MONEY MATTERS

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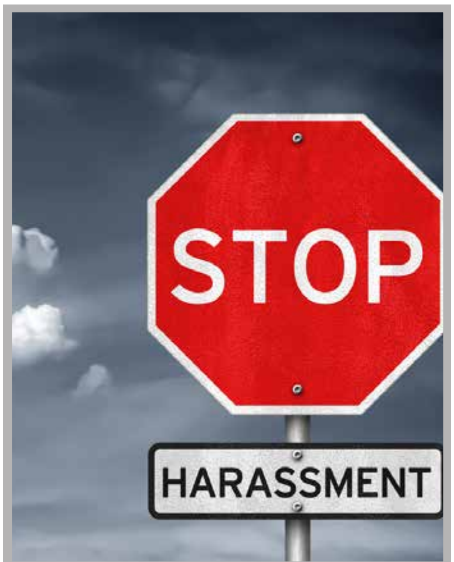

INSIDE:

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LEADING CHARTERED ACCOUNTANTS AND BUSINESS ADVISERS

Harassment in light of #MeToo

Sexual harassment in the workplace is not a new topic for employers. But in light of the #MeToo movement, it is one worth revisiting.

According to recent data, in 2016 17 per cent of women said they had been sexually harassed in the past year, and approximately one in two women and one in four men had experienced sexual harassment during their lifetime.

Employers have a duty of care to prevent and respond to cases of sexual harassment in the workplace. Working in an environment free from sexual harassment is a human right.

To minimise the chances of sexual harassment occurring in your workplace, you must first instil a zero tolerance policy and foster a harassment-free culture. Consider the following:

Create a sexual harassment policy

Creating a sexual harassment policy is first and foremost. The policy should outline a code of conduct, provide examples of unacceptable behaviour, the consequences of breaching the policy and explain the processes in place to deal with reports of sexual harassment. The Employment Relations Act 2000 and the Human Rights Act 1993 cover sexual harassment. Understanding how sexual harassment is defined can help businesses to tailor their code of conduct appropriately.

Sexual harassment can be recognised as:

- Personally sexually offensive comments
- Sexual or smutty jokes
- Unwanted comments or teasing about a person's sexual activities or private life
- Offensive hand or body gestures
- Physical contact, i.e., pinching, patting or touching
- Persistent and unwelcome social invitations (or phone calls or emails) from workmates at work or home

Treat complaints seriously

The way complaints are treated in your business says a lot about its attitude towards sexual harassment. Ignoring or dismissing complaints creates a culture of tolerance. An internal complaint procedure should be set in place, identifying the steps that will be taken and how information will be documented. Complaints must be kept confidential and addressed in a fair, sensitive and timely manner.

Provide training

Employees must understand what is considered sexual harassment and feel supported to report cases of sexual harassment without fear of consequences. Facilitating training either bi-annually or annually and through induction reinforces the business' commitment to taking sexual harassment seriously. Be sure to provide your staff with copies of your policy and display the policy on office notice boards, the intranet and other key staff meeting points.

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Deductibility of legal fees for rental property investors

Until recently, rental property investors could not deduct legal expenses under section DB 62 unless they were in the business of providing residential rental accommodation.

However, changes have now been made to allow property investors who are buying a residential property to access these deductions.

Under section DB 62 of the Income Tax Act 2007, an individual can deduct legal expenses if they are $10,000 or less in an income year, including legal expenses that relate to spending on capital assets such as property. The legal expenses still need to meet the general permission of being incurred in deriving income or as part of a business activity, and cannot be claimed if they relate to the expenditure of a private or domestic nature, i.e., the purchase of the family home.

The Inland Revenue Department's (IRD) position regarding selling a rental property has not changed - rental property investors who are not in the business of providing residential rental accommodation are not eligible to claim legal expenses for selling a rental property. However, those in the business of providing residential rental accommodation can continue to claim legal fees incurred in selling a rental property.

The IRD is allowing those who relied on their previous advice to request an amendment under section 113 of the Tax Administration Act 1994. These requests will be considered on a case-by-case basis.

Recent tax and legal changes

The beginning of April marks the start of the new financial year in New Zealand. And along with the new financial year, there are many tax and legal changes that have come or are close to coming into effect.

Here are four important changes affecting employers, individuals and contractors:

The bright-line test

The bright-line test for residential property has been extended from two years to five years from 29 March 2018. 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. The 2-year bright-line test will remain for properties entered into before that date. The 5-year bright-line test will operate in the same way as the 2-year bright-line test.

Payday filing

Payday filing is an online option for submitting employment information to the IRD every payday. It is voluntary from April 2018 and will become compulsory from April 2019. There are three ways to file online: direct from your payroll software, by file upload in myIR, and on-screen in myIR.

