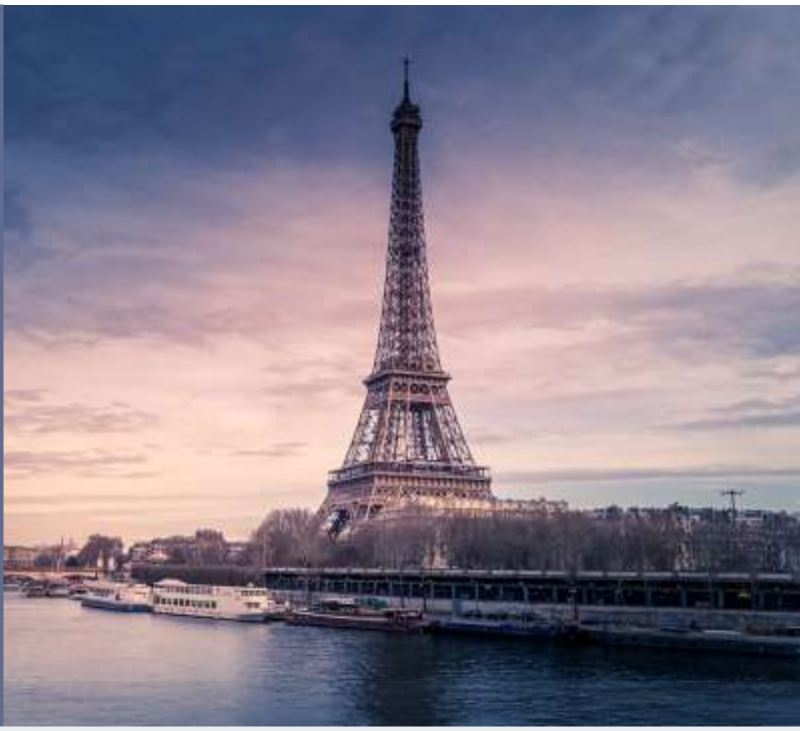
ACCELERATE

March • 2020

END OF YEAR — SPECIAL TAX ALERT

Come 31 March, Parisians will be celebrating Eiffel Tower Day and Christopher Walken will turn 76, but Kiwi businesses owners will have only one thing on their mind - the end of the financial year.

How's it looking for you? Know what you need to do? To help make the information-gathering process hassle-free, we've put together a four-week checklist. So, to avoid scrambling this time next month - take a breath, take note, and take action.



Your four-week checklist to keep tax time low-stress

Week 1: First things first

Talk to your accountant or bookkeeper. They'll tell you what you need to do before 31 March including what you can claim for and what you can't. Remember, tax time is busy for them too, so the more prepared you are, the smoother the process, and the better the result.

File your return on time. Don't waste your hard-earned cash on unnecessary interest and penalties. Get your accounts up to date, tidy up loose ends and file on time.

Week 2: Your assets and stock

Review your inventory. The value of your stock affects your business's taxable profit. Do a meticulous stocktake before year-end. Get rid of any out-of-date or damaged items and write them off.

Extra assets on board? Year-end is the time to ditch surplus assets. If you can sell them, great, otherwise write them off.

