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END OF ANOTHER FINANCIAL YEAR

What Do You Need to Think About for Year End?

For many of us 31 March 2019 is our balance date year end. Some things must be done to finalise the tax requirements of 2018 and to make sure we are ready for 2019 before year end. This list is a summary of common matters that you need to address. Not all will apply to you. Please speak to your usual manager if you have any queries.

Extension of time arrangements

31 March 2019 is the last day for 2018 tax returns to be filed under IRD's extension of time arrangements ("EOTs"). If you do not file your 2018 return in time you risk losing your EOT arrangement and may incur a late filing penalty. The key outcome of losing an EOT arrangement is that you will need to file your 2018 and 2019 tax returns by 7 July 2019 if you want your EOT provisions to be reinstated for your 2020 tax return. Late filing penalties are graduated according to income from $50 to $500.

Tax Payments

Review your annual profit (or ask us to do this for you) and ensure sufficient provisional tax has been paid. You can make an extra payment at any time in order to reduce Inland Revenue use of money interest accumulating at 8.27%. You can always make a 'voluntary' payment at any time without penalty. And if it looks like you have paid too much tax, talk to us about filing an estimation to reduce your provisional tax payment due 7th May.

Due Date Reminders

If you have a March balance date, any terminal tax for 2018 is due on 7 April 2019, unless you have previously lost your EOT. For employers, all wages and salaries paid or credited to staff on or before 31 March 2019 must be included in the ir-File for March 2019 or for the 2019 financial year.
The 3rd and final provisional tax instalment for March 2018 is due by 7 May 2019.

LTCs (Look Through Companies)

A company that is currently a standard company can elect to become an LTC or an LTC can revoke its LTC status for the 2020 income year provided that it files an election prior to its 2019 balance date.

Dividends

If you intend paying a dividend at the end of the financial year you need to pass appropriate resolutions prior to this date for the payment of the dividend. The resolution must be detailed enough to allow the amount of dividend to be determined, either as a figure, or by reference to a formula. Resident withholding tax must be deducted (generally at 5 cents in the dollar) from the net dividend paid to the IRD by the 20th of the month after the dividend is paid.

Mixed Use Assets & GST

Individuals owning mixed use assets are required to make any GST adjustments required for the mixed use asset in the GST return that aligns with balance date. The GST return aligned to 31 March will be the first time this adjustment has been necessary, so care should be taken.

Trust Distributions

For the 2018 or 2019 income year, distributions of beneficiary income can be made during the income year or within 12 months of balance date. Appropriate trustee resolutions must be completed within this timeframe even if the amount of the distribution has not been finalised within 12 months of balance date.
We note that many trust deeds still require that distributions must be made within the income year or within six months of balance date, so take care when contemplating distributions.

GST

You need to ensure that you have made an adjustment in your GST return for the GST on non-deductible entertainment expenditure in the income tax return. The adjustment is 3/23rds of the previous year's non-deductible entertainment expenditure

Bad debts

Bad debts must be written off before balance date to be claimed. The IRD expects clear evidence of appropriate approvals and accounting entries having been made. A simple "provision" for bad debts cannot be claimed.

Holiday pay and bonuses

Employee benefits such as holiday pay and bonuses owing at 31 March can be claimed if physically paid by 2 June (i.e. within 63 days of balance date). Bonuses must be finalised before 31 March in order to be claimed. Bonuses dependent on approval or other conditions satisfied after 31 March cannot be claimed.

Stock

A stock take is required unless your stock is less than $10,000 and your turnover less than $1.3m. Stock valuations are subject to detailed rules. Generally, no write down for obsolescence is allowed unless this is reflected in sale prices.

Fixed asset review

Review your fixed asset schedule from last year and identify any assets that are broken, missing or disposed of.

Portfolio Investments

If you own investments in companies that are resident outside New Zealand, you will need to list and value them as at 31 March 2019. This will form the basis of the portfolio tax calculation which is generally levied on 5% of their value or the actual return made for the year. (There is no such tax payable by individuals who own overseas investments which altogether cost less than $50,000 in total.)

Revenue Account Property (e.g. land dealers or developers)

Losses on revenue account property can only be deducted if the losses are realised on or before balance date. People with property of this nature should consider the options available to them.

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