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Corner Highlights

Staff News

Congratulations to **Fallon La Dette**, Associate, Dannevirke. Fallon has successfully completed the Chartered Accountants Program and will soon be admitted as a member to the Institute of Chartered Accountants Australia and New Zealand.

In November we welcomed back **Celeste Cole**, Client Manager, Dannevirke, who returned to work on a part time basis following the birth of her daughter, Winnie.

Also in November, we welcomed **Isabella Louisson** to our Dannevirke team. Isabella joins us as an Accounting Assistant.

This month we are pleased to welcome back **Jo Duff**, Office Administrator, Dannevirke. Jo will be working for us on a casual basis to cover staff absences and assist us during our busy times.

We are pleased to announce that in February 2020, **Heidi Pihama** will join our Pahiatua Team as a Client Services Manager. This is a new position that we have established. Heidi will manage the Pahiatua office and team.

Paying Your Taxes to Inland Revenue

Inland Revenue Calling Time on Cheques

You may have heard in the media that from 1st March 2020 the Inland Revenue (IR) will no longer accept payments by cheque. This will be a significant change for some, and one that might take some adjustment. There are other payment options that you may wish to look into now. These include:

- Pay online through myIR – A myIR account lets you manage all your Inland Revenue matters securely online. You can use it to pay IR with a credit card or debit card. You can also set up a direct debit to authorise IR to take payments from your nominated bank account.
- Pay online through your bank – you can authorise your bank to make one-off or regular payments.
- Pay at any Westpac Branch – Make payments over the counter by cash or EFTPOS, or at one of Westpac's Smart ATMs. You do not need to be a Westpac customer to use these services.
- Money transfers – if you are overseas you can pay through a fees-free money transfer service.

Inland Revenue must ensure that all of its customers have a way to pay their taxes. IR suggests that you look at the options and talk to your bank about the payment options that they provide. For more information on the payment options visit IR's website www.ird.govt.nz/pay. If you don't think that there's a payment option for you, give IR a call on 0800 377 774.

Anti-Money Laundering

Please note that as a result of anti-money laundering legislation, we are no longer able to accept payments from our clients for us to then pay your taxes to IR. This means that you must organise payment of your taxes to the IR by the due date.

Online Payments to Inland Revenue

Finally, just a reminder that if you are making payments to IR online, do ensure that you choose the correct tax type and period as this will enable IR to allocate your payment correctly. If you are not sure what tax type or period to choose please give us a call and we will assist.

Christmas Closing Times

Our offices will close for the Christmas break at 12.00 noon on Friday 20th December 2019 and will re-open at 8.30am on Monday 6th January 2020.



Payments to Shareholders

Broadly speaking, a payment from a company to a shareholder is likely to be a salary / wage or a dividend, and therefore taxable income. However, loans from a shareholder to a company and loan repayments are also commonplace. Whilst interest on such loans is taxable to the recipient, loan repayments should not be.

A recent Taxation Review Authority case (2018, NZTRA 9) serves as a reminder to clearly document any payments made to shareholders or associated companies, to ensure wages / dividends are distinguished from loan repayments so that the correct tax treatment is applied.

The taxpayer in the case was shareholder of a number of companies. He had filed 'nil' personal tax returns over a period of four years, on the basis that various payments received from the companies were non-taxable loan repayments. However, Inland Revenue (IR) reassessed the taxpayer to treat the payments as taxable income, on the basis that they were wages, dividends, and/or income under ordinary concepts. A shortfall penalty for gross carelessness was also imposed.

IR had considerable evidence supporting its position. For example, company bank statements described some of the payments as 'wages'. The regularity of the payments, alongside the taxpayer's own evidence that they personally carried out work for the companies, further suggested the amounts were wages. The bank statements also showed that the company had directly funded some of the taxpayer's personal expenditure.

In challenging IR's position, the taxpayer argued that the various payments by the companies were not wages or dividends but were in fact loan repayments, such that there is no tax liability. However, the onus of proof lies with the taxpayer to prove his position and the taxpayer had no documentary evidence that there was a loan between him and the companies. He was unable to prove that the amounts initially advanced to the companies were loan advances as opposed to share capital. Hence, the TRA found in IRD's favour.

The case highlights the importance of maintaining good records, particularly in relation to transactions between companies and shareholders. If a tax position is being adopted, the onus lies on the taxpayer to provide documentary evidence to support that position.

Generation Z – Our Future Workforce

The rise of Generation Z ('Gen Z') is imminent in today's workforce. Comprised of those born between mid-1990s and early-2000s, Gen Z has grown up in a world with technology at their fingertips. Common traits include: confidence, desire to succeed, thriving on recognition, being adaptable and tech-savvy. However, their most valuable aspect is they represent an organisation's future. It is therefore crucial that employers learn to understand this generation and how to attract, recruit and retain them.

If Gen Z members are not being challenged, recognised or rewarded for their efforts, they will not hesitate to search for opportunities elsewhere. Today, it is increasingly common for employees to change jobs after spending just months with their employer. Being adaptable and tech savvy also means Gen Z will demand remote working and flexible working – such "perks" will become expected, rather than incentives.

To attract Gen Z into their organisations, employers should be aware that the approach to job searching is significantly different to the traditional methods. Often, Gen Z begin their job search on the organisation's website – looking for the organisation's culture to impress them. They then head to social media to learn more. Hence, organisations need to get creative with different social platforms and use them to reach out to potential candidates.

Ultimately, whether an organisation can tailor their recruitment plan for Gen Z will depend on its individual circumstances. Nonetheless, it is important for employers to understand this generation and how to best attract, recruit and retain them.

Loyalty Reward Schemes

A number of rural suppliers such as Farm Source, Farmlands etc. operate reward schemes where points are "earned" for purchases made. These points can then be used to purchase, amongst other things, business assets.

If you do use these loyalty points to purchase a business asset, or if you pay a business expense with them then keep in mind that:

- The amount of the purchase that you can claim for tax & GST purposes will only be the amount that you physically pay.

For example, if the total cost is \$2,000, and the value of loyalty points used is \$1,200, the actual cost for tax & GST purposes will be \$800.

If the total purchase is paid for with loyalty points "dollars" then there is no claim for tax or GST purposes.

- If your trading entity is a company, and the loyalty points are in the name of the company, then points redeemed for any purchases will be considered taxable income for the company.

We suggest you contact us if you require any further information.

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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