

MONEY

END OF YEAR
UPDATE

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MATTERS



INSIDE:

- Avoiding burn out before the holidays
- Holiday travel and estate planning
- Changes to IRD interest rates
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2020 vision, planning for the new year

The end of year period is a busy time for everyone, not just at work but preparing for the holidays and the New Year.

For retailers, a large portion of their yearly sales may come from this period and service businesses can be equally overwhelmed. For other industries, the year end can be one of the slowest times of the year. Clients might be away, employees aren't around to finish projects and the phones don't ring. That makes this a perfect time to plan for the next year.

Work on your marketing plan:

Having marketing goals is essential for promoting your business, but knowing the best way to achieve these goals is what makes a successful plan. Take a look at your marketing throughout the year and assess what worked and what didn't. You can do this by tracking your email marketing and using social media analytics. You could even compose emails to send in the first week back to increase your business as soon as customers have finished their holidays.

Mid-year tax planning:

It may be the end of the calendar year, but it is heading into the last quarter of the financial year. While large changes to tax plans are best done at the end of March, now is a good time to check on your finances and see if there are any urgent changes you need to make. Consider setting up a meeting with your advisor to discuss ways you could be reducing your tax liability or strategies for the new year.

Go green:

While there are initial up-front costs of going green, the long-term savings will be substantial and you will also be reducing your carbon footprint which is great for everyone. Reducing paper use is good for the environment and will save you money by eliminating the costs of buying paper and printing supplies. Turning off appliances at the power point before you leave, replacing lighting with LED bulbs and taking advantage of natural lighting are easy power-saving tips you can implement. Going green can also improve your business' reputation and attract clients in the new year.

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Securing your business over the break

With crime rates often spiking over the holidays, the physical and cybersecurity of your business may be at risk.

The Christmas period is a time to relax and destress, but it is important to protect all elements of your business while you are away. Now is the time to update security measures to ensure you are best protected into the new year.

Changes to IRD interest rates

Interest the IRD charges when tax is unpaid or underpaid has increased from 8.22% to 8.35% from 29 August 2019.

This is often referred to as use of money interest (UOMI) and applies to most tax obligations such as income tax, PAYE, FBT, withholding taxes and GST. The new rate comes as part of the Order in Council changes made on 1 July 2019.

Along with the use of money interest rates payable on underpayments of tax being increased, the rate of interest for overpayments of tax will decrease from 1.02% to 0.81%. Late payment penalties will also apply if a taxpayer does not pay on time. IRD late payment penalties work as such:

- One per cent the day after payment was due.
- An additional four per cent if the tax, including late payment penalties, is still outstanding after seven days.
- A further one per cent every month after.

The last IRD interest rate change was in March 2017. The new rates are based on the floating first mortgage new customer housing rate and the 90-day bank bill rate. Both are determined by the market and can move independently of each other and the Official Cash Rate. If market interest rates move sufficiently, UOMI rates reviews are triggered.

Taxpayers can be entitled to a deduction for their UOMI payments for the interest paid on underpayments of tax, provided the deduction is made in the year the UOMI is paid.

Secure the premises:

The security of your office or storefront is particularly important during the holidays as there is no one coming into work. If an employee does wish to come in during the break, it benefits to have a company known policy about security measures. Your security policy should include protocols for locking up valuables, rules about inviting guests into the workplace for holiday functions and a security action plan in case of an emergency. Assessing security equipment is a good practice before leaving for the holidays. Updating locks, installing smart technology such as motion sensor lighting, utilising security cameras and an alarm system can all help prevent unwanted visitors while you are away.

Secure the tech:

Protecting the online elements of the business is just as important as the physical. Simple ways to look after the cyber aspects of your business are things like changing passwords prior to leaving for the holidays and scanning your networks

for malware. For the highest value data, backup and encryption ensures solid protection. Storing important data on a remote network can also help protect work in the event of theft. Business owners need to be aware that these measures cannot prevent a data breach, but rather serve as an added layer of protection if a breach occurs.



Holiday travel and estate planning

During the rush of planning holiday travel, we can often forget to organise what could potentially affect our lives and loved ones the most, estate planning documents.

Estate planning is about future proofing - it is not just about when you pass away, but also about protecting your children and assets if you are unable to do so. If you are stuck overseas or are in trouble, you will need to have a Power of Attorney or a Welfare Guardian in place so that the people you have nominated can help you in your situation.

