



2017

YEAR END TAX PLANNING CHECKLIST

REQUIREMENTS		CHECKED
DATA RECORDS & MAINTENANCE	<p>Accounting software is date sensitive. This means that you need to take care around the end of the financial year that transactions are correctly dated. Contact us, or your service provider if you need help.</p> <p>Invoices for Sales & Expenses are required to be kept and stored for seven years. Make sure you archive your records in a safe and secure place. Have a data back up system in place even if your system is in the cloud!</p>	
INCOME ADJUSTMENTS		
CREDIT NOTES	<p>Review any credit notes issued to customers following balance date that can be applied to the previous year, i.e. 31 March 2017. In doing so, you will be entitled to effectively reduce your current year's taxable income.</p>	
INCOME RECEIVED IN ADVANCE	<p>Make sure you alert us to any income at the end of March you have received before completing the work. This will reduce your current year's taxable income.</p>	
RETENTIONS	<p>Retentions on building contracts are generally taxable in the year the contractor becomes legally entitled to receive them. Therefore if retentions are outstanding at year-end, they usually do not form part of your income for tax purposes for that year, and are therefore only taxed when they become due. This can result in a significant deferral of income.</p>	

REQUIREMENTS		CHECKED
EXPENSE ADJUSTMENTS		
EMPLOYEE EXPENSES	Any amounts owing to employees at year-end (such as holiday pay, bonuses, long service leave, redundancy payments) can be claimed for tax purposes in the current year as long as they are paid within 63 days of balance date.	
LEGAL EXPENSES	<p>The tax act gives provision for legal expenditure that can be deducted up to the amount of \$10,000.</p> <p>You need to ensure the services are rendered by a person holding a practicing certificate issued by the NZ Law Society or Australian equivalent only. If it is of capital nature the provision might be overridden. Contact us for guidance.</p>	
REPAIRS & MAINTENANCE	General adjustments for repairs and maintenance reserves are not allowed as a tax deduction. Instead it may be worthwhile to undertake any necessary repairs and maintenance on key assets prior to the end of the financial year to ensure a full deduction. Deciding whether expenditure on an asset is deductible as repairs or maintenance or should be capitalised is not always cut and dried, so please contact us if you aren't sure.	
PREPAID EXPENSES	Some expenses can be prepaid in March and claimed as a tax deduction in the year to 31 March 2017, regardless of their amount. These include stationery, postage and courier charges, vehicle registration and road user charges, rates, subscriptions for papers or journals, and even audit and accounting fees!	
BAD DEBTS	To claim a deduction for a bad debt in the year to 31 March, the debt must be bad, and must actually be written off during the year. Whether a debt is 'bad' is a matter of fact, but there must be no reasonable expectation of recovery. There must be evidence to verify that a debt has been written off.	
TRAVEL EXPENSES	<p>If you spend time travelling as part of your business you can claim business travel as an expense. A good way to prove the business portion of your travel expenses is by keeping a diary of your travels.</p> <p>In addition to invoices and tickets you should also keep details of:</p> <ul style="list-style-type: none"> • the reasons for the trip • the date of the trip • your itinerary • the cost of car hire, and air, bus and taxi fares • the cost of accommodation, meals and incidentals • the time spent on business and non-business activities. <p>Note: The cost of travelling from home to work is not a tax-deductible expense.</p>	

EXPENSE ADJUSTMENTS CONTINUED

ASSET REGISTER REVIEW

The book value of assets can be written off for tax purposes if the asset is no longer in use by the business, the business has no intention of using that asset in the future and the cost of disposing that asset is expected to be greater than the proceeds from its sale. Actually, it's simpler than that. Scan your asset schedule from last year's accounts and you'll probably notice assets that no longer exist.

HOME OFFICE EXPENSES

Where a self-employed taxpayer uses their home partly to further the conduct of a business, they are entitled to a partial deduction for the outgoings, which relate to the use of the home for the work related activities.

Many people who run a small business use an area in the family home for work purposes. You do not have to have an area specifically set aside for the business. If you are doing this, you can make a claim for the area set aside so long as you keep a full record of all expenses you wish to claim.

If there isn't a separate area for the business the apportionment will need to take into account criteria such as the amount of time spent on income-earning activities and the area used at home. No deduction is permitted for any private or domestic expenditure.

These include:

- Heating
- Lighting
- Rates
- Insurance
- Mortgage interest
- House and contents insurance
- Repairs and maintenance
- Telephone rental
- Depreciation on office assets

You can only claim the expenses that relate to the area used for business.

Work out the percentage of the work area, compared to the total floor area of the house.

Examples of areas likely to be used for business purposes include:

- An office or office area
- A storeroom or storage area
- A workshop
- A garage or part of a garage which is used to house a business vehicle

The responsibility for keeping invoices and records for a home office is the same as for any other business expense you are claiming.

MOTOR VEHICLE EXPENSES

If you have a vehicle (not a company vehicle), which is used for business and private purposes, there are several options for claiming the business portion of expenses.

Option 1 can be particularly useful if a private vehicle is only used occasionally for business use. There are also GST implications to be considered.

1. If your business running in the vehicle is less than 5,000 km per year, you can use pre-determined Inland Revenue rates (the current rate is 72 cents/km). You must keep a record of all business journeys to substantiate your claim.

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REQUIREMENTS

CHECKED

MOTOR VEHICLE EXPENSES CONTINUED

Note: Similar rules govern the rates at which an employer may make tax free reimbursement to employees (including shareholder-employees) who use their private vehicles for work purposes. These include use of mileage rates published by a reputable independent source (e.g. Automobile Association).

2. Keep a logbook for 90 consecutive days recording all journeys. Based on the business use percentage from the logbook, you can claim this proportion of all vehicle expenses. You can continue to use this percentage for three years, provided that the actual business use in any month does not vary by 20% or more from the percentages established by the logbook.
3. Actual records of all business use, distances and costs.

ENTERTAINMENT

As a general rule, if you provide entertainment for your team or clients, some of your business entertainment expenses are tax deductible.

The basic idea is that an expense is business-related if you spend the money to help your business earn income. It becomes a little bit trickier when there's an element of private enjoyment. If this is the case, then the expense is only 50% deductible.

In general, any entertainment away from work or out of usual work hours has a private element, therefore only 50% deductible.

The following lists are to help indicate which expenses are 100% deductible and which are only 50% deductible.

For unusual entertainment items, contact our team for advice.

50% DEDUCTIBLE

- Friday night drinks for team members/ clients in the office/ pub
- Hiring a launch to entertain clients
- Restaurants providing food and drinks to team members at social functions in their restaurant
- Sponsoring local sports teams and receiving tickets to their corporate box in return (50% of the value of the tickets would be deducted from the total sponsorship)
- Sponsoring a sports team by providing a meal for the team at their grounds after each game
- Staff Christmas party (on or off site)
- Taking a client out to dinner
- Accommodation in a holiday home, time share apartment or a similar leisure event venue. This includes drinks and food

100% DEDUCTIBLE

- Dinner for Sales Rep while out of town and no client present
- Donating food to a Christmas party in a children's hospital
- Employee's salary package including a taxable allowance for entertaining clients
- Golf club subscription for business owner paid by the company (FBT may apply)
- Gym membership for team member paid by employer (FBT may apply)
- Providing a meal for a journalist while reviewing your business for their column
- Providing morning and afternoon tea for your team/sandwiches provided at a lunchtime meeting of supervisors
- Sponsoring a local sports team
- Taking a client out to dinner while you are out of town on business (outside NZ)