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## Corner Highlights

### Staff News

At the start of December, we welcomed **Roseanne Cormack** to our team. Roseanne is our new receptionist at our Pahiataua office.

In December three members of our team are retiring: On the 21<sup>st</sup> December, **Carol Keltie**, our receptionist at our Pahiataua office will retire. Then, at the end of the month **Darren Quirk**, Consultant, and **Heather Quirk**, Client Manager, are retiring. We wish Carol, Darren and Heather a happy, healthy and long retirement.

In December we are also saying farewell to **Jade Le (nee Goode)**, Office Administrator at our Dannevirke office. Jade came back to us in July on a fixed term contract and will leave us on the 14<sup>th</sup> December to relocate to Christchurch with her husband Tim and three children. We wish Jade and her family all the best for their new life in the South Island.

## Tax Working Group Interim Report

The Labour Government established the Tax Working Group (“the Group”) in January 2018 to review the existing New Zealand tax framework and to provide recommendations for improvements to the fairness, balance and structure of the tax system over the next 10 years. An Interim Report was released on 20 September 2018.

One of the most topical issues is the potential introduction of capital gains tax. The report discusses potential design options for a capital gains tax, but the report makes it clear that the Group is still forming its view on whether to recommend a capital gains tax at all. Broadly, a capital gains tax could apply on a realised basis as assets are sold or on a deemed return basis. Assets captured would include interests in land, intangible property, income-earning assets not already taxed on sale, and shares in companies. The Group confirms that family homes and personal assets such as cars, boats and jewellery should be excluded.

Another key area discussed is the taxation of retirement savings. The Group considers high-income earners are likely to be saving adequately, hence they have suggested a package of modest retirement saving incentives aimed at middle and low-earners.

The Group is also “weighing up their options” for the current rates and thresholds for personal income tax. The focus for personal income tax is ensuring compliance by the rising number of self-employed.

For business, the Group recommend maintaining the current company tax regime and rates, including retention of the imputation system.

The views expressed in the interim report are not final, and the Group are welcoming feedback from all New Zealanders before the final report is released in February 2019.

## Christmas Closing Times

Our offices will close for the Christmas break at 12.00 noon on Friday 21<sup>st</sup> December 2018 and will re-open at 8.30am on Monday 7<sup>th</sup> January 2019.

*We wish all our clients a Merry Christmas and prosperous New Year!*



## What Christmas Expenses can you Claim?

Are you putting on a Christmas party for your staff or your clients and suppliers? Are you rewarding your team with Christmas gifts? This can be a great way to see out the year and celebrate successes, however there are tax considerations to think about.

### What Business-Related Christmas Expenses Can you Claim?

You can claim entertainment expenses if they are business related. A business-related expense is an expense that you incur to help your business earn income e.g. entertaining an existing or potential business contact. If the expense doesn't help your business earn gross income then it is private and you can't claim it as a tax deduction - even if you paid for it out of your business account. For example, if a business owner takes his family out for a Christmas dinner and uses his business credit card to pay for the meal this is a private expense and is not tax deductible.

Very specific rules apply to different categories of entertainment. Some entertainment expenses can be fully deducted, while others are only 50% deductible.

If your Christmas party is a business-related expense, you can claim 50% of the expenses in your GST and income tax returns. Expenses can include:

- Food and drink provided at your business premises (other than light refreshments) for a social event or party. This rule applies whether the entertainment is provided to staff, or to guests invited from outside the business.
- Food and drink provided away from your business premises
- Entertainment
- Venue hire.

Generally, you can claim the cost of Christmas gifts for staff and clients as a business expense. If the gift is food or drink e.g. a hamper, you can claim 50% of the cost. If however, the gift contains non-food items these can be claimed at 100%. Bear in mind that you may also need to pay fringe benefit tax on these gifts.

You can deduct 100% of the cost of entertainment you provide to members of the public for charitable purposes. For example, if your business donates food or gifts for a Christmas party at a hospital, this will be 100% deductible.

### Entertainment and GST

Although the entertainment rules apply to deductions in your income tax return, you may also need to make a GST adjustment. If you are GST registered you will need to make an annual adjustment for any entertainment expenses that are 50% deductible.

Confused? We can help you understand what you can and cannot claim. If you would like to know more, give us a call!



## Do you want to work for us?

Do you have experience preparing GST returns and wages? Or can you prepare tax returns and financial statements? We are looking for experienced office administrators and accounting staff. If you think you have what we are looking for give Rachel Dalglish, our Practice Manager, or Heidi Morgans, our Client Services Manager, a call.

### Preparation of GST Returns

As the festive season is fast approaching, we are starting to make arrangements to complete work before we close our offices for the Christmas break.

We would appreciate it if our GST clients could please get your GST information to us as soon as you are able. This will enable us to complete the GST returns we prepare and file them with the IRD by the required date. Also, please ensure that you get your payment to us so that it can go with your GST return to the IRD to arrive by the due date.

Regrettably, we cannot accept responsibility for the late filing of any GST returns if we have not received the records prior to the office closing for the Christmas break.

## get in touch

You might like to visit our Website at [www.mcia.co.nz](http://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](mailto:info@mcia.co.nz)  
**web:** [www.mcia.co.nz](http://www.mcia.co.nz)

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