



Belton, Smith & Associates Ltd

CHARTERED ACCOUNTANTS

WINTER 2020

Well, hasn't it been a strange year! Fortunately we have entered Level 2 under the COVID 19 regime so life should resume a more normal pattern. Roll on Level 1!

This newsletter covers:

- **COVID 19 Information**
- **Post Lockdown Environment**
- **Belton Smith News Post Lockdown**
- **Recent Tax Changes**
- **Inland Revenue – Post Lockdown Comments**
- **Whanganui Forestry Opportunity**

As always, if you have **any** questions or need any assistance, please don't hesitate to ring Hayden or myself.

We are happy to help.



Bryce Smith

Hayden Belton

Belton Smith & Associates News

Belton Smith & Associates News Post Lockdown

Our office was able to open on Tuesday 28th April under level three restrictions, meaning that whilst we could be present at work, we were still not allowed to let clients onto the premise.

Now we are at level two, we are operating with safe distancing and other safe practices. We are maintaining it is now safe to come to our office and see us if you need to, and we are keeping a register of who's coming and going, just in case.

The restrictions are being relaxed each week, so it feels like we are now returning to some normality. We are pleased to announce that our office is fully staffed and we look forward to seeing you when you need us.

The BSA Team

2019 saw the merger with BLF Chartered Accountants into our practice. We have really enjoyed meeting all of the new clients and having the opportunity to work with you all during the year.

The merger meant that our team expanded to include Phil Lendrum, Robert Spicer and Natasha Beytagh. Samantha Houlahan joined us during the year and has worked alongside Phil Lendrum so that she understood the clients.

Phil has decided to take the opportunity to step back from work with the lockdown and transition a little more into retirement. This means that he will be available on an "as needed" basis going forward and will be available one morning a week this year, until he is ready to fully step back from public practice.

If Phil was your main contact point you will now have Hayden as your main contact point.

COVID 19 Information



Wage Subsidy

Most of you will have either applied for a wage subsidy or a self-employed top up during either the lead up to the lockdown or during the lockdown.

It's not too late to apply if you qualify and if you haven't already applied.

For those who have applied, the recent announcement by the Government of an extension to the initial subsidy may be some much needed assistance for those in industries that have been closed since the announcement, or who have been severely impacted by the restrictions imposed.

There are criteria to qualify which are set out in the COVID 19 website.

The relevant link is: covid19.govt.nz

We think you should be careful with the wage subsidy, specifically in regards to the obligations you have to your employees and what is in their employment agreement. The Government set a criteria around how the subsidy was to be applied, however their guidelines needed to be considered alongside normal employment law, and more specifically what is contained in the employment agreements you have for your staff. Please consider the full financial impact on your business if you are going to sign up for the extension.

Mortgage Holidays and Bank Support

The Government Reserve Bank and retail banking have agreed in principle to offer significant temporary support for mortgage holders and a business finance guarantee scheme.

We understand that banks are inundated with trying to deal with customer enquiries, so if you need help from your bank, the earlier you approach them the better.

Economic Environment Post Level 2

As the NZ economy gradually starts to resume normal activity, it may be a slightly different world from the one we were used to.

On the plus side, interest rates are very low with some banks offering first home mortgages of under 3%. The Government is pumping money into the economy via wage and staff employment subsidies and other support packages, and everyone is keen to resume a slightly more normal life.

On the negative side, we have no international tourists (and we are not likely to for some time) and unemployment looks like it will increase a lot (news of job losses are being announced everyday) and large companies are seeking cash from shareholders to strengthen their financial position to allow them to be able to successfully survive the next 18 months, e.g. Air New Zealand, Auckland International Airport, Z Energy, Augusta Properties etc.

We expect many companies will cut or cease dividends for the next year or so.

