

Summer Newsletter 2017

Wishing you a safe and happy Christmas and a wonderful new year ahead!

Our office will close from 12 noon on **Friday 22nd December 2017**

& reopen in the

New Year at 8 am on **Monday 8th January 2018.**

Thank you for all your support this year. From the team at HC Partners LP.



Deductibility of Farm House Expenses

Inland Revenue have been looking into the rules around what farmers can claim for farm house expenses. They have released an interpretation statement, which comes into effect from the 2017/18 season, which will affect every farmer.

Previously the rules were based on whether you were a full-time or part-time farmer. Full-time farmers were permitted to claim a full deduction for dwelling rates and mortgage interest and also 25% of other farm house expenses.

Farmers are now split into Type 1 and Type 2 farms. Type 1 farms are where the value of the farm house (and curtilage / improvements) is less than 20% of the total farm value. Type 2 farms are where the value of the farm house is more than 20% of the total farm value. More than 20% of the expenses can be claimed if it can be proved that actual use is more than 20%.

For Type 1 farms the full deduction for interest and rates remains, however only 20% of the other farmhouse expenses are allowed to be claimed. Home telephone rental is also reduced from 100% deductible to 50% deductible.

For Type 2 farms, the same 50% deduction for home telephone rental applies and an apportionment of farmhouse expenses based on actual use must be done for all other expenses, including rates and interest, in the same way as a home office claim is calculated. For example, if the farm house is worth \$400,000 and the total farm is worth \$800,000, then 50% of the rates and interest relating to the farm land would be deductible. The remaining 50% would have to be added to the farm house expenses like electricity, insurance and repairs and then deducted based on use. For example, if 40% of the house (office, laundry, kitchen & lounge) was used for business 30% of the time, then 12% of those costs would be deductible.

The below table illustrates the new rules:

Farm Type	Interest & Rates	General Farmhouse Expenses	Fixed Line Telephone
Type 1	100% deduction relating to farm, including the farmhouse	Dissection where possible, then 20% deduction unless a higher percentage can be substantiated	50% of telephone rental used for both business & private use, unless it can be shown 50% is too low
Type 2	Dissection where possible, then apportion between farm and farmhouse on a fair and reasonable basis. Deduct amounts attributable to actual business use of the farmhouse.		50% of telephone rental used for both business & private use, unless it can be shown 50% is too low

If you have any queries at all or would like to discuss this further, please don't hesitate to contact the team at HC Partners LP.

Payroll Team

With the next Christmas Holiday season fast approaching do you need help managing your employee wages and holiday pay calculations?

Our dedicated Payroll Team of Adrian Evans & Janet Karton have a wealth of knowledge and years of practical experience having both worked in small, medium and large organisations. Specialising in the extremely important payroll function.

Payroll administration is one of the most complex and time consuming areas of operating a business. Navigating your way around the required legislative requirements can take you away from growing and enhancing your business. Let HC Partners provide you with a complete payroll service.

How much does paying your employees really cost your business? We can provide an accurate and very affordable solution. When you should be on the "shop" floor ensuring your business is being productive or having those nights at home free of administration hassles, we can complete your payroll and attend to the IRD reporting electronically.

For a better home/work life balance, HC Partners Payroll provides a service that is confidential, professional, accurate and affordable. No need to worry about keeping up to date with payroll legislation, no need to purchase and maintain payroll software, no need to worry about having a competent staff member on hand to do the work.

Give us your employees' pay details and we'll give you perfect pays on time, every time. You'll save money and manpower, and can relax knowing that we've taken care of payroll processing details as shown below:

- All leave calculations
- Child support deductions
- Kiwisaver contributions
- Payroll Giving
- Employee deductions
- Employee payments schedule or electronic bank file
- Comprehensive, easy to understand payroll reporting
- Payslip – either emailed or printed
- Payroll processing completed within 24 hours
- IRD reporting



Once your company is set up all you need to do is send us your time sheets data and any required employee changes for each pay period and we will do the rest. It is easy as that!

We will process your payroll and complete the banking transactions on your behalf or pass it on to you to approve, and then provide you with comprehensive and easy to understand reporting, together with a schedule for payment. Or a bank file you can import into your banking software. We can also arrange to email the payslips to your employees and take care of all IRD reporting electronically, if required.

HC Partners offers a complete payroll outsourcing service....let us liberate you from your payroll responsibilities. You can relax in knowing that you have put your payroll in good hands.

We guarantee that your payroll will be processed on time, every time. No exceptions!

GST MADE EASY

Do you hate it when GST return time rolls around? If so, you're in good company. For many business owners, the pain isn't so much having to hand money over to IRD, but having to prepare and file a return.

But that pain is easy to avoid. Here's how:

- If we complete your returns, of course everything will be done for you
- If you still file your returns manually – register for a myIR account.
- If you are GST registered and we don't prepare your returns for you, you may need to check your bank account details. The easiest way to do this is via your myIR account.

The section inside your myIR account called "My GST" lets you:

- Pay your GST when you file your return
- Set up email or text reminders
- Propose a GST instalment plan if you can't pay in full by the due date
- Ask for amendments to previously filed returns
- Check statements, and breakdowns of transactions
- Upload files with your GST return.

