



TAXATION & FINANCIAL SPECIALISTS

Where the client comes first...

Spring 2023

Biking and scooting to work

Employers are being encouraged to help reduce carbon dioxide in the atmosphere.

If they supply bicycles, electric bicycles, scooters, electric scooters or other low-powered vehicles Waka Kotahi declares are mobility devices or not motor vehicles, the cost will be exempt from Fringe Benefit Tax.

The exemption also applies if the employer helps to pay for certain vehicle share services for any of these modes of transport, like motor scooter hire.

The exemption applies only to transport mainly used for the purpose of the employee travelling between work and home, so there can be some private enjoyment of the vehicle. Problem: how do employers know whether the vehicles are being used primarily for travelling to and from work or for private purposes? This information would be needed by the employer to know whether the FBT exemption applies.

There is provision for a maximum cost of the vehicle to be set, but this appears not to have occurred yet.

These new rules became effective from 1 April 2023.

Allowances for transport costs

In certain circumstances an employee can receive a non-taxable allowance for **additional** costs of transport from home to work.

What's important here is that the cost of travelling from home to work is a personal cost. However, there can be additional costs.

Follow this three-step process to determine whether you can pay a non-taxable allowance for the additional cost of transport:

- 1 Do any of the factors required for the exemption to additional transport costs apply? (See list below.)
- 2 Does the employee incur the additional transport costs for the employer's benefit or convenience?
- 3 Calculate the additional transport costs and compare them with the allowance paid.

The factors that can give rise to the exemption for additional transport costs are:

- (a) the day or time of day when the work duties are performed
- (b) the need to transport any goods or material for use or disposal in the course of the employee's work
- (c) the requirement to fulfil a statutory obligation
- (d) a temporary change in the employee's place of work while in the same employment
- (e) any other condition of the employee's work
- (f) the absence of an adequate public passenger transport service that operates fixed routes and a regular timetable for the employee's place of work.

To get a fuller understanding of these factors, look at the Inland Revenue publication Operational Statement 23/01 or confer with us. [OS 23/01](#) expands on the six points above and provides illustrations.

There is a risk if you pay additional transport costs and circumstances change, the employee might look upon the exempt income as part of their salary/wage package and not be happy about it being cancelled.

The reimbursement for any employee for any one day is limited to 70km.

Payments to childcare centres

Provided a childcare centre is a donee organisation, a payment is five dollars or more and the parent makes the payment voluntarily and does not get any significant benefit in return for the payment, it is a donation for tax purposes and qualifies for the donations rebate.

Working out use of employee's telecom tools

How do you work out how much to pay an employee for their use of their home phone and internet plan?

Bear in mind you are not supposed to reimburse for costs the employee would incur anyway. To make it easier for everyone, Inland Revenue has come up with what it calls "De Minimus Options":

Employee works from home but does not use their own telecommunications tools and/or plans:

You can reimburse up to \$20 per week.

Employee works from home and uses their own telecommunications tools and/or plans:

Option 1. Up to \$27 per week irrespective of level of business use or,

Option 2. Up to \$20 per week plus either up to 75% (principally business use) or up to 25% (principally private use) of the total usage plan and depreciation using the same applicable percentage.

Employee does not work from home, but uses their own telecommunications tools and/or plans:

Option 1. Up to \$7 per week irrespective of business use.

Option 2. either a maximum of 75% (principally business use) or 25% (principally private use) of the total usage plan and depreciation using the same applicable percentage. If your client uses prepay, Inland Revenue will accept a reasonable estimate of the likely expenditure.

Reimbursement for employees working at home

Inland Revenue's opinion is any reimbursements to employees must equate to the necessary additional costs arising due to the employee working at home.

The Department has taken a very narrow interpretation of this. It effectively says the only extra costs are the variable costs, for example the power bill. It claims the employee does not incur any additional cost of rent, rates and interest on mortgage, for example, as a result of working from home.



For the self-employed, partner in a partnership or shareholders in a look-through company there is no problem because they can apportion all costs on an area basis. A look-through company is not a company from the Inland Revenue perspective. It is a partnership. For shareholder employees, there is a problem because they are employees and need to be treated as such from a tax perspective.

There is a perfectly reasonable way around this. The shareholder employee should charge the company a market rental for the space used. This would become tax-deductible for the company and taxable income for the shareholder employee. The individual could then deduct a fair share of the costs of the house against the rental income and show a small profit in their tax return.

If you are feeling generous towards your employee working from home, you could use exactly the same principle as in the paragraph above. The employee could charge your business a fair market rent and claim a fair share of costs against this, returning any surplus is taxable income. *Image by Pixabay*

GST on software payments

Most of us are now making monthly payments for the use of software. How do you know if you can claim GST on these payments?

Facebook, Adobe and other overseas suppliers are required to register for GST and pay it on the "remote" services they supply to us. To save them compliance costs, they don't need to worry about charging GST when the purchaser is GST registered. Instead, they can ask you to supply your GST number to show you are registered for GST. If the overseas supplier doesn't get a GST registration number it charges GST.

So, if you buy an Adobe subscription and you have supplied your GST number to the company, the payment you make doesn't include GST. You should not be claiming GST on it.

If a GST registered business doesn't advise it is GST registered, and is therefore charged GST, that can be claimed back if the price of the goods is less than \$1000. Over that figure, it has to apply for a refund from the overseas supplier.

