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Year End and Pesky Taxes

The end of the 2021 financial year is now here for those of you with 31st March balance dates.

The third provisional tax payment date for March balance dates is the 7th May. If you believe your 2021 taxable income is down considerably on the 2020 year and we have not already estimated your 2021 provisional tax, please contact us as soon as possible.

We can look to estimate your 7th May tax payment in line with your 2021 profit.

Spoiler Alert

There have been major announcements this month by the Government on residential property tax. These are outlined in this newsletter.

New Trustee Act

The new Trustee Act came into effect on the 30th January 2021. We have been discussing this with clients over the past few months and will continue to look at individual Trusts this year.

Not only is it a good time to reflect on the purpose and future of your Trust but a time to consider Trustees and whether they are still appropriate to act for your Trust.

Mental capacity as we age is an important factor to take into consideration here.

Leanne, Becks & the Team



Tax changes for 2021

There are several tax changes for the 2021 tax year. They include:

- If you have bought an asset for your business between 17 March 2020 and 16 March 2021 the threshold for treating it as an expense has been increased from \$500 to \$5000. From 17 March 2021 the threshold has been increased permanently to \$1000.
- Depreciation on commercial (not residential) buildings has been restored. If you have bought a building since the Government cancelled the right to claim depreciation, we will need to split the cost of the property between land and buildings. We will need evidence of their value. The rates demand could be useful.
- Please be sure to identify any wages subsidy you received due to Covid-19. The money received was not subject to GST. We will need to know how much was received by the owners of a business because that money has yet to be taxed.
- On 14 December IRD announced a small increase in the kilometre rate for the 2020 financial year. Tier 1, for example – 0-14,000km – has increased to 82c per kilometre.
- The top personal tax rate increases to 39% for income over \$180,000 from 1 April 2021. There are no changes to the company or trust tax rate as yet.
- The minimum wage increases to \$20 per hour. If you have any questions about staff wages, please contact us.

Plan for uncertain future



So you've survived the 2020 lockdown, but business might still not be where it was, or where you would like it to be.

Most businesses surviving after our lockdown have changed how they operate. They've got smarter because they had to.

Here's something worth asking yourself: What if it happens again? We know we're only one big community transmission away from another lockdown, so what plans do you have, if any?

The fact is most businesses have just been happy to have got through it, but they haven't thought about what worked for them, how they could build on that success, and how they might survive another bout of Covid-19 disruption.

Working from home has been great for a lot of businesses. Many never thought they could do it, and believed it would involve months of planning. With only days to work it out, they found it actually did work. Others, especially retailers, found they had to either start or beef up their online presence.

Taking these two examples, could working from home be expanded to include all staff, permanently? Could the online marketing be improved, for example by having a simple payment system, or a more streamlined packaging and delivery system?

Planning not only helps you and your business operate more effectively but can also make the business more attractive for investors or buyers. What did you do, and how could you improve it – now, in case Covid strikes again?

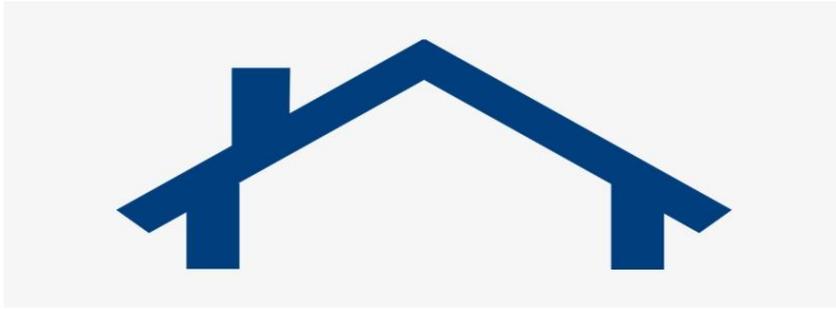
Crypto gains taxable



Inland Revenue is trying to ensure it gets tax on any gains made from purchases of crypto assets. If you have brought Bitcoin and you sell it at a profit, Inland Revenue requires you to include the gain as taxable income. The department has the same attitude to **gold and silver**. If you buy these assets, its likely there's any other reason for the acquisition except to make a profit on the ultimate sale. Of course, its also likely if you made a loss it would be claimable.



