

Holiday pay considerations over the holiday period

It is important to understand your obligations when an employee takes leave over the Christmas period. There are a number of different factors to consider.

Annual holidays

All permanent employees are entitled to at least four weeks of annual holidays every year. An employee accumulates annual leave from their commencement date, but only has an entitlement after 12 month's continuous service. However an employer can approve annual leave in advance. Annual leave is calculated and paid with reference to gross wages (with some exceptions).

When an employer approves annual leave in advance, it is crucial that the employer receives written agreement from the employee that they can deduct any overpayment of leave in advance from their final pay. If this does not happen, the employer will not be lawfully able to deduct money to compensate for granting leave in advance if an employee resigns. A simple clause in all contracts would help to avoid this situation.

Closedown period

An employer may have a closedown once a year and require employees to take annual leave during the period of closedown, as long as they give them 14 days notice. The closedown can occur across an entire workplace or for specific parts of a business. Any public holidays during the closedown period are paid separately to annual leave.

Genuine casual staff

Employees who have an intermittent or irregular work pattern for genuine casual work may have their annual holidays paid as part of their wages during the course of the year providing this is separately disclosed. These employees have no additional annual leave entitlement.

Public holidays

In addition to annual holidays, employees are entitled to a paid day off on a public holiday if it falls on a day the employee would normally work. Over the Christmas period, the following dates are considered public holidays:

Friday 25 December, Saturday 26 December
Friday 1 January, Saturday 2 January

If you require an employee to work on a public holiday, the minimum payment is time and a half for the hours actually worked. You must also provide a whole day's alternative holiday at a later date if the public holiday is a day they would usually work.

If an employee doesn't normally work on a Saturday, their entitlement to the public holidays which fall on these dates will transfer to the following Monday. In this case the Saturday will no longer be deemed a public holiday.

Keogh McCormack Ltd office hours over the holiday period

Last day of work: Wednesday 23 December 2015

Office reopen: Thursday 14 January 2016

For urgent enquiries during the holiday period please contact:
Peter McCormack (021 242 4995), Ken Rewcastle (021 242 4992)
or Jono Bredin (021 850 148).

Keogh McCormack Ltd

PO Box 5110
Level 7, ASB House
248 Cumberland Street
Dunedin, 9058
New Zealand

T: +64 3 474 0475

F: +64 3 474 0477

E: info@kmbusiness.co.nz



Keogh McCormack Ltd Director changes



After 13 years service, the last six as a Director and owner, Hudson Biggs has decided the time is right to pursue a different career path in 2016.

Prior to his time at Keogh McCormack Ltd, Hudson held a number of senior roles at financial institutions and has always remained passionate about this field.

Hudson will finish work on 23 December 2015 and he leaves with our best wishes for whatever the future holds.

We will continue to work closely with each of Hudson's clients and look forward to building on the strong relationships already established.

Some tax due dates over the holiday period

Monday 21 December 2015

PAYE for the period ended 30 November 2015

Friday 15 January 2016

GST for the period ended 30 November 2015

Provisional income tax instalment for March, July and November balance dates

PAYE if normally due on the 5th for twice monthly 'large employers'

Wednesday 20 January 2016

PAYE for the period ended 31 December 2015

FBT for the quarter ended 31 December 2015

Thursday 28 January 2016

GST for the period ended 31 December 2015

Provisional income tax instalment for six-monthly GST taxpayers with June balance dates

Tax return information reminder

For those clients who are yet to provide their 2015 business information and records, it would be appreciated if you could please aim to have this with us as soon as possible.

All 2015 tax returns must be filed by 31 March 2016 so we can continue to offer our clients an extension of time for filing tax returns and making terminal tax payments.

Millions go unclaimed



credit in the last financial year! 60,000 more people only received a portion of their entitlement.

To make sure you don't miss out follow these quick tips:

- 1) Make sure you are contributing \$20 per week;
- 2) If your annual income is less than \$35k, increase your contributions to 4% (if you can afford to);
- 3) Check before 30 June each year to ensure you have contributed the minimum of \$1,042 to access your full entitlement.

IRD has released statistics which show over 570,000 New Zealanders missed out on receiving their \$521 KiwiSaver member tax

Insurance: things to watch out for

There has been media coverage recently in relation to traps and pitfalls in the insurance industry. Our colleagues who work in this area have highlighted a couple of worth points we wish to share:

- 1) While it may often be cheaper to insure your child's vehicle as part of your insurance policy, if your child is the predominant user *they should be listed as the main driver* otherwise this can invalidate a claim should one occur.
- 2) If you are planning to move to or from New Zealand, you may well be better off not cancelling any life insurance cover before you leave. The small print in some policies indicates only citizens and/or permanent residents are entitled to a pay out—of which you may be neither if you cancel early. You should contact an Adviser if you are thinking of shifting.