Whilst nobody can successfully predict the future, there are some helpful things we have learned from previous recessions;

1. Monitor your cash flow carefully so you can stay within your banking limits. If you might exceed them you should warn your bank before you do so rather than afterwards.
2. Accept that some of your customers will struggle to pay you. If they were a good customer before COVID 19, they will likely be a good customer again and they may just need some temporary support. (Just like you?)
Communication is the key. Talk to your customers so you understand their issues and they understand yours.
Everyone is better off if you know what your customer's position is and can work through what that means for you both.
3. Whilst any economic recovery will depend on everyone resuming a normal spending pattern as soon as possible you will need to think carefully before making any major purchases.
Make sure you really need that thing before you commit.
In times of uncertainty, cash is king so hanging on to it allows you to cover cashflow humps.
(That being said, if you have low debt and a sound cashflow, now might be a good time to look at other opportunities).
4. Remain positive. After all, if you are reading this, you have survived to this point. It could have been a lot worse. New Zealand had a very low death rate compared to many countries so we are lucky we are in New Zealand during this COVID 19 disaster.

IRD & Tax Updates

Recent Tax Changes

The Government have announced a number of tax changes. The brief details are:

1. Temporary Loss Carry Back Scheme

Businesses who have a loss for 2020 or are expecting a loss for 2021 can use that loss to offset profits made in the year before.

Estimating a loss could be risky if it results in a refund, as if you don't make a loss you will have a lot of tax to pay back.

If you think this might benefit you, please ask us so we can properly advise you.

2. Working From Home Costs

IRD have advised they will accept employers paying a Tax Free Allowance of \$20.00 per week to each employee as a reimbursement of costs and is deductible to the employer and tax free to the employee.

3. Small Asset Costs

Small Assets Costs up to \$5,000 purchased after 17 March will be fully deductible (this is an increase from the previous limit of \$500). This change is only effective for twelve months, and after 17 March 2021 the threshold will decrease to \$1,000, i.e. if you buy an asset for less than \$1,000 it will be claimed as a business expense on the year of purchase.

4. Building Depreciation

The Government has announced they are re-introducing Building Depreciation for commercial and industrial buildings at 2% p.a from April 2020, earthquake strengthening for those buildings will also be depreciated at 2% p.a

Inland Revenue

Any of you who have tried to contact the IRD will have noticed that it seems like they are not answering their phones.

The new IRD computer system has seen the IRD move away from communication by phone in an effort to have more faceless communication by messages through the new website. We expect that this is part of their master plan to reduce the staff numbers that they promised the Government to get the new system in place. This means that if you are phoning in, you need to be patient!

The new IRD website also allows users to complete more actions themselves, meaning that instead of calling the IRD to make changes, they can be actioned online through the website.

We have found the best way to deal with the IRD is by secure email. If you have an urgent issue it might be more efficient for you to contact us and for us to send the IRD a secure email. At least this has a chance of getting your issue sorted.

COVID Late Payment Penalties and Interest

You may have seen that IRD are willing to remit late payment penalties and interest if they were as a result of a COVID 19 problem.

The IRD are not doing this automatically, if you want penalties or interest remission you have to satisfy the IRD that the reason you were late was a genuine COVID 19 reason.

Cheques are gone

The IRD are wanting to have everything electronic going forward, therefore cheque payments and paper returns are being phased out.

They have also stopped issuing cheque refunds as well. Therefore it is important that you have a bank account loaded on the IRD system for them to be able to pay you the refund owing. Their policy is no bank account number, no refund!

By forcing tax payers to have a myIR login means that they can have everyone online. The IRD are moving towards communication with them being over the internet. If that isn't you, you will need some help to continue dealing with the IRD. e.g. IRD will no longer take cheques. We have alternative arrangements that can cope with this – ask now if you need to.



IRD Website Updates

Whilst we were in lockdown the IRD got to work with the changes that they wanted to implement to their website.

The result of the changes are more tax types were added to the system, including student loans and Kiwisaver.

Changes were also made to payroll and payday filing.

As a result of the changes to the website, a number of legislative changes also took effect including;

1. **Student Loan Repayments** no longer need to be deducted from scheduled, Election Day or casual agricultural payments at source.
2. **Under/Overpaid PIE Tax.** IRD will now review taxpayers with PIE investments annually to allow a year end square-up process. IRD will determine if the correct amount of PIE tax has been deducted and will add any shortfall or deduct any refund from the tax payer's income tax position. This is effective from 1 April 2020 so will affect 2021 tax returns.
3. **Provisional Tax** thresholds have moved from \$2,500 to \$5,000 for the 31 March 2021 year. This will mean a lot of tax payers will move to paying tax once a year on 7 April rather than 3 times a year if they are provisional tax payer. Any of our clients who are affected by this will have the full effects outlined to them either in person or in their annual letter.

