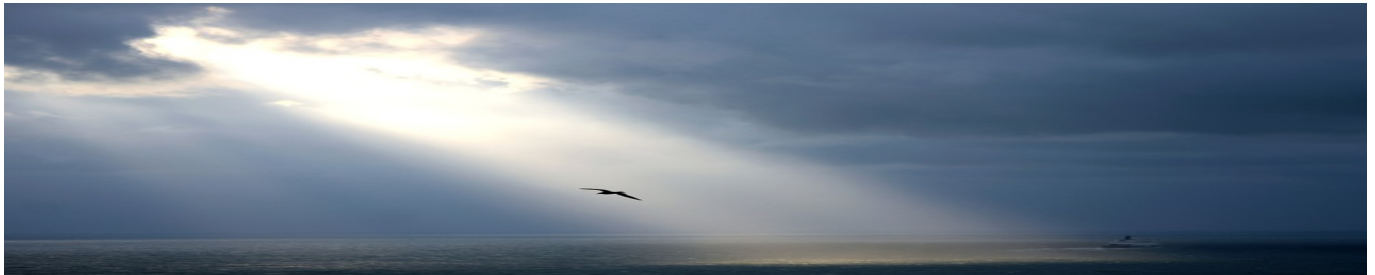


## Spring 2020 Newsletter

### Leeanne Towler

The team at HC Partners LP experienced the sad loss of our long-time friend and work mate Leeanne Towler earlier this year.

Leeanne passed away peacefully at South Canterbury Hospice in March 2020 after a short period of illness. She will sadly be missed not only by our team in the office, but also by our many clients who were greeted with her jovial banter and good nature as they entered our reception area.



### Covid-19 – QR code posters for all businesses and farms

From Wednesday 19 August, all businesses must display a NZ COVID Tracer QR code in a prominent place, or near the main entrance for each business location. Farms are businesses, so please ensure people coming onto your property (including contractors, vets etc.) scan the QR code using the Ministry of Health's NZ COVID Tracer app. You can get a QR code poster from <https://qrform.tracing.covid19.govt.nz/createposter> - you'll need your driver licence details.

For farmers, please note this is a temporary system relating to Covid-19, and shouldn't replace any existing health and safety systems you have on your farm.



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## IRD Instalment Arrangements

A taxpayer can apply for an instalment arrangement with the IRD if they cannot make a tax payment in full by the due date due to Covid-19. The required IRD return should still be filed in myIR before the due date, so the IRD are able to determine the amount of tax the instalment arrangement is being applied for before they will approve the arrangement.

Instalment arrangements can be set up for GST, FBT, income tax and withholding tax payments. If you have several tax payments due, for example GST and provisional tax to pay, these can be combined in one arrangement. If you require further assistance at a later date there is the ability to renegotiate the terms of the arrangement but you should do this at the earliest opportunity.

- Interest and penalties will continue to accrue for the duration of the instalment arrangement. When the arrangement has been completed, IRD will establish if the taxpayer meets the criteria for the remission of interest and penalties under the Covid-19 provisions.

To be eligible for remittance of interest and penalties under these provisions, the tax under the arrangement must have:

- Been due after 14<sup>th</sup> of February 2020
- Taxpayer must have been significantly financially affected by Covid-19
- Contacted IRD to request relief before the tax due date
- Pay the outstanding tax as soon as possible

If you meet the remittance criteria, the IRD will automatically cancel the interest without the taxpayer having to apply to have it remitted. In determining if the taxpayer has been affected by Covid-19, the IRD will look at all returns filed. In addition to this they may ask for three months bank statements, management accountant information and list of aged creditors or debtors.

The ability of the IRD to remit interest and penalties applies until 25<sup>th</sup> of March 2022.

## Tax Payment Notices and Invoices by Email

Over the last few months we have been moving to sending out tax payment notices and invoices by email to you.

As we are sorting out delivery issues with the emails, we will send you a separate email saying the tax notices have been sent. It is also worthwhile to regularly check your spam folder on your email and if emails are landing there, to set them as Not Spam.

## Key Tax Dates

Date	Category	Description
28 August	GST	Payment and return for July.
28 August	Provisional Tax	Instalment due for March balance date taxpayers.
20 September	PAYE	Small and large employers' payment due. File employment information within two working days after payday.
20 September	RWT	RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during August.
20 September	NRWT / Approved Issuer Levy	Payment and return for August.
28 September	GST	Payment and return for August.
28 September	Provisional Tax	Instalment due for April balance date taxpayers.

