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March 2019

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End of financial year checklist



Financial Year End 31 March 2019

The financial year end is a good time to consider various tax issues and opportunities. We have identified key items below for you to evaluate during the completion of your accounting year end close off.

Bad Debts

In order to claim a tax deduction, bad debts must be written out of your ledger before the year end after all reasonable steps have been taken to recover the debt.

Stock

A stock take should be undertaken at 31 March 2019, any obsolete stock should be written down to its net realisable value.

Fixed Assets

Fixed assets should be reviewed. Where a fixed asset is no longer in use, it should be scrapped or sold. Once this action has been taken, the asset can be written off, and a tax deduction claimed.

Low Value Assets

Low value assets, with a value of \$500 (GST exclusive) or less, can be written off immediately. This is providing that the asset is not an upgrade or part purchase of a wider asset.

Creditors (money owed by you)

Include all amounts that you owe to suppliers as at 31 March 2019.

Debtors (money owed to you)

Include all amounts owing to you by customers as at 31 March 2019.

Repairs and Maintenance

Significant maintenance or repairs undertaken before 31 March may be eligible for a deduction as repairs and maintenance.

Companies – Shareholding Continuity

The ability to carry forward tax losses is subject to shareholding continuity of 49%. The ability to offset losses against net income of other group companies requires common shareholding of 66%. The ability to carry forward imputation credits is subject to shareholding continuity of 66%.

Please advise us if any shareholding changes have been made where we have not been involved.

Foreign Superannuation Schemes

Generally lump sum distributions from Foreign Superannuation Schemes are included as taxable income using either the schedule or the formula methods.

Typically the longer the taxpayer has been in New Zealand, the higher the amount of lump sum distribution will be taxable income.

Payments of regular amounts from non-state foreign superannuation are usually subject to tax.

Tax Payments - Due Dates

Terminal Tax

Terminal Tax payments for the year ending 31 March 2018 are due on 7 April 2019.

Provisional Tax

The final instalment of 2019 provisional tax for 31 March balance date taxpayers is due for payment on 7 May 2019. Unlike the first and second instalments, if the standard uplift method has been used, use of money interest (UOMI) is charged on deemed underpayments of provisional tax with reference to actual residual income tax (RIT) only where actual RIT is greater than \$60,000.

If actual RIT is less than \$60,000 and the standard uplift method has been used, then no UOMI applies until the terminal tax due date (7 April 2020 in most cases).

UOMI will apply from the first instalment if you or any related entity has either used the estimate method for provisional tax or not paid provisional tax on time using the standard uplift method. UOMI can also apply from the first instalment in the first year of business. If this situation applies, you may wish to consider making use of a tax-pooling intermediary.

GST

GST payable for the GST period ending 31 March 2019 is due for payment on 7th May 2019.

Pay Day Filing



From 1 April 2019, all employers with PAYE end ESCT of \$50,000 or more per annum will need to file employer information returns electronically within two days of payday. Payments will continue to be made once or twice a month depending on the size of the employer.

Residential Property “Bright-Line Test”

Where residential property is held for five years or less (two years or less if the property was acquired before 29 March 2018), it may be subject to the “bright-line test” with any profits on sale subject to income tax. There is an exemption for the family home in most circumstances.

If you are considering selling residential property held for five years or less, or considering transferring ownership as part of a restructure, we recommend seeking advice first as the rules are complex and the consequences can be significant.

Residential Rental Property Loss Ring Fencing

Under legislation currently before Parliament, from the 2019/20 year, losses on residential rental property held on capital account (that is, for long term income derivation) will only be able to be offset against income derived from residential rental properties, either from rental income or the application of the “bright-line test”. You may wish to pay close attention to expense derivation and see if deductions can be accelerated prior to the introduction of the ring-fencing rules.

XERO Accounting Software for Small to Medium Businesses

We have a number of clients using Xero Software and Xero is online accounting software for small businesses. At Lee Coutts and Syers, we have a team of Xero certified staff that can assist you with implementation of Xero.

We can also assist with any training and problem solving, by logging in to your Xero for online assistance.

Please contact us for any assistance for your business to help manage customer invoicing, bank reconciliations, creditors, GST returns, monthly reporting & more. Please contact us if you would like to know more about Xero for your business.