Don't forget the tax man this Festive Season

When it comes to tax and Christmas/Summer work functions - whether for staff, clients or a mixture – get it wrong and you could face a hangover from late payment penalties, interest and questions from the IRD on other parts of your business.

So it makes sense to know the rules around the treatment of expenditure on entertainment.

Income tax

The first rule to be aware of is that to be deductible for tax purposes (either 100% or 50%), the expenditure must be in relation to the running of your business – which can include staff, clients and prospective clients and suppliers. Whereas paying for a lunch with a friend using the company credit card will be treated as a personal expense, as it is not related to the business.

So, if you pass the first test of whether or not the expenditure relates to your business, the next step is to be aware that not all spending on entertainment will be 100% tax deductible.

What happens when you arrange to finish work early one afternoon and put on a barbeque and some drinks for the staff? As a general rule only 50% of the cost can be claimed as an expense for income tax purposes. The situation doesn't change if there are clients involved or if suppliers, families or even if the accountant attends.

Perhaps you are contemplating putting on a function at a nearby pub or restaurant. Well, you will still be faced with only 50% of the cost being deductible for tax.

It is also common for many businesses to have a formal Christmas function where the cost of the entertainment, food and drink is paid for, or subsidised, by the business. Again the rules around entertainment will apply so that only 50% of the cost is deductible.

What about gifts of food and drink, do these also fall under the entertainment rules? Unfortunately, the cost of gifts of food or drink provided to clients or business contacts are also subject to the 50% deduction rule. A gift of food or drink given to an employee is generally subject to FBT.

If you're looking for Christmas entertainment that is 100% tax deductible, you'll need to travel overseas to get it! However, watch out for FBT, as this could apply.

Fringe Benefit Tax

Non-cash gifts may leave you with a Fringe Benefit Tax (FBT) headache if you provide them to staff (past, present or future). If the employee can choose when they receive or use the gift (for example, a gift voucher given to employees at Christmas time for their hard work during the year), then it will be subject to FBT. But, there are some exemptions that can apply. You don't have to pay FBT if the non-cash gifts given to employees in a quarter are less than \$300 per employee and no more than \$22,500 for all employees during the year. A cash gift, or a gift that is convertible to cash, given to an employee is generally taxed as remuneration.

GST Adjustments

A GST adjustment will need to be made on the non-deductible portion of entertainment expenses. But you need not worry about making these until after the end of the year. The tax rules allow you to claim all the GST and only adjust for the GST on any non-deductible expenditure once a year. This annual adjustment is usually made by us when we complete your annual financial statements.

Donations

Some businesses like to make donations to charities around Christmas time. If you provide food or drink to members of the public for charitable purposes, this is 100% deductible. For example, if you provide the food and drink for the Christmas party in a children's hospital, the cost is fully deductible.





Changes to residential property rules

Residential property rules changed on 1 October 2015. Now when you buy, sell or transfer New Zealand property you will need to provide your IRD Number. There are more onerous rules if you are not a New Zealand citizen/resident.

These rules do not apply to your “main home”. You can only have one main home at a time and this exemption won’t apply to residential properties held in trust unless it is the main home of the principal settlor and a beneficiary.



How can I tell if a property is my main home?

Your main home is the one that you have the greatest connection to. If you live in more than one house, you will need to think about the following to decide which one is your main home:

- where your personal property is kept
- the amount of time you spend living in each house
- where your immediate family lives
- where your social ties are strongest

what other ties (for example: employment, business, economic) you have with the community.

Who determines if a property is a main home?

The person buying or selling the property determines whether it’s their main home and either tells their property lawyer or conveyancer when they meet and documents this with them or lets their lawyer or conveyancer know by filling out a Land Transfer Tax Statement from Land Information New Zealand (LINZ).

Bright-line test enacted—a capital gains tax in disguise

As part of the tools to ensure property speculators pay their fair share of tax, the new bright-line measures will require income tax to be paid on any gains from residential property purchased on or after 1 October 2015 and sold within two years. The exceptions are an owner’s main home (refer above), inherited property, and the transfer of relationship property.

It should be noted that the existing legislation including the ‘intention’ test has not changed and this new test simply adds to the IRD’s arsenal as they actively pursue investigations in this area—having been allocated \$62m in funding over five years in the latest Budget.

These changes are significant. If you have any queries on how these new rules affect you, please contact us so we can discuss this further as it applies to your individual circumstances.

Ever worry about the costs associated with an IRD audit?

A number of our clients have signed up to this cost-effective service which covers the costs of all professional and accounting fees up to a prescribed limit (with no excess) to respond to any IRD enquiry, review, audit or investigation in relation to a lodged return. Contact Jono Bredin—Head of Tax, to sign up or discuss the benefits for your business.



*The Directors and Staff would like to wish you all a very
Merry Christmas and a safe and Happy New Year*

