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Terminal Tax Reminder

The final or terminal tax payment for the year ended 31 March 2012 is due 7 April 2013. This applies to all taxpayers who still have tax to pay for the 2012 year. Penalties are charged if late!

If you don't know if you have terminal tax to pay or the amount of terminal tax to pay, please contact us **before 31 March**.

New KiwiSaver Rates

From 1 April 2013 both employees enrolled in KiwiSaver and their employers will have to contribute 3% to KiwiSaver (currently 2%).

Changes to Claims for Mixed Use Assets

The Taxation (Livestock, Assets Expenditure and Remedial Matters) Bill is currently before Parliament but is expected to be in force by 1 April this year, so affecting 2013/14.

One of the largest impacts will be the claim for mixed use assets, that is, those assets used both personally and commercially. The most common examples cited are baches and boats.

At present bach owners are able to claim the costs of operating their bach based on the percentage of time that their bach or holiday home is available to rent in any one year. This is particularly attractive for a taxpayer if there is a large loan over the property and the property is available to rent (that is, not occupied by the owner) for a large part of the year.

For example, if a bach is used by the owner for 4 weeks over Christmas and one week at Easter, a

total of 35 days, and it is available to rent out to other users for the rest of the year regardless of the number of days it is actually rented out, then an owner may claim 330/365 of the total costs to reduce their taxable income at year end. This is the total number of days in the year less the number of days privately used.

Under the proposed changes, from 1 April 2013, a loss can only be claimed if the total rent received is at least equal to 2% of the capital value of the bach. This will be difficult where a basic bach is situated on valuable land as the rent achieved may not reach this 2% threshold. For example a \$300,000 bach would need to get \$6,000 a year in rental income or 60 nights (2 months) at \$100 per night. This may be difficult if the owner is using the property over the peak holiday periods. The property must also be **not** rented out for 62 days in the year.

Where the 2% threshold is not reached then no claim for a loss may be made against the owner's other taxable income.

Where the 2% threshold is reached, bach owners will then only be able to claim the costs for the number of days actually rented out as a percentage of the days inhabited during the year. So if the bach is rented out for 40 days and used by an owner for 20 days then 40/60 of the costs may be claimed.

These changes are significant and the two stage approach will severely limit claims for rental losses from bach use in the future.

Keeping Records

In this age of paperless offices and electronic record keeping we are often asked how long financial records need to be kept.

Inland Revenue requires receipts and invoices be kept for 7 years for both GST and income tax purposes. These can be maintained electronically.

Survey

Thank you to those of you who responded to the survey we sent out a couple of weeks ago. We're collating the results at the moment so we can review the service we provide.

Updated Bundled Services Packs

The survey indicated mixed interest in bundled service packs where you would pay a fixed monthly fee for a fixed level of service.

We have decided we will provide them as an option from 1 April and we're just working on refining the offerings of the different packs.

Scheduling work this year

We will shortly be contacting clients to schedule your work for the 2013 tax year. Look out for an email from Maryanne.

Tech Corner

Baubre and Martin attended Xerocon in Auckland last week. The annual Xero conference showcases the exciting new things coming up at Xero.

Martin is involved in one of their advisory groups and Baubre presented as part of a panel on how Xero has worked in accounting firms. One of the

highlights for us was the announcement that Xero was getting rid of the "Unreconcile" button.

Users intuitively use the "Unreconcile" button when they have incorrectly reconciled a transaction. However "Unreconcile" only delinks the reconciling action from the bank transaction but doesn't get rid of it completely resulting in an orphan transaction. Instead users are required to "delete" the transaction, an action few are comfortable doing.

Martin has been on campaign since Day 1 to replace the "Unreconcile" button and we are delighted that this is going to be replaced in the next release with a button to "Remove and Redo".

As an interesting coincidence (or not) his son, Nick, who worked at Xero as a Summer of Tech intern actually spent a large part of his internship working on this!

Our news

We welcome two new staff this year: **Angela Hobden** and **Maryanne Irving**:

Angela is a chartered accountant who has run her own practice in the past. She's living in Palmerston North at the moment but has just bought a house at Paraparaumu Beach and will be moving into her new house next week. Angela is looking forward to being closer to Wellington and also to living in Wellington for the first time. Angela will be involved in reviewing work and providing accounting and tax solutions for clients.

Maryanne is our new practice manager and you will all be hearing from her shortly as we schedule our work for the year. Maryanne is an experienced practice manager and has spent most of her career with optometrists so we're hoping she'll enjoy the change.