

# *BC'S BUSINESS BRIEFS*

## **TAX CHANGES – MIXED USE ASSETS - UH!!!!!!!!!!!!**

New rules relating to the treatment of mixed use assets are finally with us, after a lead-in period that seemed to drag on and on. This piece of legislation is extremely complex and appears to have some results that are not what were envisaged, however they are now law.

In simple terms they cover assets partially used for business and partially used for private purposes which are owned by a taxpaying entity. The intention of the legislation is to ensure that only the costs relating to the ownership and use of that asset for business use are tax deductible.

The legislation covers the following main asset types. Land from the 2014 income year and boats and aircraft from the 2015 income year. There are some exclusions around what is covered relating to an assets use of a private nature being only minor and in the case of residential property and the only income earning use is "long term" rental.

There are also some 'de minimis' rules to exclude boats and aircraft that cost the taxpayer less than \$50,000. There is no de minimis rule relating to the cost of land.

As mentioned earlier in this article, the exact rules around the calculations are complex and the message is that if you have either a boat, an aeroplane or land owned within a taxpaying structure that has a mix of business and private use, you should talk to us about how you may be affected and what may be able to be done to mitigate any cost you may have going forward.

## **ACC LEVIES**

Those clients who employ staff will have already noticed that the PAYE being deducted from employees pay packets since the first of April has dropped slightly. This is not the result of reduced tax being deducted but a direct result of the reduction in ACC levies as announced by the Accident Compensation Corporation recently. Self employed tax payers will see these same benefits through the tax calculation completed when their 2015 Income Tax returns are prepared and filed. The exact reduction of the Earners Levy is \$0.25 per \$100 of income or approx 15%.

## **DEEMED DIVIDENDS**

While it is not new, the issue of overdrawn shareholders current accounts raises it's head every year when completing financial statements for companies. These can lead to a deemed dividend or FBT liability and it is virtually without exception preferable to charge interest in the financial statements to ensure that these issues don't arise. The

result of a charge of this nature is an extra income tax liability but this is preferable to a deemed dividend.

## **ECONOMIC NEWS**

Some of the highlights of recent articles this writer has seen indicate that the following economic conditions are most likely to exist for the next 12-18 months.

- 1 Business confidence is currently extremely high;
- 2 Our currency is likely to remain if not at current high levels, close to them as some of the larger economies alight strongly from the recession that enveloped them longer than it affected us;
- 3 Labour costs are likely to rise more in the next couple of years than they have in the recent past as a result of a lessening supply of skilled labour pushing pay rates up;
- 4 Construction costs in particular look set to rise strongly as a result of the shortages arising from the Christchurch rebuild and continued population growth in Auckland;
- 5 Overall unemployment rates look likely to continue to decline although unskilled people will continue to find it difficult find well paid work;
- 6 Interest rates will continue rising following the start of the raising strategy from the Reserve Bank.

## **CHANGES WITHIN**

Following the recent announcement that John Hewitt was joining our team, the integration of John's Practice into ours is now complete. The shift went remarkably smoothly (despite a hiccup with our ISP for a few days upsetting our email) and along with the necessary physical files, we have been able to transfer all the necessary client data into our system. This process took a little time but we have been very pleased with the end result meaning the tax records in particular are complete and will enable us to provide a seamless service in terms of the tax checking, notification, etc.

John can be contacted either by telephone or email ([john@baigentconsult.co.nz](mailto:john@baigentconsult.co.nz)) and looks forward to providing the same level of service his clients have come to expect in the past.

**Ross Baigent**



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