Changes to myIR

MyIR has a range of changes made from 17 April 2018. The 'My GST' section has changed to 'My Business' and now employers can:

- Register for and delete account types
- Include attachments when you send IR a message
- File, pay and amend GST, FTB, GMD, PIE returns

Paid parental leave

From 1 July 2018, the rules around paid parental leave are changing. Government-funded parental leave payments will increase from 18 weeks to 22 weeks. Also, the number of hours that an employee can do paid work while they are on parental leave will increase from 40 hours to 52 hours during the parental leave period.

Minimum wage rises by 75 cents

From 1 April 2018, new minimum wage rates were introduced.

The minimum wage rate for an adult increased by 75 cents to $16.50 per hour. Starting-out and training rates are now $13.20 an hour, up from $12.60.

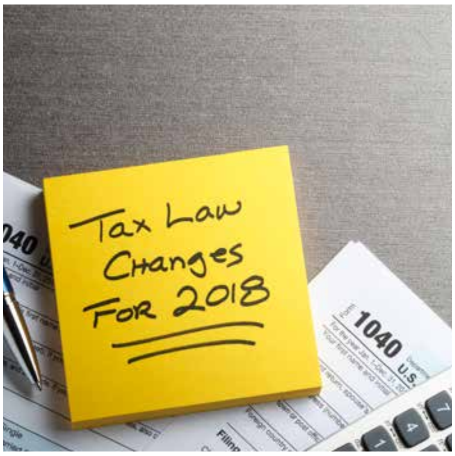
The adult minimum wage rate is for employees aged 16 years or over.

Starting-out and training rates are 80 per cent of the adult minimum wage. Starting-out workers are considered as:

- 16 and 17-year-olds who have been with their current employer for less than six months.
- 18 and 19-year-olds who have been paid a benefit for six months or more, have not worked for one employer for longer than six months since being on the benefit, and have been with their current employer for less than six months.

Other reasons you may be paid the starting-out wage include if you are:

- 16 to 19 years old and your employment agreement requires you to do at least 40 credits a year of industry training.
- 20 years or older and your employment agreement requires you to do at least 60 credits a year of industry training.



Planning for retirement

Planning for a successful retirement is not a straightforward task. Thinking about your future and long-term financial plan amid an ever-changing economic environment can be quite daunting.

But a lack of preparation can see you and your loved ones suffer come retirement. Having a retirement plan can help to overcome the issues and risks you may face in your later years.

Although, there is no 'perfect' time to retire; planning ahead will provide you with more options to set a course that is right for you.

Weighing up the risks

There are various risks involved in retiring. One of those is outliving your savings. With better health outcomes, people are living longer. On the other side of the coin, there is also the possibility of developing illness or injury, which may result in significant medical costs or entering aged care accommodation earlier than expected. Additionally, external risks such as inflation, changes to tax policy or pension payments can negatively impact your retirement plan.

Many of these risks cannot be prevented. However, you can plan to manage them should they occur. For instance, you may choose to work part-time as you transition to retirement to bolster your savings. To combat inflation, you could choose a protected retirement income option for a fixed time for account-based pensions. Reviewing your investments and diversification is also critical in ensuring your investments are aligned with your current age, risk and circumstances.

Working out your goals

Retirement means different things to different people. Some dream of taking extended vacations while others are happy to simply meet their basic living costs. Consideration of your lifestyle and plans for an inheritance may significantly influence when and how you spend your retirement. Setting goals before retirement help you to better plan your finances and prepare for unexpected costs.

Planning your finances

Planning is impossible if you do not know your net worth. If you have not done so already, you need to start by working out how much money you have now and how much you might have in the future. Start by calculating the worth of your assets, such as your house, savings, shares; the amount of super you have and plan on accumulating; and if you are eligible to apply for the Age Pension. Work out what sources of income you would rely on during retirement with consideration of your future needs.

There are three main options for using your super: leaving your money in super, investing in a retirement income stream, or withdrawing it as cash (all at once or in stages). Those with a self-managed super fund (SMSF) can choose an account-based income stream, annuity or hybrid guaranteed retirement investment. Each option has benefits and consequences, so working with your financial planner to discover the best option for you is recommended.

How to make better business decisions

Business owners are faced with making decisions every day. And although the degree of severity differs, some decisions can make or break a business.

Fine-tuning your decision-making skills will help to make more informed decisions. Consider the following tips:

Stick to facts

Weighing up the benefits/outcomes vs the risks/costs is a crucial step in making a sound decision. Relying on your own intuition or judgment alone is not enough. Stick to the facts and use logic to view the problem objectively. Consider any past situations or similar situations other companies have dealt with and how they were handled. Use reliable data such as reports, industry trends and expert recommendations as a source of information but also be aware of their limitations. Using multiple sources is ideal so you can get a broad picture of the problem and the different solutions available.

