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## Corner Highlights

### Staff News

In April we said goodbye to **Raylene Treder**, Office Administrator at our Pahiatua Office. Raylene was only with us for a short time and we wish her all the best with her new job.

In May, we welcomed **Celeste Cole**, Client Manager, and **Sharyn Crosse**, Administration Assistant, to our Dannevirke office.

In June, **Monika Arbuthnott** and **Deborah Abercrombie** joined our Pahiatua team as Office Administrators. Monika and Deborah both work part time and are currently undergoing their initial training at our Dannevirke office.

Also, at the end of June, **Mike Fouhy**, Client Manager, Pahiatua office, will retire. We wish Mike all the best for a long, happy and healthy retirement.

And finally, congratulations to **Anne Rothnie**, CA, at our Dannevirke Office, who is expecting her second child in September.

## MYOB Rural Business Report

MYOB has been involved with New Zealand's rural-based businesses for more than two decades. During that time they have seen the growing importance of technology to the rural sector – and they continue to build new software services to help rural businesses achieve success.

That's why MYOB take a keen interest in how the rural sector is tracking economically. Their latest MYOB Business Monitor survey of 202 rural based businesses shows that in the face of international uncertainties, impending trade wars, rising fuel prices and immigration cuts, New Zealand's rural sector – and the industries that work to support it – continue to demonstrate strength, optimism and resilience.

Carolyn Luev, MYOB's General Manager says "The good news is that one third of rural businesses are expecting more sales in the next quarter than normal, verse 16 percent who see sales declining (with others saying it will be about the same). We also found that 38 percent believe revenue will be up in 12 months' time, while just 13 per cent expect their revenues to decrease over the next 12 months, compared to 16 per cent of city-based SMEs and 20 per cent of regional-based businesses."

"A quarter of New Zealand's primary industries reported a fall in revenue this year – consistent with the levels seen in 2017 when 24 per cent reported a revenue decrease."

Carolyn reported that "New Zealand's primary industries also remain conservative regarding labour, with few contemplating an increase in staff numbers this year. However, this is likely due to immigration cuts and tighter visa restrictions for international workers. In contrast, the sector continues to invest in plant and equipment as well as IT systems and processes to increase efficiencies and cut costs."

Despite a myriad of challenges – and unstable trade markets – the rural sector remains positive and confident in its ability to compete domestically and overseas. And with growing technological abilities, increased investment in tech infrastructure and early adoption rates, the rural sector seems well placed for the future.

Visit MYOB's website at [www.MYOB.com](http://www.MYOB.com) for more information on how their technology can help your rural business succeed, or give us a call.

## Ring-Fencing for Rental Properties

Inland Revenue has released an issues paper that proposes the introduction of a loss ring-fence for residential rental properties. Ring-fencing simply means that losses from a trade can only be set off against income from the same trade. Under the proposal, residential property investors will no longer be able to offset losses from their residential properties against their other income (for example, salary or wages, or business income), to reduce their income tax liability.

The Government is proposing that the loss ring-fencing rules will apply to "residential land". The definition of "residential land" that already exists for the bright-line test will apply. The rules would not apply to a person's main home, a property that is subject to the mixed-use assets rules (e.g. a holiday home that is also used to generate rental income), or land that is subject to tax on sale because the person holds it as part of a dealing or developing business.

The proposal is for the loss ring-fencing rules to apply on a portfolio basis. This would mean that investors would be able to offset losses from one rental property against rental income from other properties – calculating their overall profit or loss across all the rental properties owned. An investor will be able to offset ring-fenced residential rental losses from one year against residential rental income from future years (from any property) and taxable income on the sale of any residential land.

The proposed start date for the ring-fencing rule is the start date of the 2019-20 income year (1 April 2019 for most taxpayers).

The impact of the ring-fencing rule is something to keep in mind if you own or are considering investing in residential rental properties.

## Reimbursing Allowances

On 3 April, Inland Revenue issued a draft 'Questions we've been asked' (QWBA) covering the tax treatment of allowances and benefits paid or provided to farm workers. A key principle covering such payments centers on the tax treatment of 'reimbursing allowances' – this is relevant not just to farm workers but all employees.

Reimbursing allowances are paid to employees for expenses incurred, or likely to be incurred, in connection with their employment, e.g., vehicle mileage and tools.

Section CW 17 of the Income Tax Act contains the requirements that must be met for such payments to be received tax-free and one of the key tests is that the expense incurred must be a 'necessary expense' incurred in performing the employment duties.

The tax treatment of reimbursing allowances is a 'standard' area of focus by Inland Revenue when reviewing a taxpayer's affairs, hence it is worthwhile checking to make sure they are being treated correctly.

## IRD Payments

The IRD prefers payments to be made electronically instead of by cheque. You can make **credit or debit card payments** using Visa or MasterCard. If you use myIR to manage your accounts, you can make a card payment directly from there. You can also make a credit or debit card payment from the IRD's website.

You can also make payments by **Internet banking** using the following information:

Name of bank: Westpac

Name of account: Inland Revenue

Account number: 03 0049 0001100 27

Particulars: IRD number

Payee code: Account and period (with a space), e.g. INC 31032016

Reference: Leave blank

For more information about making IRD payment electronically visit their website:

[www.ird.govt.nz](http://www.ird.govt.nz)

## Brightline Test Extended

From 29 March 2018 the bright-line test for residential property has been extended from 2 years to 5 years. The extended bright-line test only applies to properties for which an agreement to purchase the property was entered into on or after 29 March 2018. If an agreement to purchase a property was entered into before that date, the 2-year bright-line test will still apply.

The 5-year bright-line test applies in the same way as the 2-year bright-line test.

The residential land withholding tax (RLWT) rules have been extended from 2 years to 5 years as a result of extending the bright-line test.

An offshore person will be liable for RLWT on residential land sold within five years of purchase, if the purchase date was on or after 29 March 2018.

## Student Loan Repayment Threshold Increased

The annual student loan repayment threshold increases from \$19,136 to \$19,448 from 1 April 2018. That means the pay-period repayment threshold for salary or wages increases from \$368 to \$374 per week.

Repayment thresholds determine when a borrower must start making repayments towards their student loan.

## 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.

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