

If you would like to discuss any of these matters and how they affect you please don't hesitate to contact us.

**PLEASE NOTE OUR WANAKA OFFICE WILL BE SHIFTING TO 38 ARDMORE STREET IN MAY 2014**

## Employers

**Student Loan Scheme** From 1 April 2014 there are changes to the obligations to overseas based borrowers and Information matching with Department of Internal Affairs.

For New Zealand based borrowers note that along with your earnings from "normal" sources such as wages, interest and dividends, in relation to your student loan repayment requirements IRD also want to know the following information:



Salary exchanged for private use of an employer-provided motor vehicle; Employer provided short-term charge facilities; Non-locked in PIE income; Certain pensions and annuities; Distributions from retirement savings & Superannuation schemes; Tax-exempt overseas pensions; Tax-exempt salary or wages; Distributions from a trust that is not beneficiary income & Non-resident borrowers foreign-sourced income.

**2015 PAYE Tax Tables** The PAYE tax tables for the 2015 tax year including the updated Kiwisaver and Student Loan deduction rates are now available at <http://www.ird.govt.nz/forms-guides/keyword/employers/payee> ; Note that Earners Levy rate for ACC has dropped from 1.7% to 1.45%, which effects employees take home pays.

**Minimum Wage** From 1 April 2014, the adult minimum wage will increase to **\$14.25** an hour. The new entrants' minimum wage and the training minimum wage will increase to **\$11.40** an hour.

## Mixed Use Assets

There have been changes to the way tax liabilities are calculated on "mixed-use assets" those assets that are used for both business and private purposes. These rules have significance for many apartment owners in New Zealand.

If your apartment (holiday home, boat and aircraft etc) is used for both rental to unrelated parties to generate income and for your and your associates' (family and friends) personal use then it is deemed to be a "mixed-use asset" under New Zealand's tax rules. This means that special rules apply to the way you claim expenses and return income in your income tax return and GST returns.



## Tax Residency & Overseas Pensions

The IRD recently issued guidelines on how they will approach determining whether you are a New Zealand tax resident. The new guidelines are intended to catch a lot more people as New Zealand tax residents than had previously been the case. If you have access to a property in New Zealand that you could live in permanently (even if it is currently rented) then you may be caught under the new rules.

Also new rules apply to taxing the transfer of lump sum amounts from overseas pensions schemes where the amount of tax to be paid depends on how long you have been in New Zealand. If you have made a lump sum transfer from an overseas pension scheme in the past and not paid tax on it, or if you plan to make a lump sum transfer in the future please contact us as there may be significant tax consequences of doing so.

If you have any questions regarding Mixed Use Assets, Tax Residency or Overseas pensions, please contact David ([davidstark@meadstark.co.nz](mailto:davidstark@meadstark.co.nz))

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|-------------------------------------|-------------------|------------|-----------------------------------|-------------------|------------|
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[www.meadstark.co.nz](http://www.meadstark.co.nz)

## If You're Unable to Pay Your Tax

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If you find yourself in the position of being unable to meet your tax payments on due date it is important that you contact either us (or the Inland Revenue) prior to due date to inform IRD of the situation. By taking this step you can avoid many of the late penalties imposed (interest will still be charged). IRD will work to set up a payment plan. Please note the Inland Revenue's use of money interest rate is currently 8.4%.

## Entertainment

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Entertainment expenses are like a red rag to a bull as far as the IRD are concerned, and with good reason: along with travel and motor vehicles it is a well-known area for concealing personal expenses as business expenses. It is strongly recommended that you get this area right. Sooner or later it will attract IRD attention- and the penalties are now very steep.

Legitimate entertainment expenses (those that are business-related) can be either 50% or 100% tax deductible. Private entertainment expenses are not deductible.

### 50% of expense deductible:

There are four categories of expenses that are 50% deductible, generally:

- Food or beverages consumed away from the business premises when an existing or potential client is present;
- Food and beverages consumed on your business premises at a party or social function or in an exclusive area of the premises not open to all employees (for example, a boardroom);
- Parties and other social functions (whether at the office or elsewhere), for example, Friday night drinks, staff Christmas parties, reception for existing or potential customers; Corporate boxes, marquees and tents or similar exclusive areas or activities at a sporting, cultural or recreational activity, and tickets to these places; Holiday home, yacht and other leisure accommodation;
- Food and beverages consumed in association with corporate boxes, holiday home accommodation, yachts, or similar exclusive areas or activities; Taking a client (existing or potential) out to lunch or dinner; Meals with clients while you are out of town on business.



### 100% of expense deductible

All entertainment consumed outside New Zealand; Dinner for a salesperson while out of town on business (but with no client present); Food and drink at conferences, seminars, educational courses and trade displays that are more than four hours long; Morning and afternoon teas and light meals provided during working hours; Non-taxable meal allowances paid to employees working overtime; Samples of food and beverages for advertising or promotional purposes or at trade displays open to the public or trade; Entertainment expenses that are liable for FBT; Overseas business travel including meals with clients.

## Payment by Visa

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Please note from 1 May, we will be able to accept visa payments of our invoices via our webpage.

*If you have any tax or business related questions contact your local Mead Stark office.*

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