Don't have GST drag you or your business down. If you struggle with any part of it, or are unsure about anything, contact us.

NZ TRUST LAW TO BE OVERHAULED

Parliamentary plastic surgery is in store for the Trustee Act, to make trust law easier to access and understand.

On 1 August, Justice Minister Amy Adams introduced the Trusts Bill to Parliament. This will be the first significant change since the introduction of the Trustee Act 1956.

The old Act has been viewed as being narrow in scope, with trust administration being complicated and expensive.

Most trusts, like family trusts, business trusts and protective trusts, are set up with a trust deed or other document, like a will. These are known as express trusts.

In the new Bill, it expressly states that trustees will have to:

- Know the terms of the trust
- Act according to the terms of the trust
- Act honestly and in good faith
- Hold trust property
- Act for the benefit of the beneficiaries or the permitted purpose
- Exercise trustee powers for a proper purpose.

Although a trustee must not use a trust for self-benefit or act where there is a conflict of interest, many trust deeds specify situations in which a trustee can act in their own interest, such as when a trustee is also a beneficiary.

The Bill does not address relationship property issues, which will be considered as part of a broader review of relationship property law, by the Law Commission.

There should also be no need to change existing family trusts, as the new Act will largely restate existing law.

A NEW PROCESS FOR DISCLOSURE

The draft Bill includes a process for disclosure of trust information. This includes the trust deed, documents relating to the property and administration of the trust, and other information holding trustees accountable. Trustees will have some flexibility with disclosure, but the Bill favours keeping beneficiaries informed.

EXCEPTIONS FOR SPECIFIED COMMERCIAL TRUSTS

If a specified commercial trust arrangement was created before the beginning of the Act, it will be exempt from some provisions. That could reduce the need to amend existing terms, like trustees keeping particular information and providing certain information to beneficiaries.

Specified commercial trusts created after the beginning of the Act will be able to modify or exclude particular provisions, like preventing beneficiaries terminating the trust by unanimous consent where that would run across financing arrangements made to protect the rights of lenders and borrowers.

THE FMCA AND TRUSTS

Particular express trusts subject to the requirements of the Financial Markets Conduct Act are not subject to some of the Bill's requirements. The FMCA is to be amended to reflect the Bill's wording with regard to various duties relating to the functions of supervisors and managers.

If you would like to discuss what a trust would entail or what your responsibilities might be as a trustee, contact us.

WHAT DOES ALL THIS MEAN FOR YOU?

Quite possibly, little or nothing. But if you've had a trust quietly ticking away in the background for some years, it could mean a lot. Our advice is to get in touch with us to discuss your trust and any possible impact. A few minutes doing this now could save a lot of pain later.

NATIONS WORK TOGETHER TO REPORT SOME ACCOUNT ACTIVITY

Tax authorities around the world are increasingly working together to winkle out tax evaders from their overseas hiding places, and who can blame them? Our increasingly interconnected world makes it easier than ever for people to hide money overseas – and evade tax.

New Zealand is one of about 100 nations working together to get rid of hiding places, by operating to the Common Reporting Standard (CRS), which came into effect in New Zealand in July this year.

WHAT CRS REQUIRES

New Zealand financial institutions now must:

- Review their accounts and identify those held by or for people who live overseas
- Collect particular information about those people or organisations
- Report information to the IRD for exchange with other countries that have relevant agreements with NZ.

We're not suggesting that if you're a foreign tax resident who has, or controls, an account with a New Zealand financial institution, that you're a tax evader. However, information about your account may be reported to the IRD, and the financial institution may ask you to supply documentation about your account.

If New Zealand has a relevant agreement with the country you live in, IRD may pass your information on to your home authorities – and those authorities may do likewise with Kiwis living in their country.

In some circumstances, family trusts which engage providers to manage their investments may have reporting obligations under CRS. It's best to talk to us if you have any questions.

IRD BLESS AMERICA

CRS is a bit like the United States' Foreign Account Tax Compliance Act (FATCA), but it's an international initiative. FATCA requires US citizens and tax residents to report their worldwide income to the Inland Revenue Service (IRS), regardless of where they live.

It also compels foreigners with accounts in the US to pay the tax they're supposed to. All non-exempt foreign financial institutions must register with the IRS. Rigorous stuff.

Although all foreign financial institutions had to register with the IRS almost three years ago, there was uncertainty about whether, and how, FATCA applies to New Zealand family trusts without an obvious US connection. Which leads to our next question . . .

DOES A FAMILY TRUST HAVE US OBLIGATIONS?

A trust will have obligations under FATCA if it is a foreign financial institution. There are four categories of such institutions, but the most relevant one for family trusts is Investment Entities. The Inter-Governmental Agreement between the US and New Zealand defines what these are.

That said, most family trusts don't meet the Investment Entity criteria because they do not have "customers" or are not "in business".

KEEPING ACROSS YOUR CRS OBLIGATIONS

CRS has due diligence and reporting obligations, especially about:

- Tax residency and account certification
- Persons connected to a trust, if you manage trusts and trust accounts
- Acting as a corporate trustee for NZ trusts or NZ foreign trusts.

If you're thinking there are complexities and technicalities to FATCA and CRS, you're right! Happily, we can help. Get in touch if you have questions.

Disclaimer

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.