

SPRING 2018



**LYNCH & PARTNERS**  
CHARTERED ACCOUNTANTS  
YOUR BUSINESS PARTNER

# THE Client Link

IN THIS  
NEWSLETTER



## IMPORTANT NOTICE:

### ANTI MONEY LAUNDERING AND COUNTERING OF FINANCES TERRORISM ACT – AML/CFT

#### THE MONEY LAUNDERING ACT

Important information you will need to know before 1<sup>st</sup> October.

#### NEW RULES FOR PAYE

Be aware of the new rules commencing 1 April 2019.

#### PAYMENTS FOR BABIES BORN OR DUE FROM 1 JULY 2018

Information about a weekly payment available for parents with babies due 1 July 2018.

#### HOME BUSINESS REQUIRES DISCIPLINE

How many people working from home are disciplined? This article lists some common distractions.

*Obligations under the AML/CFT Act will apply to accountants from 1<sup>st</sup> October. These same obligations commenced for lawyers from 1<sup>st</sup> July.*

The AML/CFT Act places a legal obligation on all accountants who provide “captured activities” as a service to clients. These captured activities include services such as:

- Formation of companies for clients
- Acting as trustees for client trusts
- Use of our trust account for any client funds
- Acting as Registered Office for client companies.

As Lynch and Partners does offer our clients these services, we are required to meet the obligations under the AML/CFT Act. This requirement will have implications on both us and also you as clients.

#### For Lynch and Partners it means we must:

- Appoint a Compliance Officer
- Conduct a Risk Assessment of our practice and our client base
- Establish a Compliance Programme within our office detailing how we will comply.
- Maintain that Compliance programme
- Regularly review the Compliance Programme
- Report annually to the Department of Internal Affairs (DIA)
- Have our Compliance Programme audited

#### For you as a client, the implications are:

1. As part of the Compliance Programme, we will be required to hold verified documents of identity (ie Passport / Drivers Licence and proof of address). Many clients have been with our firm for a very considerable number of years and we know you well. Now we are going to have to ask you for documentation proving your identity. Whilst that may seem offensive to some, it is now the law and we must comply. Please understand that this is a legal requirement and the onus that is put upon all accountants and bookkeepers who provide the services listed.
2. We are legally required to report suspicious transactions to the DIA. So, if you have unusual transactions occurring in your affairs within the year over \$10,000, please provide evidence of the source of these funds. This is especially the case for funds from overseas.

*(Continued over the page)*

## Food business – do you need to register?

Most businesses serving food, in one way or another, were supposed to have registered under the Food Act before 31 March 2018. To check if you need to register, go to the Ministry for Primary Industries website. Most businesses register with the local council. Your next challenge is to find out which plan or programme you need to register under and this depends on the food safety risk of what you do. Go to [Where Do I Fit?](#) to get some more information.

## Get rid of email prompts – and keep working

We've talked in the past about emails distracting you from your important business. There's always the temptation to check an email as soon as it lands.

However, it's a better habit to check emails, and respond if necessary, at regular intervals that suit your work flow – perhaps every hour or two hours. Most email programs, however, automatically prompt you when an email comes in. It's distracting, so turn off the prompts (or shut down the email program until you're ready).

To turn off prompts in Outlook (the most common email program), go to File > Options > Mail > Message Arrival. The four boxes will be ticked, so just untick them.



## AML/CFT ACT (continued)

Examples of unusual funds could be:

- Proceeds from an insurance policy – (provide documentation showing the insurance payout).
- An inheritance – (provide confirmation from the estate executor or solicitor showing the estate distribution).
- Proceeds from the sale of private assets (ie a beach property sold etc) – provide legal documents so the source of funds are verified.

Please do not be offended if we push for evidence of the source of the funds as we are required to have proof of the transaction or otherwise we must report the transaction to the DIA.

3. The cost of administering our client's affairs will go up, especially for companies and trusts. There will also be an impact for individuals and partnerships as the DIA's best practice recommendation is that we hold identity documentation for all clients. We have to annually record and monitor that this documentation is up-to-date and have evidence (ie documentation) that the AML/CFT Act does not apply to each client (ie no suspicious transactions).

This is a legal obligation we cannot avoid that will take considerable time and staff resources to implement and maintain.

## ANOTHER HOME BUSINESS CALCULATION

**There are now two ways of working out the use of home calculation.**

Inland Revenue will provide a standard rate per square metre for variable costs such as power, telephone/mobile/Internet services and house/contents insurance. The rate is \$41.10 per square metre. A share of fixed costs such as rent or rates and interest on mortgage can be added to this.

The following expenses do not seem to have been considered by Inland Revenue when calculating the square metre rate: repairs and maintenance, rubbish removal, house cleaning and gardening. The square metre rate has the advantage of saving you time because you don't have to work out the actual costs. However, there might be a price to pay for your laziness! You will also notice telephone and Internet service are included in the square metre rate. This means you cannot claim them separately.

