JOLLY DUNCAN & WELLS LIMITED

CHARTERED ACCOUNTANTS | BUSINESS ADVISORS

Tax Calendar

Please refer to our website www.jdw.co.nz/resources /key dates for important tax dates or contact us on **579 7096**.

Questionnaires

Please refer to our website www.jdw.co.nz/resources/questionnaires and complete the Questionnaires and send in with your data for 31 March 2018**.**

2018 Year End Tax Planning

As the balance date (31 March) for most taxpayers is fast approaching, we thought it an opportune time to remind you all of year end procedures and issues which need to be considered prior to or as part of year end accounts.

These are as follows:

a)Bad Debts

In order to claim a deduction for bad debts, they must be written off before the end of the financial year in order to get a taxable deduction in that year. When assessing whether or not a debt can be written off, businesses will need to consider things like the age of the debt and the likelihood of the debt being collected. In the current economic climate, more emphasis should be given to debt collection.

However, if debts do not look collectable, they should be written off to provide a more accurate reflection of the business's profitability. Even though a debt has been written off as bad, this does not prevent a business from continuing to seek recovery of the debt.

b) Repairs and Maintenance

Generally, no deductions are allowed for a repairs and maintenance reserve. It may be worthwhile undertaking repairs and maintenance prior to 31 March to obtain a full deduction. Deciding whether expenditure on an asset is deductible as repairs and maintenance or should be capitalised is often a difficult decision. Please contact us if you require any assistance in this area.

c)Fixed Assets

Equipment purchases should be reviewed to ensure that any assets costing more than $500 are capitalised for tax purposes. This can often be overlooked especially where such assets are expensed for accounting purposes.

You should do a "stock take" of fixed assets at year end with a view to determining whether the fixed assets listed on the depreciation schedules actually exist.

Where assets are no longer being used, application can be made to the Inland Revenue to write off the book value in that year. Where assets have been disposed of or simply no longer exist, a loss on disposal can also be claimed.

d)Timing

Consider the impact of significant transactions. You may be able to sell an asset after balance date rather than before to defer the depreciation recovery to the next tax year. Sales or purchases can also be managed to get the best tax result although this may adversely affect your cashflow.

e)Trading Stock

Taxpayers should undertake a valuation of trading stock at year end. Trading stock is generally valued at the lower of cost or market selling value (if lower). For valuation of small amounts of trading stock, taxpayers are no longer required to value their closing stock or include any change in the value if:

- Their turnover is $1.3m or less for the year; and
- They reasonably estimate their trading stock on hand at balance date is less than $5,000.

They may simply use the same figure for closing stock as the opening stock. This method of valuation is optional. You should consider the accounting implications, if any, of not correctly recording closing stock in the financial statements.

If there are any general stock provisions, then these are not deductible for tax purposes.

However, a line by line valuation writing down stock below cost is acceptable if market selling value is lower than cost.
General write down provisions should therefore be reviewed to determine if a deduction can be taken on a line by line basis.

f)Retentions

Retentions on building contracts are generally taxable in the year the contractor becomes legally entitled to receive them. Therefore, if retentions are outstanding at year end, they usually do not form part of your income for tax purposes for that year, and are therefore only taxed when they become due. This can result in a significant deferral of income.

g)Holidays

Keep a record of wages paid for any holidays taken by staff within 63 days of balance date, i.e. on or before 2 June for a 31 March balance date. The wages cost of these holidays is deductible in the current year providing the holiday was based on an entitlement accumulated before the yearend balance date.

h)Consolidation Regime

Where the company is part of a wholly owned group of companies, consider whether it is appropriate to enter into the consolidation regime for tax purposes with effect from the start of the next tax year.
Forms for this must be filed within 63 working days of the start of the income year.

Brightline Test

The Brightline test for residential property is now be in increased from 2 to 5 years for properties purchased from March 2018 onwards. This taxes profits on residential property other than the principle residence.

TEAM NEWS

Murray is about to change his blue Subaru Outback for a red Subaru Outback. Unfortunately, the ship it is on is contaminated with the 'stink bug' and it could be a while before it finally berths.

Cici has just spent a month in China as a result of the super low Chinese air fares.

Matt has decided to try corporate accounting after almost 5 years with Jolly Duncan & Wells Limited completing his qualifications. He finishes on 31 March 2018.

The audit team of Pradeep, Annie, Kristine, Sonam & Kimberly are fully immersed in the school audits.