

### Christmas Closing Period

Our offices will be closed from Friday 20 December, until Monday 13 January 2014...

To all of our clients, business associates and supporters, we wish you a wonderful Christmas and an exciting and successful 2014.

From all of us at Nisbett Fleming, Tony, Sue, Andrea, Annette, Brenda, Catherine, Justine, Gabriela, Raelene, Sue H and Jaunita.

### Mixed Use Assets - (Holiday Homes and Boats)

If you own a holiday home and rent this out commercially, there are new rules around how tax deductions are calculated. In order to accurately work out what these will be, there are some crucial points that we will require from you. You will still need to keep your normal records for income and expenses, but as well as that you will need to start recording the following information:

#### How is the asset used for each day of the year?

- Is it rented out?
- Are you using it for personal or private use?

#### Who used the asset?

- How many days was it in use?
- Who used it and what is their relationship to you?
- How much rent/hire cost did you charge to each person?

#### Were any repairs carried out?

- What was the reason for the repairs?
- Did you carry these out yourself?
- Did you stay at the bach while you undertook these repairs?

#### You will also need to make a note of the following

- The cost of advertising the rental
- The cost of repairs and damages to the asset caused by tenants
- The cost of insuring the bach, any mortgage interest and rates

By keeping a note of the above information, we can assess what is and what isn't deductible for you when we start preparing your annual tax return. If you have any more questions about mixed use assets, feel free to give us a call. We have some handy tools which might help you keep track of usage.

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### Police Stop at 2.15a.m.

88 year old Ron Chestna was stopped by the police around 2a.m. and was asked where he was going at that time of night.

Ron replied, 'I'm on my way to a lecture about alcohol abuse and the effects it has on the human body, as well as smoking and staying out late.'

The officer asked, 'Really? Who's giving that lecture at this time of night?'

Ron replied, 'That would be my wife.'



## Calculating Pays over the Holiday period

### Calculating annual holiday pay - if your employees are eligible for a stat then you need to read below:

Whichever of the following is the larger becomes the rate of the weekly holiday pay:

‘Average weekly earnings’: Calculate ‘total gross earnings’ for the 12 months before the end of the last pay period before the annual holiday, then divide this figure by 52.

‘Ordinary weekly pay’: Multiply the ordinary hourly rate of the employee’s pay as at the start of the holiday by the number of hours worked in a ‘normal’ week.

### Calculating pay for statutory (public) holidays

‘Relevant daily pay’: Find the amount of pay that the employee would have received if he or she had worked on the day concerned.

‘Average daily pay’ is used when using relevant daily pay is not possible or practicable or there is variation in the daily pay during the pay period when the holiday occurs. Calculate gross earnings for the 52 weeks before the end of the immediately preceding pay period and divide by the number of whole or part days during which the employee earned those earnings including days of paid holiday or leave.

In the case of employees who have commenced employment during the year, their average weekly earnings are calculated by taking the amount of their gross earnings from starting work until the last pay period before the holiday and dividing that amount by the number of weeks worked. For examples of the holiday pay please visit the Department of Labour’s website: [www.dol.govt.nz](http://www.dol.govt.nz)



Any calculations cannot give a rate less than the minimum pay rate of **\$13.75 per hour** for employees over 16 years of age.

Pay calculations can be complex especially when employees receive allowances (e.g. travel) and have deductions made (e.g. Kiwisaver, student loan) so contact us if you need assistance in getting these important calculations right.

## Cashing up annual leave - Some things you may not know

What are the rules when it comes to annual leave?

Employees can make a request to employers to cash in annual holidays, opting instead to take a lump sum payment rather than any time away from work, but there are a few rules that need to be taken into consideration.

The request must come from the employee and not the employer. Although the employee is entitled to leave, the employer can decline the request at its own discretion and does not need to give a reason for its decision. However, the fact that employers owe duty of good faith to their employees suggests that an employer's response to a request should be reasonable.

In addition, there is a limit to the amount of leave that can be converted to payment. By law, the employee can only exchange a maximum of one week annual leave for cash payment per annum.

An employer is entitled to have a policy that it will not consider requests from the employees in its business or in a particular section of its business

## Trusts in the Courts

The courts are tightening up on Trustee responsibilities and this is what they have determined recently:

1. Trustees were replaced for not acting in the best interests of a trust.
2. A lawyer trustee was held liable for half of a trusts GST but as he paid it all he had to try and recover the other half from his fellow trustee who has absconded.
3. An executor of an estate who was the son of the deceased was removed on the basis he had a conflict of interest.
4. A trust was found to be buying and selling 'family homes' for profit and had to pay tax on the gains.
5. Trust assets were held to be able to be taken into account when assessing eligibility for social welfare benefits.
6. Gifts of more than \$27 000 per couple were held to be a deprivation of assets and so the gifts added back for rest home care subsidy purposes.
7. Settlement of company shares on a trust was ineffective to avoid Child Support.

## Clients on Bank Link-Invoice Plus



We have had a few issues where clients who are running invoice plus are not aware that they have to regularly backup the program. This is important because if your computer has a melt-down, we would not be able to recover your data.

To backup, go to:

—> More options

—> Backup this company

If you have any questions, please contact us.

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## Soaking Teeth

While working for an organization that delivers lunches to elder shut-ins, I used to take my 4 year old daughter on my afternoon rounds. She was unfailingly intrigued by the various appliances of old age, particularly the canes, walkers and wheelchairs.

One day I found her staring at a set of false teeth soaking in a glass. As I braced myself for the inevitable barrage of questions, she merely turned and whispered, 'The Tooth Fairy will never believe this!'



## Let us Entertain You

Let's look at the tax treatment of saying thanks to customers and staff typically with gifts, wining and dining.

Inland Revenue's IR268 guide gives the following examples of where entertainment expenses are 50% deductible:

- Taking customers, suppliers and business associates out for dinner or putting on a function for them
- The traditional Christmas party for staff
- Shouting customers, suppliers and staff to an event, e.g. a rugby game or show
- Taking them on a jaunt in your launch (running/hireage costs and food and alcohol)
- Giving them the use of your bach or time share apartment as a thank you gesture (the occupancy costs)

We've been asked 'why only 50% deductible?' Apparently it's because we get some personal enjoyment or benefit from quaffing a wine and tucking in to a steak (too right!).

In lieu of a Christmas party you may give your employees restaurant vouchers to use at their discretion. This cost is fully deductible but is subject

to fringe benefit tax (FBT), although there is an exemption of \$300 per employee per quarter (a maximum exemption can apply).

The same treatment applies to staff gifts, again fully deductible but subject to FBT under the 'other benefits' category.

As a thank you gesture many firms give their customers gifts during the festive season. The costs of the gifts are fully tax deductible as marketing and promotion expenditure.

Many firms pay their staff a Christmas cash bonus. These payments are classed as 'extra emoluments' and are fully deductible but have PAYE deducted at the employee's marginal tax rate e.g. 33% if earning over \$70,000 per annum.

If in doubt about where you stand tax deductibility-wise with your generosity to customers and staff, check with us and we'll help you get it right.



### A Fate

'Oh, master...tell me of fate.'

'Ah, my son...it is what has brought great nations together. It has made the world a smaller place in which to live. It has inspired men of worth to work endless hours. It will some day enable men to span the universe and light years of travel will soon become mere seconds in time.'

'And that, my master, is fate?'

'Oh, fate! I thought you said FREIGHT.'



Please contact us if you have any questions regarding this newsletter:

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