

client newsletter



OSBORNE GROUP
ACCOUNTING, TAX & BUSINESS COUNSEL

Summer 2016

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

Our office will close at midday on 21 December 2016 and reopen on 4 January 2017. Thank you for all your support this year.



New staff at Osborne Group

In November we welcomed two new staff members to the Osborne Group family. Adam Oldfield and Phoebe Ikin are based in Masterton and Greytown respectively, and we are really enjoying having them on board!



Adam Oldfield – Accountant

Adam worked at another local accounting firm for the past 7 years. He recently completed his Bachelor of Accountancy at Massey University and looking at becoming a Chartered Accountant in the near future. Adam has experience working with various industries, specialising in rural accounting and working closely with not for profit organisations. When not working he can be found on his lifestyle block with his partner and 2 kids.

Phoebe Ikin – Accountant

Phoebe previously worked at PwC in Wellington in a tax role, and is currently completing her Chartered Accountancy qualification. Phoebe moved over to the Wairarapa from Wellington in 2013, after completing a Bachelor of Commerce and a Bachelor of Arts at Victoria University, and has since been commuting to Wellington each day. Phoebe lives in Martinborough with her fiancé, who works in the wine industry.



Risk and Reward

Buying off the plan? The bright-line test and you

We've talked before about how changes to tax law around buying and selling property might affect you. Now that the changes are in operation and the bright line test is being applied to determine tax liability, an issue highlighted only recently might leave you exposed.

As we've discussed before, people who buy or sell a property within two years of acquiring it must pay tax on the gain. The main home is exempt and there are some other exceptions such as inheritance and relationship break-ups.

However, what happens when you have bought a house and land package off the plan but titles haven't been issued yet and settlement is still 12 months off or more? Do you intend to move the asset into your family trust on settlement? If you have signed the purchase agreement in your own name but want to have the family trust settle the deal, it looks like you may be caught under the bright line test. Inland Revenue may deem your interest to have been disposed of within two years, in which case if there is a gain it will be taxable.

A spokesperson for Inland Revenue has commented that 'in the case of a purchase off the plans, the house has never been used as the main home and therefore cannot qualify for the main home exemption.' Inland Revenue have no plans at this time to review their position on this. If you think this might affect you, please contact us to discuss your tax position.

Be canny with cashflow

*In the race to have everything done before the Christmas closedown, make sure you take some time to look at your cashflow and plan for the new year. January is a month with some key tax dates, with a lot of things falling due on 16 January in particular (see *Timely Reminders*, page 4). As well as the usual PAYE return dates, GST returns for both November and December are due in January. And for many, January and February can be big months for provisional tax. Plan ahead to make sure you're covered. Contact us if you think cashflow will be tight and you'd like to talk through options for how to manage it best.*

Ho Ho Ho! Knowing what's deductible

Do your plans for the festive season include functions to celebrate with clients and the team? What about gifts? If they do, here are some tips on the tax implications.

Entertainment

When you're entertaining clients or colleagues, some entertainment expenses are tax deductible while others aren't. It can be tricky working out what's deductible as a business expense and what isn't.

The basic idea is that an expense is business-related if you spend the money to help your business earn income. Most business-related expenses are fully deductible. If the expense doesn't help your business earn gross income, it's private and you can't claim it as a tax deduction.

It becomes a little trickier when there's an element of private enjoyment. You might think that the firm's Christmas party for clients is a business related expense and should be fully deductible because it's promoting your business, products or services. However:

- if your clients or employees have a greater opportunity to enjoy the entertainment than the general public, you can only deduct 50% of the costs
- if anyone associated with the business has a greater opportunity to enjoy the entertainment than the general public, you can only deduct 50% of the costs

Generally speaking, if there's an element of private enjoyment, the expenses (in addition to the food and drink) associated with events where you entertain clients and/or staff will only be 50% deductible. For instance, this would include the hire of crockery, glasses, waiting staff and music.

There are exceptions. Entertainment supplied for charity is 100% deductible. For instance if you throw a Christmas party for the children's ward at the local hospital, this is fully deductible. Entertainment enjoyed outside New Zealand is 100% deductible. If you take the team to the Gold Coast for Christmas (lucky them) it will be fully deductible. However, if they contribute towards the cost of their airfares (or anything else), you will need to reduce your expense claim by the amount of the contribution.

Functions and events

Some entertainment expenses are fully deductible but some are not. Use these examples as a guide.

50% deductible

Christmas drinks for team members or clients in the office
Christmas drinks for team members or clients in the pub
Hire of a launch to entertain clients
Restaurants providing food and drinks to team members at a social function in their restaurant
Staff Christmas party on or off the business premises
Function hosted in a marquee at the races (or in a corporate box at the rugby). Includes the cost of tickets and any food and drink provided
A weekend away for the team at holiday accommodation in New Zealand. Includes any food and drink provided

100% deductible

Donating food to a Christmas party in a children's hospital
Providing morning and afternoon tea for your team
Providing entertainment, including food and drink at your promotional stand for the Cracker Christmas Festival
Holding the Christmas party in Fiji (woo-hoo!)