Week 3: Your spending

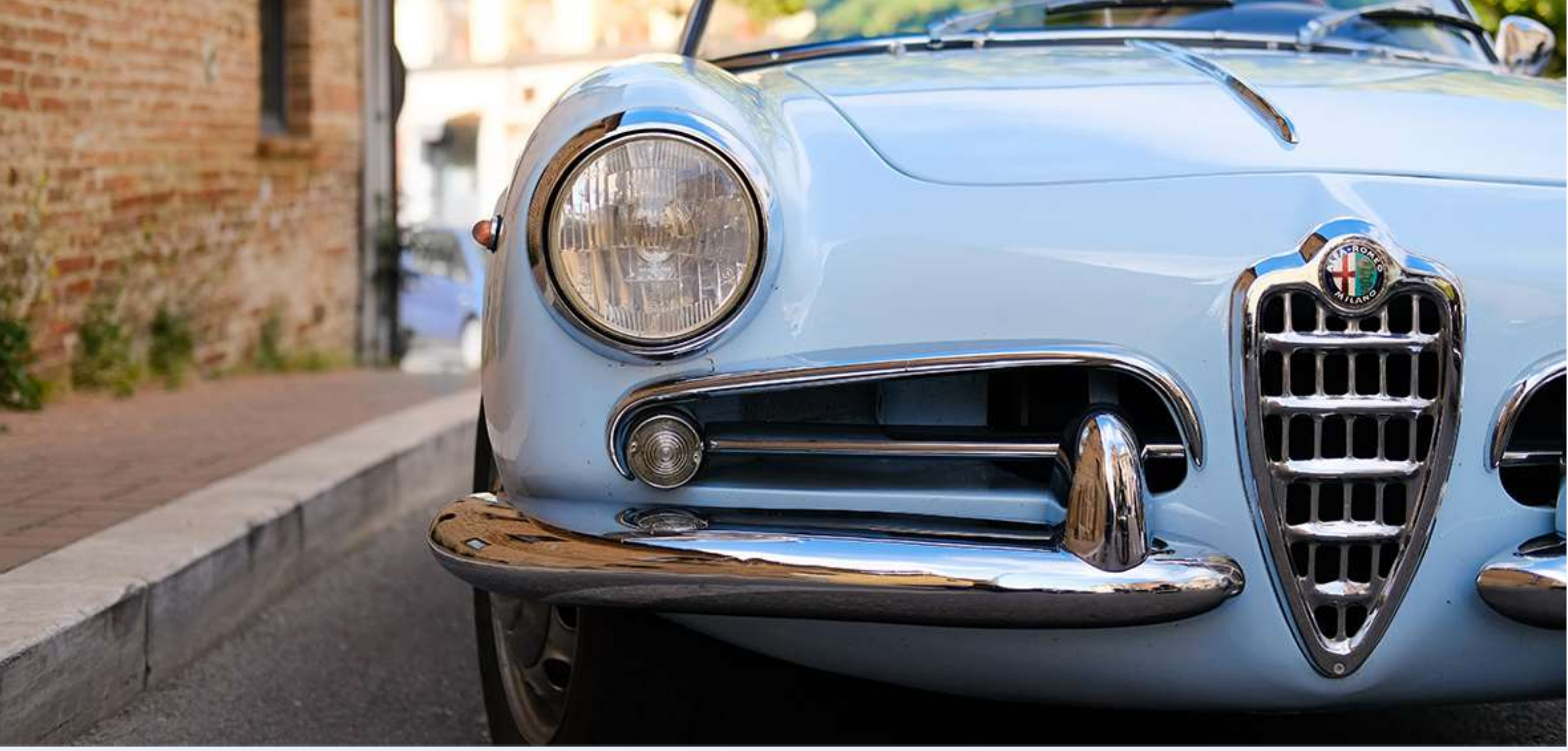
Sooner rather than later. If you're planning to buy any new equipment or assets, do it on or before 31 March (rather than 1 April) to reduce your taxable income and gain a full month's depreciation.

Got invoices and receipts for your expenses? It can be tricky to keep track of everything so if you're not already, go digital. Scanning receipts and saving electronic invoices in the cloud saves time and space.

Week 4: Your staff

Payroll up to date? Now's the time to check your payroll system only includes current staff and that all their details are correct. Ensure former staff don't have access to company systems.

Remember tax on bonuses: Special bonuses this time of year can be a great way to reward and motivate staff, just remember to get the tax right on any lump sums made. Also keep in mind any bonuses for the current year, and holiday pay or long service leave paid out within 63 days after 31 March can be deducted against your current year income.



New kilometre rate for claiming motor vehicle expenses

Are you using your car for business purposes? It's timely to outline the process for claiming tax on your work vehicle expenses.

- If you're using a vehicle for business purposes, you can claim tax back on expenses.
- If you use the vehicle only for business, you can claim the full running costs. If you use the vehicle for any personal travel, you'll need to separate the running costs of your vehicle between business and private use.
- There are two ways to calculate the business usage:
    - Actual costs mean keeping accurate records, including details of private and work-related expenses. You also need to show the reasons for business travel and the distances involved.
    - Use a logbook to record all business trips and then calculate an actual business use percentage for each period. Or keep a logbook for at least 90 consecutive days to work out the business use of your vehicle, which you can then use for the next three years (as long as the nature of the business varies by less than 20% over that time).
- Once you have the business proportion, you can use the IRD's kilometre rates to work out how much you can claim:
    - Tier One is calculated as a combination of the vehicles' fixed and running costs. It applies for the business portion of the first 14,000km travelled by vehicle in a year.
    - Tier Two accounts for running costs only and applies for the business portion of any travel in excess of 14,000kms.
- To make claiming your business usage easier, make sure you record odometer readings at the end of every year to help determine your business mileage vs personal mileage.

<table>
<tr><th colspan="3">Kilometre Rates (from 2019 onwards)</th></tr>
<tr><th>Vehicle type</th><th>Tier One rate: First 14,000 kms</th><th>Tier Two rate: After 14,000 kms</th></tr>
<tr><td>Petrol or Diesel</td><td rowspan="3">79 cents/km</td><td>30 cents/km</td></tr>
<tr><td>Petrol Hybrid</td><td>19 cents/km</td></tr>
<tr><td>Electric</td><td>9 cents/km</td></tr>
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If you are a company and provide vehicles to staff (including yourself!), you will need to make sure you've got your fringe benefit tax position right. Talk to us as there are exemptions that may apply for specific types of vehicles or where restrictions are placed on the use of company owned vehicles.

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