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Corner Highlights

Staff News

In July we welcomed **Jade Le** (nee Goode), office administrator, back to our Dannevirke office. Jade has returned on a fixed term contract until the end of March 2019.

This month we are pleased to welcome **Brenda Cuff** to our Pahiataua office. Brenda is an Accounting Technician with many years' accounting experience.

Also in August, **Janine Boyden**, Client Manager, Dannevirke, changed her working pattern and reduced her hours.

Darren and Heather Quirk will retire at the end of this year and **Ian McKenzie**, Principal, will retire on the 31 March 2019. Over the course of this year, leading up to their retirements, Darren, Heather and Ian will work with the Senior team and staff members to ensure a smooth transition and handover of their clients.

Motor Vehicle Rate

The IRD has issued the new motor vehicle rate. The rate has increased from 73c to 76c per kilometre for any business-related travel. The rate applies to electric, hybrid, petrol or diesel vehicles.

Anti-Money Laundering & Countering Financing of Terrorism (AML/CFT) Act 2009

It is estimated that approximately \$1.35 billion is laundered in New Zealand every year from fraud and illegal drugs. However, the true cost and social impact is much higher.

It is known that tax evaders and international and local criminals try to launder funds through New Zealand businesses and, New Zealand is also exposed to threats relating to the financing of terrorism. The AML/CFT Act aims to deter criminals and detect them.

From the **1st October 2018** the scope of the AML/CFT Act will be extended to include the services provided by Accountants. This is because the services that we provide can be used by criminals to hold and move assets and funds anonymously.

From the **1st October 2018** we will be required to obtain information from prospective and existing clients to verify their identity and address.

The purpose of this is to enable us to have more knowledge about our clients and the transactions that we are undertaking on their behalf. As a minimum, we will need to gather the following information:

- Full Name
- Date of Birth
- Address or registered office
- Company identifier or registration number

We will do this by obtaining copies of documents such as passports, drivers' licences and utility bills or bank statements, certifying these and keeping them with our client records.

For companies and Trusts we will also require information about other people involved in the company or Trust such as details of people who are Directors, Shareholders, Trustees or Beneficiaries.

In order to comply with the Act, we may also ask questions about the source of funds and the reason for the proposed work that clients ask us to do.

For prospective clients we will need this information before we can act for them. For existing clients, we will let you know soon when and how we will obtain this information from you.

If you have any questions about the Act and the changes that we are introducing, please contact Rachel Dalgleish, our Practice Manager.

Best Start Tax Credit

Best Start tax credit (BSTC) is a new component of Working for Families Tax Credits. It's available for all qualifying families with children due or born on or after 1 July 2018.

You can't get BSTC and Paid Parental Leave (PPL) for the same child, at the same time. BSTC will start once your PPL has finished.

Everyone who is eligible will receive \$60 a week until the baby turns one, no matter what the household income is. For the child's second and third years the amount reduces by 21 cents for every dollar your family income goes over \$79,000. If the household income is less than \$79,000 then you will continue to receive \$60 a week until the child turns three.

To be eligible for Best Start:

- you must be the principal caregiver of the child
- you must be a New Zealand resident or citizen and have been in New Zealand for a continuous period of 12 months at any time
- you must be a New Zealand tax resident
- you must have an IRD number for the child you will get Best Start payments for
- the child you are claiming for must be both a resident and present in New Zealand.

Families can apply when registering their baby's birth through "Register your Baby" on the SmartStart website or by completing the Working for Families Tax Credits registration (FS1).

For more information visit the Inland Revenue's website www.ird.govt.nz

Mixed Use Assets

When an asset, such as a bach or a boat, is used both privately and to generate income, prescriptive rules exist within the Income Tax Act that determine the extent to which a tax deduction is available.

Expenses broadly fall into three categories: fully deductible, non-deductible and apportioned. An expense is fully deductible if it is incurred solely to generate taxable income. Non-deductible expenses arise directly from any private use of the asset. Finally, apportioned expenses arise when an expense relates to both income-earning and private use of the asset, with a tax deduction available based on the number of days the asset is used to derive income, as a proportion of the total number of days the asset is used for either purpose.

Private use is defined as the owner's personal or family use of the asset, and any other person who pays less than 80% of the market value for the use of the asset.

In the case of a bach, an example of a fully deductible expense would be advertising costs. Conversely, if the owner of the bach purchased a kayak that was unavailable for guests' use, the cost would be non-deductible.

If a net loss arises from the asset, that loss is typically ring-fenced and cannot be offset against other income. Instead, the loss must be transferred forward and offset against future profits from the asset.

In addition to Income Tax, there are separate GST rules that apply to mixed-used assets.

Before you consider putting your bach up for rent, it is worth checking with us whether the mixed-use asset rules will apply and what records you need to keep to ensure you can apply the rules correctly.

Bright-line Test

Inland Revenue is sending letters to taxpayers who have sold land that they have owned for less than two years.

The letter suggests that unless the property was the taxpayer's main home for 50% of the time they owned it, the taxpayer may need to pay tax on the sale proceeds. The letter includes a reminder that the due date for filing income tax returns was July 7 and the potential for penalties to apply if that filing deadline was not met. Inland Revenue is sending these letters directly to taxpayers regardless of whether they have a tax agent preparing their tax returns.

If you receive one of these letters from Inland Revenue please contact us, so we can assess whether your land sale does create a tax liability for you.

Important Date - IRD

The following are due on the 28th August 2018:

- The first instalment of provisional tax for people with March balance dates
- Student loan interim payments.
- GST returns and payments for the taxable period ending July.



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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