



Welcome to the December 2015 edition of the Finman Services Newsletter. Another year has ended and we hope it has been a positive and profitable year for all of our clients.

A reminder to you all that the new year is a great time to re-group, reflect on the year that's been, to look ahead and get together your Business Plan with your Key Objectives and Goals for 2016. If you need assistance with your Business Planning, we are here to help.

Have a safe and happy Christmas and New Years with your family and friends and all of the team at Finman Services look forward to catching up with you in the new year!

Denise & Jude

Bright-line property rule is now law

The bright-line rule Government proposed as part of Budget 2015 has just passed into law. This rule will apply to residential property bought on or after 1 October 2015.

What's changing?

The new bright-line rule requires people who sell residential property within two years of buying it to pay income tax on the sale, unless:

- it's their main home
- they inherited the property
- they receive a property as a part of a relationship settlement.

All existing property tax rules, for example the intention test, still apply. The bright-line rule only applies to residential property. Business premises and farmland are not subject to this rule.

How people will return property income

People will continue to return property income by listing it in the "other income" box on their income tax return.

In addition they will now also complete an *IR833 Property Sale Information* form. This form will be submitted along with their income tax return.

www.finman.net.nz

Don't forget to keep up to date via our website for key dates and reminders in relation to paying your tax.



Finman's Xmas Hours

Our last day in the office for 2015 will be Wednesday 23rd December 2015 and we will re-open again on Monday 11th January 2016.

Xmas and Supporting the Community

The team at Finman Services have continued our tradition this year of giving to the community on our clients behalf as our Christmas gift to them.

This year we have donated to Kapiti Community Food bank and also to Mum's helping Mum's which helps local Kapiti families who are struggling.



Purchased Second-Hand Goods for your Business?

In some situations you may have purchased second-hand goods to use in your business, but didn't pay GST on the purchase because the seller wasn't GST registered. The good news is you can still claim a GST credit as long as the goods were located in New Zealand at the time of purchase and the details of your purchase have been recorded.

You may consider buying second-hand items for your business to save money. Even if the seller isn't GST registered you can still make a claim for GST. Regardless of which accounting basis you use, you must make a payment of the goods before you can claim a GST credit for the purchase.



Example:

Alice purchased a second-hand sewing machine for her dressmaking business. She bought the sewing machine for \$160 at a garage sale. To calculate the GST amount to claim as a credit she would use the following formula:

Purchase price x 3, divided by 23 = GST credit that can be claimed.

\$160 x 3, divided by 23 = \$20.86 (Alice can claim this on her GST return).

Second-hand goods are commonly defined as goods previously used and paid for by someone else. In the context of GST, second-hand goods **don't** include:

- new goods
- Primary produce—unless previously used
- Goods supplied under a lease or rental agreement
- Livestock
- Fine metal, or goods manufactured from fine metal of any degree of purity.

Second-hand Goods Purchased from an Associated Person

When purchasing second-hand goods from associated people, the GST credit you can claim is treated differently.

Associated people are:

- companies controlled by the same persons
- companies and persons with a 25% or greater interest in the company
- partnerships and partners in the partnership
- relatives by blood, marriage or adoption, to the second degree (including people in a de-facto relationship)
- trustees of a trust and persons who have benefited or are eligible to benefit under the trust
- settlors of a trust and persons who have benefited or are eligible to benefit under the trust
- trustees and the settlor of a trust, except where the trustee is a charitable or non-profit body
- trustees of two trusts that have a common settlor
- two persons who are each associated with a third person.

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If you purchase second-hand goods from an associated person who is not GST registered, the GST claim is based on the lowest of:

- purchase price
- current market value, or
- GST component (if any) of the original cost of the goods to the supplier.

Example

Alex bought a skill saw from his brother Nathan to use in his building business. The current market value of the skill saw is \$350, but Nathan sold it to Alex for \$250. Nathan is not GST registered and doesn't give Alex an invoice.

Alex can claim GST on the purchase price (\$250) as he paid less than the current market value (\$350). Alex can claim \$32.60 ($\$250 \times 3$ divided by 23) as a GST credit on his return.

Making Tax Payments to the Inland Revenue Department

When making tax payments to the Inland Revenue Department, there are several options. Here are the rules for the various payment options:

- By post—must be received by the IRD before or on the due date.
- Internet banking — payments made on the due date must be made before the end of the banks business day.
- Cash and Eftpos—these payment methods are accepted at Westpac Bank branches and must be made before or on the due date before the end of the banks business day.
- Cheques—must be delivered to an IRD office before or on the due date, and before the office closes for the day. Post-dated cheques will be treated as late if the post-dating is after the deadline.

Payments that fall on a holiday or weekend

The IRD accept a payment to have arrived on time if it arrives or credited before the close of business the next working day after a holiday or weekend.



*“If you focus on results you will never change.
If you focus on change you will get results”.*

Jack Dixon