A Power of Attorney is a legal document that allows an individual or organisation to act on your behalf. Appointing an Ordinary Power of Attorney gives the attorney wide powers to undertake actions on your behalf, such as dealing with property or paying bills. However, if the Will Maker dies or loses mental capacity an Ordinary Power of Attorney ceases. An Enduring Power of Attorney can be appointed to overcome these limitations.

A Welfare Guardian is someone you appoint to make lifestyle, health and medical decisions for you when you are not capable of doing so yourself. Welfare Guardians are appointed by the Family Court by making a Welfare Guardian Order for anyone who is 18 or older.

Before travelling over the holidays, ensure these important documents are in place so you

and your loved ones will be taken care of, and matters can be settled the way you choose. Some questions to consider before travelling are:

- Have you named guardians for your children?
- Did you create powers of attorney and/or enduring guardians in case you get into an accident and cannot make decisions about your health or finances?
- Have you outlined specific medical details? E.g. are you an organ donor?
- Have you updated all your beneficiary designations?
- Are your last wishes laid out for your family?
- Can someone locate these documents, either physically or electronically?



Are you eligible for the R&D Tax Incentive?

Businesses involved in research and development (R&D) projects can claim a 15% tax credit for the 2019-20 income year.

Enrolling for the R&D Tax Incentive can be done through your myIR account under



“R&D Tax Incentive enrolment”. After enrolling, you will be able to complete the forms required to claim the tax credit.

To be eligible for the new R&D Tax incentive, the following requirements must be met:

- A core R&D activity must be intended to create new knowledge, or improved processes, services or goods.
- The R&D is trying to resolve a scientific or technological uncertainty, where experts in the area do not know the answers or possibilities.
- A minimum of \$50,000 is spent on R&D. However, to ensure that even small businesses can qualify for the R&D tax credit, there is no minimum spend if the business uses an approved research provider. A list of approved research providers can be found on the Inland Revenue website.

- A systematic approach is used to undertake R&D. This involves a methodical approach that is planned, structured and documented, which could involve prototyping, experimentation or analysis that tests and evaluates possible solutions.
- The activities being undertaken in R&D are predominantly taking place in New Zealand. Overseas expenditure is limited to 10% of your total R&D expenditure.
- You own the results of the undertaken R&D or are able to use the results at no extra cost.

Starting from the 2020-21 income year, a new approval process will be introduced. This will make it easier for businesses to understand whether or not they are eligible for the R&D Tax Incentive.

Employer responsibilities don't stop at the Christmas party

The holiday period is just around the corner and the excitement of the annual work Christmas party is setting in.

End-of-year celebrations are an excellent way for employers and staff to reflect on their achievements of the year and to develop their relationships with one another. However, it is also important for employers to consider the potential hazards which may arise and their legal obligations that stand when holding a work function. Employers maintain a duty of care and must meet OH&S standards to ensure the end-of-year celebration does not go awry.

Employers can be placed at risk as a result of sexual or emotional harassment an employee becomes subject to. Areas such as drug and alcohol use, conduct, confidentiality and breach of company policies or procedures need to be given special caution.

All employees attending the party should be reminded of their responsibilities and expected standard of behaviour before the event. They should be informed that normal disciplinary procedures will apply

for any form of misconduct that takes place. Setting the standard prior to the party helps to prevent issues and ensures employees are aware of the repercussions if they do not behave appropriately. For serious matters, formal action should be taken in the days following and not simply left to deal with in the New Year.

Employers should visit the Christmas party's venue prior to the event and carry out a risk assessment to ensure that occupational health and safety requirements are met. This should be done bearing in mind that attendees may be under the influence of alcohol. Even small hazards like a wobbly chair could be potentially dangerous and worth eliminating.

As Christmas parties may involve alcohol, employers must take reasonable steps to ensure beverages are provided responsibly. Alcohol will need to be served by qualified personnel, as required by the responsible service of alcohol regulations. An employer may be held liable for any injury which occurs at an event, as well as injuries of employees travelling to and from the venue. For this reason, it is a good idea for employers to organise safe travel arrangements for their employees, such as hiring a bus or organising uber rides. This will ensure that drink driving-related incidents are avoided and

employees can enjoy their night and return home safely.