Payday Filing

With payday filing now in effect, you are only required to file a return when you pay staff, therefore if you have no activity on your account for the month, **there is no obligation to file a nil return anymore.**

Keep in touch...

For further help on any of the articles featured in this newsletter or any other tax questions you may have feel free to contact either Bryce, Hayden or one of the team members.

IRD & Tax Updates

Paying the IRD

The IRD have now combined all of the payroll accounts into one account. Therefore, you will note that the following tax types are no longer available to pay when you access your online banking;

- **CSE** – Child support employer
- **KSE** – Kiwisaver employee
- **KSR** – Kiwisaver employer
- **PAYE** – Pay as You Earn
- **SLE** – Student loan employer
- **SSC** – Superannuation Scheme Contributions.

These have all been replaced with **EMP – Employment Activities**.

The tax type for paying all employer deductions

DED – Employer Deductions is still available as well.

Paying IRD by Direct Debit

Those of you who process the payday filing online would have noticed that you can also pay your Payroll deductions each payday now, simply by electing to have the IRD deduct the payment from your account, which is a convenient prompt that has been added to the payday filing process as a separate step.

You have to setup the Direct Debit facility with the IRD for this to take effect.

You should be aware that you have the ability to elect the date the payment is taken from our account in the future, it doesn't have to be the day you process the payroll, but must be before the 20th of the following month, otherwise you will be late paying!

Student Loan deductions

IRD will now be advising employers when an employee's student loan balance is close to being finally repaid, in order to minimise over payments and the necessary refund.

Employer Tax codes

With payday filing now in action, the IRD computer system is analysing what income is being received from different sources and where it determines that an employee may be on the wrong tax code, the employer will be notified that the employers that a change is required. So expect more mail from the IRD!

Kiwisaver Lock-in

Previously for those joining Kiwisaver who were aged 60 to 65 years, there was a requirement to remain a member for five years before they were entitled to make a withdrawal from the scheme for their retirement. This lock-in period has been removed, so once turning 65, members are now free to withdraw their savings, even if they have been in Kiwisaver for less than five years.

Remember that if your employee has reached 65, there is no requirement for employers to make compulsory employer contributions to Kiwisaver, i.e. the employer contribution can cease (this does depend on the employees particular Employment Agreement though!)

Income Equalisation

Previously all payments into and out of the income equalisation scheme were processed by cheque only. Going forward this will be automated and a new tax type has been setup to handle this, being **EQU – Income Equalisation Scheme**.

We will give you instructions on the other details you require when making a deposit. All withdrawals will be direct credited – no cheques anymore!

Tax Refunds

Last year, when the IRD moved the GST and income tax types onto the new system, their computer was grabbing refunds and applying these to other taxes for customers, even when the due date for those taxes hadn't passed. We were told this was a system issue and that it had been fixed when we enquired.

It seems that the recent update has seen the old gremlins surface, and they have been up to their old tricks again.

We apologise to those who have been caught and we have been assisting where tax transfers have been made by IRD.

It seems that once the IRD system starts doing this, correcting can lead them to make even more errors, and given their reluctance to communicate with anyone over the phone, the process is extremely frustrating.

We can only hope that they have now fixed this and the dark days are behind us.

Trusts

The first major reform to Trust law in 70 years will take effect on 30 January 2021, when the Trusts Act 2019 comes into force. Many of you will have an association with a Trust as either a beneficiary or Trustee, so we will be in touch with you about what the new law means, and any changes that will be required.

Whanganui Forestry Opportunity

Bryce is currently putting together a syndicate to purchase a 30Ha block of three year old pine trees near Whanganui.

The trees have been planted on a site that has previously been logged, so it is well tracked and the trees are part way through their growing cycle already.

If you think you might be interested in participating in this investment, please ring Bryce so he can send you the relevant information.

Currently the initial investment will be approximately \$35,000 per investor and that will be for a 1/6 share, i.e. 5Ha. Half shares may be available.

Whilst recently logging prices have been up and down, it is a long term investment and it's the prices in 25 years that really count.

Our clients who have sold logs in the last few years have all had a smile on their face when they receive the cheque for their logs.

It is a sustainable, green investment. Maybe you should think about investing? Give Bryce a ring.

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