Residential Property Tax Changes – as announced by the Government on the 23rd March 2021.



Brightline test

This has been extended from 5 years to 10 years. If you purchase a property after the 27th March 2021 and it is not your main home, then the sale of that property within 10 years of purchase will result in the profit on the increase in value of that property being taxable income.

If the property purchased after 27th March 2021 is a new build (yet to be defined) then the Brightline test remains at 5 years.

Any property that is not your main home and was purchased after the 29th March 2018 is subject to a 5 year Brightline Test.

Any property purchased before the 29th March 2018 was subject to a 2 year Brightline Test.

Interest Deductions – no longer allowed

Currently owners of residential investment property have always been able to claim interest costs of their property debt against rental income from that property.

The Government announcements this month have now disallowed these interest claims. There are a number of steps to this:-

- Residential investment property purchased after the 27th March 2021 – interest will be claimable up until the 1st October 2021. Then no interest costs will be claimable.
- Residential investment property purchased before 27th March 2021 – will be claimable but the amount claimable will reduce over the next 4 years until it is completely phased out. So from the 2026 and later income years, no interest costs will be allowed as a deduction against rental income.
- Property developers will not be affected by these changes.
- Legislation is still being enacted through Parliament. The devil is often in the detail so we await to see what comes out of Parliament.

Business Bites

Checklist for annual accounts

If you have a 31 March Balance Date your 2021 questionnaire will be with you shortly. Here are some tips to make sure we get everything we need:

- Answer all questions in our questionnaire.
- Make sure you have everything we have asked for in the questionnaire.
- Sign the completed questionnaire.
- Arrange for a stocktake if needed.
- Count cash in the tills and petty cash at the end of the last working day of your income year.
- Work out your debtor's balance as at the end of the financial year. Note any bad debts – can they be written off?
- Work out money you owe your creditors at balance date.



**Please remember -
if we have queries
about your information
we need these answered
to complete your work.
Prompt replies save us time
and means your work will
be completed quickly
and efficiently.**



Congratulations Shanna & Jake!



Congratulations to Shanna on her marriage to Jake. They had a wonderful ceremony at home with friends and family. We wish you both many years of happiness.

Beck's Fellowship

Becks has been awarded a top accounting honour, which recognises outstanding achievement and contribution to the accounting profession.

She has been awarded a Chartered Accountants Australia and New Zealand Fellowship.

Farewell Melody

Sadly, this month has seen the departure of Melody. She will be sorely missed by Becks, Leanne, and the rest of the team here at SOSA.

Southey Sayer Wairarapa Korus 2020/21 Season



The Southey Sayer Koru's (Women's Wairarapa Cricket Team) 2020/21 season has come to an end. The team finished in 3rd place after 3 wins and 3 losses. A season which featured both outstanding team and individual performance also highlighted squad depth with 18 players used, 2 women debuting from the local women's franchise competition along with an Under 15's player making her debut.

Below are the match reports for the games that have happened in the New Year:

vs Taranaki- 17th January

- Win by 9 wickets. Gemma Sims scored 73 not out and Emma McLeod 56 not out.

vs Manawatu- 25th January

- Loss to a Manawatu side which featured 2 WhiteFerns. Ocean Bartlett was a standout for the Korus with 2 wickets and 30 runs.

vs Hawkes Bay- 31st January

- Loss to Hawkes Bay. Gemma Sims was the top run scorer for the Korus with 54.

vs Taranaki- 7th February

- Win vs Taranaki. Ocean Bartlett was the top run scorer for the Korus with 56 while Elizabeth Cohr was the standout of the bowlers with 4 wickets.

We at SOSA would like to congratulate the team on a successful season and are very pleased to continue to be their naming sponsor for their 5th straight season.

SOSA Easter Hours

We will be closed from 5pm on Thursday 1st April and will reopen at 8:30am on Wednesday 7th April.
Have a safe and Happy Easter!

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended *as general information only*.

