15\% \times \$800,000) - \$41,000 = \$359,000.$$

The annual depreciation deduction would be:

$$2\% \times \$359,000 = \$7,180.$$

Tech Corner

The team at Xero has been busy rolling out updates and several really useful ones have turned up recently:

- Customer Overpayments and Prepayments. Now you can handle these directly from the Reconcile screen. There is a FAQ on our website that walks you through it.
- Duplicate Accounts Payable invoice warning. Several of our clients have asked for this and it is finally in. When you create an Accounts Payable invoice Xero puts up a gentle warning message if the reference is the same as one you have previously used for that client.
- Full screen reports. On most reports there is now a full screen link that will let the report fill the width of your screen. Very useful for the GST audit report.

Taupo Success

We entered a team to the Round Lake Taupo Bike Challenge this year. The event is a ride of 160kms split into a relay of 4 stages of 40kms each (roughly) and this year it coincided with Election Day, 26 November. On a very windy day and with little real training (Liam borrowed a bike and

Baubre had just run the Auckland marathon 4 weeks previously) we were surprised to end up as the 14th team out of the 183 mixed relay teams in a time of 6 hours 35 minutes.



The team: Martin, Baubre, Sue and Liam.

Christmas Wishes

Wishing you and your families a happy Christmas, a relaxing and safe holiday period and your businesses, a prosperous new year.

We will be picking up emails and phone calls over the holiday period and will be back "in the office" on 9 January 2012.