Be sure to define the start and end time of the event and stay clear of endorsing any 'afterparties' held once the official Christmas party is finished. If employees choose to continue partying and the after-party is not arranged by your company, ensure this is made clear. Employers can easily find themselves in a legal nightmare if they fail to do so. Employers should also be aware that actions such as placing a tab behind a bar at an after-party, could give rise to liability for behaviour into the early hours of the morning.

We Are Here To Help

Make use of us! This guide is merely a starting point, designed to help you identify areas that might have a significant impact on your personal and business planning.

We are always pleased to discuss matters with you and advise in any way we can.



Updated government tax policy work programme

The government has released an updated tax policy work programme in August for the 2019-2020 financial year:

The updated version is aimed to encourage productive investment and maintain the quality and efficiency of the tax system. Some of the key workstreams covered in the programme include:

Land:

The current land protocols will be reviewed in an aim to improve the efficient use of land and the taxation of land is fair and supports productive investment. This includes clarifying holding costs for taxable land, facilitating compliance with existing land rules, and taking measures to improve revenue collection by improving information flows.

Business:

The government aims to focus on prioritising economic performance and minimising the impact of the tax system on businesses by reducing compliance costs. The programme deals with increasing the integrity and neutrality of the system and improving the economic achievements of small businesses and firms.

Social policy including Government response to welfare overhaul:

In reaction to the welfare overhaul, the Ministry of Social Development is working with other agencies and government officials to develop a welfare package. This workstream focuses on improving KiwiSaver, student loan schemes, debt, and the reform of Working for Families.

Environment/sustainable economy:

This workstream will look at how different tax regimes could make positive environmental impacts, noting where greater environmental taxation could change behaviour and raise money for environmental purposes. This includes a review of the Emissions Trading Scheme and revising the Waste Disposal Levy.

Tax deductions for end of year work events

End of year social functions are a great way to close out the work year, but being aware of tax deductions can make these events even better by saving your business some money.

These functions can apply to different categories of the entertainment expenditure regime, where some entertainment expenses can be 100% tax deducted while others can only be 50% deducted. Employers will need to claim these expenses in GST and income tax returns.

Entertainment expenditures often arising during the end of the work year that are 50% deductible include:

- Food or drinks that are provided at entertainment events.
- Corporate boxes such as tents, marquees or similar exclusive areas at recreational events.
- Tickets to recreational events.
- Holiday accommodation used for entertainment and not work-related duties.
- Pleasure crafts such as yachts.
- Supporting expenses such as hiring waiting staff, music, and cutlery.

Most entertainment expenditures are only 50% deductible, however, expenses that are 100% deductible include:

- Hiring a marquee or tent for functions held on business premises
- Morning and afternoon teas or refreshments held on business premises

Avoiding burn out before the holidays

The holiday season often brings about many emotions and pressures that can add extra stress to you and your employees during the rush.

Managing this busy period efficiently can reduce the emotional strain on your staff and keep spirits high. Keeping the holidays as something your employees can still look forward to can be achieved through simple management tasks.

Plan ahead:

Many stresses that arise from the holiday season come from uncertain workloads, miscommunication, and a disorganised schedule. To combat this, carefully strategising a plan or calendar ahead of time can provide everyone with a clear outline to reduce miscommunication and confusion, giving you and your employees a sense of control over the situation. However, while pre-organised calendars and plans will be useful in providing

a guideline of how to handle workloads, it is important to retain flexibility and be able to adjust plans as changes arise.

Manage holiday leave in advance:

Part of the reason the end of year period is extra-stressful is due to various employee holiday leave. With multiple employees wanting to go on leave at the same time, it can be difficult to manage who gets priority and how to fill in the gaps once they are away. Ensuring that all holiday leave has been organised in advance will encourage a smooth transition into the end of year period. This can be achieved by:

- Encouraging employees to plan their schedules early and setting a deadline for leave applications.
- Being transparent about leave request prioritisation among employees.
- Set tasks for employees going on leave to ensure they tie up as many loose ends as possible. This could include writing handover instructions for other employees or providing clients with alternate contact details.
- Determine if any extra casual workers will be needed to fulfil workloads and publish job advertisements.

Schedule marketing content:

Having your marketing emails and social media posts scheduled ahead of time can help streamline operations and balance the workload during the busy period. As well as this, having content scheduled for publishing during the holidays will keep your business alive without you having to manually work during your days off.