Alternatively, you can stay with what you have always done and use the actual figures. For many, this may be the more attractive alternative. You are also entitled to choose which method you want to use, each year. (See also *Home discipline key to success* on the back page)

### Email Notifications





## TAX CALENDAR

### 28 August

1st instalment of 2019 Provisional Tax for those with March balance dates who pay three times a year

### 28 September

2nd instalment of 2019 Provisional Tax (December balance dates)

### 29 October

1st instalment of 2019 Provisional Tax for those with March balance dates, who pay GST twice a year

### 28 November

1st instalment of 2019 Provisional Tax for those with June balance dates

## PAYMENTS FOR BABIES BORN OR DUE FROM 1 JULY

From 1 July 2018 the Government started weekly payments of \$60 per child, known as Best Tax, until the child reaches the age of one.

To qualify, a baby had to be due on or after this date. Therefore, if it was born a little early, it could still qualify. Best Tax can be extended to three years for families with a household income of less than \$79,000.

Anyone eligible will be able to apply through the SmartStart website when they register their baby's birth. The paid parental leave has been extended to a maximum of 22 weeks from the same date and subject to the same condition about the baby being expected by that date. There is a corresponding increase in the number of "keeping in touch" hours from 40 to 52. These hours allow an employee, on parental leave, to stay connected with their employer and perform work from

## RENTAL LOSSES LAW CHANGE COMING SOON

The law is to be changed regarding rental losses.

For many years, investors in property have had a tax deduction, against their other income, for losses on rental property. Starting from 1 April 2019, residential property owners will no longer be able to set off their losses as previously. They will have to accumulate them until sufficient profits have been made to wipe out the accumulated losses.

The details are yet to be worked out. For example, if you have several properties, some making profits and others making losses, will you be able to offset the losses against the rental profits? Also, under the current proposal, these rules are going to be applied to residential property and not commercial property.



## BRIEFLY



### New Rules for PAYE

Say goodbye to filing your PAYE returns monthly (or twice a month for bigger organisations). From 1 April 2019 you will have to send in details of your PAYE within 10 working days of paying your staff.

If your combined deductions from salaries and wages are \$50,000 or more per year, you will also be expected to file your PAYE returns online. For smaller firms, there will be an alternative of putting in two returns per month.



### Regional Fuel Tax

A council can make a proposal to the Minister of Transport for establishing a regional fuel tax. The council would need to provide a plan for the transport programme and projects that would be funded by the revenue. The regional fuel taxes would have a maximum initial duration of 10 years, but a council could extend the tax before it expired, following a review. If you think this extra tax is unwarranted and want to oppose it, keep your eyes open for local government proposals to impose it and be prepared to make submissions. That's the nature of democracy.



### Telling the NZ Story

Tourism New Zealand, New Zealand Trade and Enterprise, and Education New Zealand have led the way in creating the group New Zealand Story. The group offers assistance to businesses of all sizes. You can get resources such as:

- Images / video footage
- Infographics and information from international markets
- 'How to' guides

<https://toolkit.nzstory.govt.nz/>



## HOME BUSINESS REQUIRES DISCIPLINE

*Running a home business has some great rewards, but it requires planning and discipline if it's going to be successful. If you're thinking about starting a home-based business, or about bringing an established business into your home, here are a few things to consider.*

### **Will you isolate yourself from your clients?**

If your clients are used to visiting you, you'll likely have to meet them somewhere else. A good local café is ideal, but talk to the owners about a table that's quiet. You might have space available at home, but ensure it's quiet, office-like and out-of-bounds of family. Make sure visitors have somewhere to park.

### **Can you separate business from home?**

There are always distractions at home. There's washing to go out, dishes to be done or a garden to tend. Stick to business during business hours. When children come home from school, can you still lock yourself away until the end of the working day? Will you feel obliged to deliver or collect children to or from school? Does the family understand you can't be interrupted at certain times of the day?

In the 21<sup>st</sup> century, there is more of an expectation of sharing household chores. If your partner is working outside the home, or a stay-at-home parent, will you feel you have to take your turn preparing the evening meal? Chores such as this will eat into your

working day in a way which would not apply if you were working away from home.

Setting the guidelines around chores, family and "work" time is one of the most difficult things to do when you start working from home, but one of the most important.

### **Do you have the space?**

If you're crammed into a spare bedroom or garage, you won't last. Set aside or create the right space for your business.

Can you walk past the office directly to bed? There's always the distraction of checking work emails or finishing a piece of work before bed. Chances are you'll be there much longer than you intended. Shut the office space door at the end of the day and leave it closed. Can you walk past the fridge without opening it?

It's a distraction that few home-based business workers consider. Many have put on weight because they can eat when they feel like it!

### **Do you have room to expand, with new staff or storage?**

Think about the future. If you want to keep the business at home, how can you expand? It might be adding an extra room, or using one vacated by a child now leaving home.