Eliminate bias and emotions

When you are personally invested in a decision it can skew your judgment - you may lose sight of your goals and become attached to a particular outcome. Beware of falling into the trap of seeking information which only supports your beliefs, also known as 'confirmation bias.' This type of bias ignores information and evidence that does not support your beliefs, therefore, providing you with an inaccurate perspective of your problem.

Instead of relying on your opinion solely, it is best to ask an expert in your field for advice. Obtaining another opinion helps you to look at your problem from a different perspective, and it can also provide you with the reassurance that you are making the right decision.

Be prepared for the worst-case scenario

People tend to overestimate the upside and underestimate the downside of an outcome resulting from a decision. If you are not prepared for the worst-case scenario, you may find it difficult to handle if it does occur. Although there will always be a risk of negative results associated with a decision, turning a blind eye to the likelihood of these events occurring is ignorant. Think about the likelihood of the worst-case scenario occurring - how serious are the risks vs the risks of not acting? Come up with a plan of how you would deal with this situation and how you could mitigate the risks.

New option for provisional tax

Small businesses, sole traders and contractors can choose a new pay-as-you-earn option rather than paying provisional tax instalments several times a year as changes to pay-as-you-earn tax have come into place this April.

The changes were made to help small businesses pay provisional tax based on their cash flow rather than the previous year's earnings or estimated earnings for the current year.

Paying provisional tax as you earn profit provides more certainty about cash flow.

If payments are made in full and on time, there is no exposure to use-of-money interest. Businesses that make a loss can receive a refund immediately rather than waiting until the end of the year.

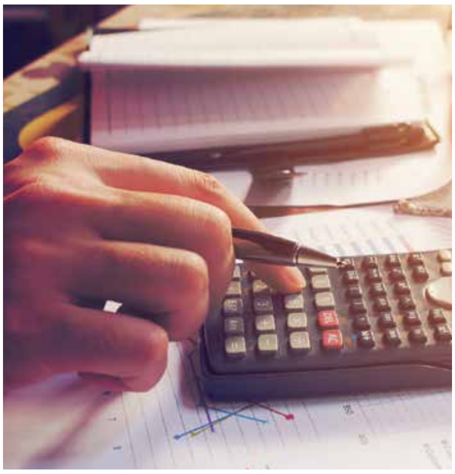
This new method is known as the Accounting Income Method (AIM). It is optional and only available for businesses with an annual turnover of less than $5 million. Other options for provisional tax remain in place.

For new businesses and those who select AIM, you will need to set it up in your accounting software before your first provisional tax payment of the 2018/19 financial year.

On your first due date, you must send Inland Revenue your statement of activity through your software and send your payment if there is one to make.

The first AIM payment dates are 28 May for monthly GST filers, and 28 June for two- and six-monthly GST filers, and those not registered for GST.

It is important to note; AIM is not available for a transitional year or if you are a partnership, portfolio investment entity, super fund, trust or a Maori authority. If you have foreign investment funds (FIF) or controlled foreign companies (CFC) attributed income you are also excluded.



KiwiSaver mistakes

If you have joined KiwiSaver, you are already heading in the right direction towards building a steady nest egg. However, joining KiwiSaver with little consideration of your type of fund or investment goals can be detrimental to your final retirement balance.

Here are four KiwiSaver mistakes to avoid:

Choosing the wrong fund

Sticking with your default fund is one of the biggest mistakes you can make with KiwiSaver. Many Kiwis do not realise they can change funds to better suit their age, level of risk, investment goals and experience. It is a good idea to check the fees and performance of your current fund over the past five years and weigh them up against your investment risk and time frame. You may also want to consider where your money is being invested and the level of service the fund provides you.

Closing your account

Once you hit 65 years of age and have used KiwiSaver for five years, you can withdraw KiwiSaver funds. However it is important to note that just because this is viable, it does not mean it is suitable for you and your circumstances. Retirees can opt to keep money in their KiwiSaver fund while receiving small regular withdrawal payments to help them budget their money.

Not contributing enough

Taking too many contribution holidays (where you stop making contributions to your KiwiSaver) may be convenient for you at the time, but it can make a substantial difference to your savings in the long run. Try to avoid taking contribution holidays and instead keep your contributions consistent and realistic for your budget and financial goals.

Withdrawing funds

Applying for significant financial hardship to pay off your credit cards is a big no-no. Many think KiwiSaver is easily accessible. Yes, you can apply for significant financial hardship but the Inland Revenue Department makes it clear to do so you must be unable to meet minimum living expenses or mortgage repayments; modifying your home for a dependent family member with a disability; suffering from a serious illness; incurring funeral costs; or paying for medical treatment for a dependent family member.

Important tax dates

28 May

GST returns and payments due.

31 May

Quarterly FBT return and payment due.
Annual FBT return and payment due.

5 June

EDF/IR345 and payment due for deductions made between the 16th and the end of the previous month.

EMS/IR348 for the whole month is due for employers who deduct $500,000 PAYE and ESCT or more per year.