0% deductible

Taking your family (who don't work with you in your business) out for dinner to thank them for being patient while you worked long hours and paying for this using the business credit card

GST

If that's not enough to think about, you will need to make a GST adjustment for entertainment expenses which are 50% deductible. This adjustment will be required to be made at the time your income tax return is filed. Of course, we can help and advise you on this.

Gifts

The rule of thumb with gifts is that if they consist of food or drink, you can only claim 50% of the expense as a tax deduction. If you are giving out gift baskets or hampers and some of the contents are food or drink, but not all, the food or drink items are 50% deductible but the other gift items are 100% deductible. When you come to claim the tax deduction, you will need to apportion the expense between the 100% deductible items and the 50% deductible items.

Gifts to clients

If your Christmas giving includes gifts to clients, remember that some gifts will be fully deductible while others will be only 50% deductible. Use these examples as a guide.

50% deductible

Bottle of wine or six pack of beer
Meal voucher
Basket of gourmet food
Box of chocolates/biscuits
Christmas ham

100% deductible

Calendar
Book or gift voucher
Tickets to a rugby game (but not corporate box entertaining)
Movie tickets
Presents (not food or drink)



FBT on gifts and entertainment

If you are giving gifts to your team you may also be liable for fringe benefits tax. There's a \$300 exemption from paying FBT per employee per quarter so if the value of the gift is less than \$300 you may be exempt. However, if the value of total benefits for an employee goes over \$300 for the quarter year (and provided the total value of all benefits doesn't exceed \$22,500 for the year), the full value of the benefits is subject to FBT.

As for entertainment events, if you invite your team to an event that qualifies as a business-related entertainment expense which is only 50% deductible, you are not liable for FBT as well. So if you are entertaining employees at a party or you've hired a launch or holiday accommodation and the expenses for that are only 50% deductible, it isn't subject to FBT. (On the other hand, if the event is being held outside New Zealand, it will be subject to FBT.)

There are exceptions to this that make it a tricky area so if you'd like more information on a whether a specific event you're hosting is 50% deductible but may also be liable for FBT, please contact us.

Timely Reminders

Note: these dates apply to those clients for whom we prepare tax returns. Different dates will apply for those clients for whom we don't prepare returns. Please ask us if you'd like more information.

Tax Type	Who / What	When it's due
PAYE	large employers return and payment	5 December AND 20 December 16 January AND 20 January 7 February AND 20 February
	small employers return and payment	20 December 20 January 20 February
GST	return and payment for the period ended 30 November	16 January
	... for the period ended 31 December	30 January
	... for the period ended 31 January	28 February
FBT	quarterly return and payment (if you pay it quarterly)	20 January



Provisional Tax

These dates assume you have a March or a May balance date and that we prepare your tax returns. Please contact us if you have a different balance date and would like more information.

I pay provisional tax...	And my balance date is...	So my provisional tax is due next...
2 monthly (6 times a year)	March OR May	16 January AND 28 February
4 monthly (3 times a year)	March	16 January
	May	28 February
6 monthly (twice a year)	May	16 January



Helloworld Masterton and Greytown



Our fantastic travel team is made up as follows:

Leigh Feast (Owner/Manager), Laura Dawes (Owner/Manager), Ksenia Ptilidi (Senior Travel Consultant who also runs our Greytown Office Wednesday to Fridays), Amanda McGruddy (Senior Travel Consultant), Shari O'Connor (Senior Travel Consultant) and Donna Coombes (Accounts Executive)

We are a team of 6 women who pride ourselves on providing awesome travel experiences for our clients.

With a combined 70 years in the travel industry, we feel we have the knowledge and experience to cater to everyone's travel needs.

Leisure and business travel, groups, special interest, we love to organise it all.

Like a lot of businesses, travel is constantly changing and is a very competitive industry with lots of different avenues people can book through. We like to think that we provide a "travel service". As well as selling travel, we advise people on visa requirements, areas that are not safe to travel to, insurance and sightseeing options.

We can recommend using our own travel experiences as we have all travelled extensively.

Deciding to partner with The Osborne Group has been a very good experience for us as a business. New and innovative ideas as to how we can run our business better has led to several changes in the way we operate which has resulted in efficiencies in our business operation. Forward thinking businesses want to work with other forward thinking businesses and this is what we hope we are doing.

The Osborne Group family has expanded!

Congratulations to Sonya and Mel, who both welcomed baby daughters to their families in October. Both are on parental leave until 2017.



Christmas with Wairarapa Women's Refuge

Osborne Group has teamed up with Wairarapa Women's Refuge this Christmas to make sure children receive presents this year. Women's Refuge provides services and support to women and children who are effected by family violence. Unfortunately there will be children staying in safe houses over the Christmas period with their mothers, and we want to help them have some joy despite the situation.

Our Masterton and Greytown offices are collection points for Christmas presents for children being helped by Wairarapa Women's Refuge over the Christmas period. Please feel free to pop into one of our offices to drop off a present under the Christmas tree, and they will be available for these children for Christmas.



WOMEN'S REFUGE