*Note: the provisional tax due dates apply to those clients who have an April balance date. Different dates will apply for those clients who have different balance dates.*

## Covid-19 – Tax Loss Carry-Back

On 30<sup>th</sup> of April 2020, the Government introduced new legislation to provide relief from the impact of Covid-19 through a new tax loss carry-back scheme.

Under the new rules, taxpayers will be able to offset actual or estimated tax losses from either the 2020 or 2021 financial years against taxable profits in the one year immediately preceding (i.e. 2019 and 2020 respectively).

The loss carry-back scheme provides an immediate cash flow benefit for the business as taxpayers will receive a refund of income tax already paid during the profit year. The refund can be claimed either through filing the tax return or by notifying the Inland Revenue via myIR.

Care should be taken when estimating the tax losses as the carry-back of those losses (and subsequent refund of income tax) may cause a taxpayer to fall out of the usual Use of Money Interest safe harbour rules.

There is some complexity to the rules, in particular around shareholder salaries and flow on considerations such as overdrawn current accounts and banking arrangements. Also the availability of Imputation Credit Account balances can also restrict the IRD's ability to refund income tax amounts. Due to these complexities, the tax loss carry-back scheme may not suit all businesses and should be considered on a case by case basis. Where it is not beneficial to carry back the tax loss, the loss would be carried forward subject to shareholder continuity or the "same or similar business" test requirements.

This is a temporary measure relating to Covid-19 but a permanent change will be considered under the normal legislative process later this year.

## Accommodation and GST – what you need to know

As a result of the Coronavirus pandemic, Airbnb (and similar) markets have experienced an abrupt and significant loss of demand for short-term visitor accommodation. As property owners try to attract guests by cutting rates and extending the duration of stays, many are considering making the change to offering their properties as long-term residential accommodation.

It's very important to push pause on this and give careful consideration to the GST situation before implementing a change to long-term residential accommodation, as this change can potentially have significant and costly impacts.

The facts from a GST perspective:

- To be registered for GST a person (or entity such as a Trust) must be carrying on a taxable activity, and a registered person/entity who ceases to carry on all taxable activities must inform IRD within 21 days of the cessation.
- Short-term visitor accommodation is subject to GST if annual revenue is over \$60,000, whereas long-term residential income is not subject to GST.
- If there is a shift from short-term visitor accommodation to long-term residential accommodation, then GST apportionment rules may be triggered. These rules are complex, but in general terms are dependent on whether you have signed tenants to a lease of 12 months or more.
- If you have done so and the GST apportionment rules are triggered, then your GST registration will need to be cancelled and you may need to pay GST on the market value of the property with your GST Return.

For consideration:

- Are you registered for GST (or deemed to be GST registered due to revenue over \$60,000)?
- Are you currently carrying out a taxable activity, and will this taxable activity resume within the next twelve months?
- Do the GST apportionment rules apply to you?

## Staff Movements

### Katy Ryan



Katy has recently joined us from ACC, where she was working as a Payments Officer in the Weekly Compensation team. Her educational background is varied, with a BA in Classics, Dip.Grad in History, and a BCom in Management.

She is very much looking forward to learning the ropes at both the Waimate and Timaru office, and being able to provide assistance and support wherever necessary.

Whenever she is not working, she can be found tending her menagerie of animals, walking local tracks with her dog, or at home knitting and watching Netflix.

### Annie Innes



Annie and her family have recently moved from Te Anau, Southland, to South Canterbury, where they now enjoy living rurally.

Having previously been in management roles, Annie is excited to learn the ropes on reception and getting to know all the clients at HC Partners.

Originally from South Africa, Annie has been in New Zealand for 16 years, and enjoys exploring places in New Zealand with her husband Sam, and their three sons. She enjoys playing sport, and is looking forward to joining a tennis club in the summer.

### Lynda Holland



“The time has come” the walrus said, “to think of other things” so that is what I have decided to do. After 10 and a half years working for HC Partners LP, and age creeping up on me, I have decided to join the retirement sector of the world. I have learnt many things, some quite easy to pick up and some not so easy, but over the past years my knowledge of accounting has certainly expanded and I have become quite accustomed to some clients and their ways of running their businesses. I have enjoyed my time working with the Waimate staff and part of the Timaru sector and will miss being the first one at the office and the last one to leave.

I have also retired from Secretary/Treasurer of St John in Waimate so there will be a big gap in my life, but I look forward to spending more time with my family, gardening, knitting, reading and general maintenance of our property during the week instead of cramming everything into a weekend, and generally having a laid back retirement (so I am told).

Many thanks for giving me the opportunity to work with great people, and I wish staff and clients all the best for the years ahead which I know will be challenging.

I know I have left the office in good hands, thanks Katy, and good luck.

Lynda Holland.

**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.

