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Corner Highlights

Staff News

Congratulations to **Aaron Karena, Associate**, and his wife, Emily on the birth of their son, Braxton.

Congratulations too to **Shelley McKay**, on becoming an Associate Chartered Accountant with the Institute of Chartered Accountants Australia and New Zealand.

In June, we were very sorry to farewell **Jo Duff**, who worked for us for 14 years as an Office Administrator. We wish Jo and her family all the best. In July, we said goodbye to **Desiree Watts** who worked with us at our Dannevirke office and in August, we said farewell to **Monika Arbuthnott**, from our Pahiatua office. Monika left us to spend more time with the family business.

In September, we welcome three new staff to our team: **Kaitlyn Holtham**, **Bridget Elliston** and **Tiana Sandbrook**. Kaitlyn joins us as an Accounting Assistant and Tiana as a Receptionist at our Dannevirke Office. Bridget joins our Pahiatua team as an Office Administrator.

Finicky Bothersome Tiresome (FBT)

Fringe Benefit Tax (FBT) on privately used vehicles is neither new nor rare. However, errors in FBT calculations are common due to the murky and complicated nature of the rules and principles that apply.

Generally, FBT is payable when a business-owned vehicle is available for private use by an employee. The availability component of this definition is often misinterpreted; as FBT is payable when a vehicle is simply available to the employee, whether or not the vehicle is actually used privately. By definition, if a vehicle is used for home to work travel, this counts as private use. However, that same travel from home to work is ignored if the vehicle qualifies as a "work-related vehicle".

A common error is to treat a sign written sedan as a work-related vehicle – in factory form, sedans will not qualify for the exemption as they are principally designed to carry passengers.

When it comes to calculating the amount of FBT payable, the formula seems simple enough: multiply the proportion of days that the vehicle was available for private use during the quarter by the relevant vehicle value and a specific percentage.

There are two methods available to determine a vehicle's value - either the cost price method, or the tax book value (TBV) method. The TBV method is the original cost price less its total accumulated depreciation at the start of the FBT period.

Once a method has been chosen for a particular vehicle, the same method must be used for five years. Typically, the lowest value is achieved by using the cost price method from acquisition, with a change to the TBV method after five years with a minimum value of \$8,333 GST inclusive.

FBT can be frustrating because it takes considerable time to calculate for what can seem like a small amount of tax. But it is worthwhile reviewing both the availability on which FBT is being calculated and the calculation itself. There may be savings to be had or errors to be identified, both of which can add up over time.

US Tax Rules

You may think New Zealand's tax rules are difficult to follow. The following unusual yet permitted deductions in the US may change your mind.

A man in the US was prescribed regular swimming to treat his arthritis, and so had a swimming pool installed on his property. The associated expenses were subsequently approved by the IRS as tax deductible medical expenses! A similar US provision allowed a tax deduction for the cost of a clarinet and lessons, on the basis of an orthodontist's recommendation that playing the instrument would help correct a child's overbite.

An American TV personality once claimed the cost of formal dresses in her tax return. Although initially declined by the IRS, they were permitted as a legitimate business expense once she explained the dresses could only be worn on TV, and not for other personal use, because they were so tight she couldn't sit down!

Saving Time and Cost with Tax

Various tax concessions exist that can save significant time and money, but they are often overlooked. You may want to save this article as a handy reminder to take advantage of these options whenever possible.

Business-related legal fees are tax deductible provided the total amount for the year is \$10,000 or less. Because the concession allows capital expenditure to be claimed, it can be applied to legal fees to purchase or sell assets. The Government has accepted a recommendation by the Tax Working Group to increase and expand it to other categories of professional fees and some feasibility expenses, providing a tax incentive for businesses to invest and expand, so watch this space.

For indirect taxes, the preparation of GST returns can be time consuming. When most businesses initially register for GST they 'default' to a two-monthly filing frequency. However, for smaller businesses with annual sales below \$500,000, taxpayers have the option to choose the six-monthly filing option instead.

The Fringe Benefit Tax (FBT) regime can be complex to navigate, however there is a useful de minimis threshold for 'unclassified benefits' provided to employees, such as gift vouchers, flowers and chocolates. FBT is not payable when the value of such benefits in a quarter is below \$300 per employee, and the total value of unclassified benefits provided to all employees does not exceed \$22,500 in the past year. For example, if 10 employees are each given \$200 vouchers at Christmas, no FBT would be due providing no other benefits in the quarter were provided and the \$22,500 annual threshold is met.

Finally, provisional tax payments for income tax can cause a headache for many small businesses. Where Residual Income Tax (RIT) for a year is between \$2,500 and \$60,000, provisional tax payments can be paid based on the standard uplift method, with any RIT not due until terminal tax date. This removes the requirement to estimate tax payments in advance, reduces interest costs and provides cash flow benefits.

Further simplification to the provisional tax regime is expected following the Government's recommendation that Inland Revenue should consider increasing the provisional tax threshold from \$2,500 to at least \$5,000.

And as a final bonus to using an accountant, there is a specific provision that allows a deduction for expenditure relating to determining your tax liability. The provision also overrides the capital limitation, so in most cases, fees charged by your accountant should be tax deductible.

Working Remotely

In recent years, we have seen many businesses shift away from traditional office spaces and make the move to an open plan work environment.

The benefits of working remotely are in abundance for employees, such as avoiding the daily commute, enjoying a less stressful environment, and eliminating the unavoidable distractions of the office. However, the benefits for employers are often overlooked, with research suggesting that both the employee and employer can benefit through the creation of happier and more productive workers.

Technological developments providing the ability for employees to work remotely means that employers seeking new hires are granted access to a wider pool of applicants, meaning companies can hire the best of the best as they are no longer bound by geographical restrictions. Once those employees are in the door, the ability to work flexibly may also mean they stick around longer.

A study conducted by Stanford professor, Nick Bloom, found that employees who were able to work remotely were happier and less likely to leave their job than those who went into the office on a regular basis. Moreover, companies are likely to see financial benefits from implementing the freedom to work from home. By allowing employees to work from a home a couple of days a week, paired with a hot-desking policy for those in the office, the amount of office space required can be reduced, providing a corresponding reduction in rent and operating expenses.

Like any company policy, the success of remote working will hinge on the guidelines set by management, continuous monitoring, and an ongoing commitment from employees to deliver what is expected of them. Remote working works best when people are accessible, communicate effectively, stay connected, and show that remote working positively impacts their work.

While remote working is unlikely to work for everyone, those who can manage it successfully are likely to reap the rewards.

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.

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