LinkedIn and Google have a base in New Zealand and therefore charge GST, so it can be claimed back the normal way even if it is over \$1,000.

How do you know when to claim GST? Look on the invoice. If GST is not mentioned, there's no claim.

BRIEFS

Backdated payments from ACC

From 1 April 2024 a fairer system of taxing back-dated lump sum payments is to be introduced. The amount will be taxed using the recipient's average tax rate for the four years prior to the year they receive the money.

Interest deduction on rental property

For those who owned property before 27 March 2021, the interest deduction for the year ended 31 March 2023 is reduced to 75 percent. If the law is not changed, next year it is going to be 50 percent. Generally, if you have bought your residential rental property more recently, you can no longer claim a deduction for any interest.

Suppliers as important as customers

Good builders know the value of having a reliable team of subcontractors, who they'll often use year after year. Top-quality suppliers are important to your business and perhaps you should show them as much, if not more, affection than you do for your best customers. Some firms send Christmas gifts to their best customers. Should they also send them to their best suppliers?

Make it easy for clients or customers to get in touch with you

It might seem like common sense, but if you want clients (especially potential clients) and others to contact you, make sure they can.

A colleague recently related his experience trying to talk to a commercial real estate agent about a retail property. The big poster on the shop window clearly indicated a cell phone number for the agent.

A call to that number rang several times before an answer service advised callers to ring the company office. On ringing the company office, another answer service immediately suggested ringing the agent if they wanted information.

The potential for a missed business opportunity is huge, as is the likelihood that this caller will tell others about his bad experience. It reflects badly not only on the agent, but also the company he represents.



Keeping your screen and keyboard clean

Get into the habit of cleaning computer screens and keyboards regularly.

Think about how many times you point to the screen and leave a fingerprint, or sneeze unexpectedly. Wipe the screen with a clean microfibre cloth every day. You can also use a screen spray every now and then.

Keyboards have your fingers on them all day, and let's face it, your hands are not always clean. Sometimes, someone else might use your keyboard, so cross infection is always possible.

To clean, disconnect the keyboard and wipe it with a cloth dipped in alcohol, or buy some alcohol wipes. Then use cotton buds dipped in alcohol to clean between the keys.

Fortunately, cleaning the computer itself regularly is not much of a necessity, as modern computers tend to be all-in-one units.

If you do have a hard drive box, for example, and one with vents, give it a vacuum with a soft brush attachment every week or so, especially if it's on the floor.

Don't be tempted to take apart a modern computer to clean the insides.

They're full of sensitive parts that can easily break down if not handled properly. Leave it to when an expert might need to fix something.

Tune up to avoid frustration

Most of us have experienced the frustration of slow computer response, frequent crashes and error messages.

They are the inevitable result of adding new apps, programs and files over time. The more you expect your computer to do, the more it's likely to struggle with speed and reliability.

There are two main solutions.

One is to "manually" go through your folders and delete what you don't need or store it on the cloud. Do you really need 10,000 photos? Get rid of the ones you don't need.

Look also at your programs and apps. If you're not using them and they're not needed, delete them. Ensure you empty your rubbish bin so they're gone from your hard drive for good.

The second method is to invest in a computer "tune up" program. These programs find problem areas and fix them. For example, they look for the clutter of duplicate files, and damaged files, unnecessary software and junk files.

Some of them fix problems automatically; others give you the chance to say "yes" or "no" to changes. You can schedule them to scan regularly, when it suits you. They often come with anti-virus software, so if you're using one of the big providers, check to see what they offer.

The net result should be:

- quicker boot-up time
- quicker computing speeds
- quicker app launches
- fewer crashes, freezes or lags
- more storage space.



TAX CALENDAR

August 28 2023

First instalment of 2024 Provisional Tax for taxpayers with 31 March balance date, who pay provisional tax three times per year.

September 28, 2023

Second instalment of 2024 Provisional Tax (December balance dates).

October 28, 2023

First instalment of 2024 Provisional Tax for those with March balance dates, who paid GST twice a year

November 28, 2023

First instalment of 2024 Provisional Tax for those with June balance dates

*Note: where a tax date falls at a weekend or on a statutory holiday, the tax needs to be **received** by Inland Revenue by the following working day. If you pay electronically, you should plan accordingly. **Regional holidays** are not considered statutory holidays.*

Make sure you're really ready to retire

This is a conversation between a recently retired gentleman and one of his friends:

Hi Joe, "How is retirement? Are you enjoying yourself?"

"I'm playing some bowls but I wish I was still in business. I miss all the people."

Message: if you are contemplating retirement, plan what you're going to do next before you make the change. Some people are fortunate enough to have a business as a way of life they enjoy. If you are one of them, don't throw this away until you're sure you have something to replace it with. Scaling down your business might be a better option.

The extra income might also be useful, particularly in times of inflation.

Get the naming conventions right

Gone are the days of filing cabinets and the clerk who had to sort documents logically so everyone knew where they were.

Today documents are filed electronically, but the process is essentially the same – file, locate. However, electronic filing requires careful naming of documents, and folders, just like in the old filing cabinet. Your business should have a policy for naming of documents and folders (and sub-folders) so they can be easily retrieved. For example, folders could be client names, and sub-folders projects or years, with the document names being more specific.

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