

IN THIS ISSUE:

Claiming Home Office Expenses	01
Staff News	02
New Zealand ShakeOut	03
Anti-Money Laundering & Countering of Terrorism Act	04
Proposed Tax Changes	05
Parental Leave	06
Takeaway?	07

Corner Highlights

Staff News

In September we said goodbye to **Amber Brooks**, Client Manager at our Dannevirke office. Amber worked for us for 5 years and will be missed. We wish her all the best with her new job in Dannevirke.

Also in September **Anne Rothnie**, Chartered Accountant, Dannevirke, commenced her parental leave. Anne is expecting her second child any day now. We look forward to Anne returning to work after her parental leave early next year.

New Zealand ShakeOut

The national earthquake drill and tsunami hīkoi (walk) is on Thursday 18th October 2018. It's a great way for your business to practice what to do before, during and after an earthquake and tsunami. We will be taking part in this important activity again this year.

For more information, check out this website: www.shakeout.govt.nz

Claiming Home Office Expenses

A change to the Income Tax Act 2007 allows for a simpler process to claim a deduction for expenditure incurred in using part of your home as a home office for your business. This simplified process removes the need to keep detailed records of your monthly expenditure on dwelling costs such as electricity, gas, water, home and contents insurance, and telephone and internet charges.

Instead of calculating the actual expenditure and apportioning this between business and private use of your home, *you can choose to apply a standard square metre rate* set by Inland Revenue. Costs relating to the building such as rent, mortgage interest and rates must still be claimed based on the business proportion of actual expenditure.

For the 2017/18 income year Inland Revenue has set the square metre rate at \$41.10 per square metre. Inland Revenue will update the rate for every income year to ensure it is reflective of the average annual cost of utilities for the average sized New Zealand home.

Under this method the calculation of a home office deduction comprises two parts. The first is a deduction for the standard utility costs found by multiplying the standard square metre rate by the square metre area of the property used primarily for business purposes. Added to this is a claim for the business portion of the building related costs found by multiplying total building related costs by the business portion of the premise (business square metres divided by total square metres of premise).

For example, if you have a 250m² home and use 25m², your home office claim would comprise \$1,027.50 (\$41.10 x 25m²) for utility costs and 10% (25m²/250m²) of your mortgage or rent and rates for the year.

Use of the square metre rate method is optional, however a taxpayer who chooses to use the square metre rate method is not entitled to claim any other deductions for the business use of their home.

Give us a call today to find out whether this simplified home office claim method is right for you.

Anti-Money Laundering & Countering Financing of Terrorism Act

From 1st October 2018 we will be required to obtain and verify information from prospective and existing clients in order to comply with the Anti-Money Laundering & Countering Financing of Terrorism (AML/CFT) Act. This is part of what the AML/CFT regime calls "customer due diligence".

Customer due diligence requires all accounting firms to undertake certain background checks before providing some services to clients. We have put together the attached flyer, which tells you about the Act and what information you may need to provide. If you have any questions about this or what it means for you please give us a call.

Proposed Tax Changes

The Taxation (Annual Rates for 2018-19, Modernising Tax Administration, and Remedial Matters) Bill was introduced into Parliament in June 2018. The Bill seeks to improve tax administration and modernise the revenue system by making tax “simpler and easier” for individuals. However, the majority of the proposed improvements are heavily reliant on the success of the Inland Revenue’s shift toward increased automation.

The key proposals seek to help individuals pay and receive the right amount of tax during the year, for example by:

- enabling IRD to help individuals determine their appropriate tax rate or code;
- using tailored tax codes;
- automating tax refunds; and
- streamlining the administration of donation tax credits.

The proposals aim to minimise the need for tax adjustments at the end of each year. Individuals who only earn “reportable income”, such as employment income and bank interest, should have the right amount of tax deducted throughout the year via a tailored tax code. This will be verified by an automatic tax calculation at year-end, with any refund automatically paid directly to a nominated bank account.

Taxpayers with additional income, such as self-employment or rental income, or those that want to claim deductions, will still need to disclose this to IRD via the existing IR3 process. The proposed changes are expected to come into force on 1 April 2019 and will be adopted for the 31 March 2019 year-end process.

For charitable donation rebates, the planned changes will allow donation receipts to be submitted electronically throughout the year. The current IR526 year-end return will remain in place for those preferring this method. The option to electronically submit receipts will offer individuals greater flexibility and reduces the risk of receipts being lost or forgotten.

The changes being introduced will result in fundamental changes to the way individuals are taxed

Takeaway?

New Zealand may be perceived as clean and green by the rest of the world however, as a country we guzzle our way through approximately 295 million cups of takeaway coffee a year.

But coffee cups are recyclable, aren’t they? Unfortunately not; they’re treated with something called polyacetylene (PE), which makes them coffee-proof, but extremely difficult to recycle. To be recycled the PE lining needs to be separated from the cardboard, which is extremely complex, and not many recycling plants have this capability meaning most cups go to landfill. This is an issue that is set to continue unless we change our habits. How can we fix it? By changing to a cup that is properly recyclable.

Alternatively, you could buy your own reusable cup, however, the energy and resources to manufacture these may outweigh the benefits. It has been said that in order to gain an environmental benefit over a takeaway cup you must reuse your cup until it reaches the end of its life, which could be between 1000-3000 washes. Are you ready to commit to using a single reusable cup for the next 8 years?

Something to be discussed at the water cooler...what type of cups does that have?

Parental Leave

Until recently, new parents received paid parental leave for just 18 weeks. Parliament originally voted to increase paid parental leave to 26 weeks back in 2016, however the previous Government vetoed the change. The increase will now take place incrementally, with the first increase from 18 to 22 weeks applicable to babies born or due from 1 July 2018, and a further extension to 26 weeks expected from 1 July 2020. The change also applies to those adopting or becoming the primary carer for a child.

The maximum payment has remained at \$538.55 before tax, however it is hoped that the increased leave period will benefit families more than just financially. It is hoped there will be a positive impact on parental bonding with their newborn and will also assist with the World Health Organisation’s recommendation of breastfeeding up to six months of age.

There has also been an increase in the number of keeping in touch (KIT) hours that an employee can work from time to time (if the employer agrees) to attend team meetings, training etc.

The KIT hours has increased from 40 to 52 during the parental leave payment period, but must still not be done within the first 28 days after the child was born.

get in touch

You might like to visit our Website at www.mcia.co.nz.

This provides information about our firm and a number of links to other websites that may be helpful to you.

MCI & Associates Ltd

6 Gordon St, Dannevirke 4930
PO Box 38, Dannevirke 4942
tel: (06) 374 7059 **fax:** (06) 374 7057

139 Main Street, Pahiatua 4910
PO Box 95, Pahiatua 4941
tel: (06) 376 7476 **fax:** (06) 376 8139

email: info@mcia.co.nz
web: www.mcia.co.nz