

tax&more Ltd

# taxassessment

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## TAX & A WHOLE LOT MORE

Hi Everyone

**October 2016**

Welcome to the October Edition of Tax Assessment.

There are some important and exciting changes happening at Tax & More.

On 1 October I'm teaming up with one of Wellington's most experienced tax advisers, Roger Shackelford, as a first step towards me stepping back.

Roger will be well known to most of you as a popular tax presenter for CAANZ.

A tax partner for 15 years, Roger is going to help me answer some of your tax questions and provide opinions so I can have more leisure time after 30 years in business.

In addition to providing tax advice to his own clients, Roger has a Tax Q & A Service so he is ideally placed to help me ensure my clients continue to receive the same level and quality of service.

But.....don't worry, I'm not going anywhere just yet.

You won't notice anything different with Roger on board. However, you will now have two of us to share the work load.

This is the first stage as part of a long term strategy for me ultimately transitioning my clients into the capable hands of Roger.

We are bringing back the Chalk + Talk® tax learning series as we believe personal contact CPD beats computer screens. These seminars will be 1.5 hours, topical, interactive, relevant, fun, regular and affordable. Our first Chalk + Talk® roadshow will commence in the week beginning 17 October. We look forward to meeting you soon.



### On-the-Spot Services

#### Phonetax

0508 Phonetax

0508 746 638

#### Webtax

[webtax@webtax.co.nz](mailto:webtax@webtax.co.nz)

All \$60.00 plus GST

(per issue raised)



## IR Changes its position on gift boxes

This is such a minor issue, you will agree, but it still rankles with us because we were publicly contradicted by a competitor two Christmas' ago and so, we sort a review by Inland Revenue who, never ever responded - until now!

In *Business Tax Update Issue 26 December 2011* Inland Revenue stated that 'you can generally claim 100% of the costs of gifts, such as food, wine or event tickets, as an expense'.

Then in *Business Tax Update Issue 27 February 2012*, it said that 'a food and wine gift basket is fully deductible as long as it's not provided or consumed as outlined below'.

Inland Revenue has now responded to our Review.

At least one of our competitors has been advising users of their services that that such costs, and in particular gift baskets containing

food (usually cheese, crackers, sauces wine etc.) are fully tax deductible.

Such gifts are commonly given by real estate sales people and other sales professionals.

Our view of the issue was that unfortunately, the entertainment deduction rules limited deductions to 50%.

Inland Revenue has now made it clear that if gift baskets and other gifts of food are made and they are provided off the premises of the premises of the giver the cost is only 50% deductible.

We recommend that a correct tax position is taken for tax returns filed from 1 September 2016. There is no need to revisit filed returns.

However, there is a need to make an adjustment for 50% of the GST claimed on entertainment costs.

## Hospo remains in the limelight

We know we have been going on about this - but it seems Inland Revenue is still active in this space.

The latest, is for IR Community Officers to make unannounced visits to restaurants, cafes etc. They announce to staff that they are from Inland Revenue (which in our experience unsettles them and raises questions in their minds as to whether "the boss" in up to no good) and ask for the owner. They then sit down with the owner and talk "cash" - how much, when banked etc.

The Officer then writes to you, the Agent advising of the visit, reporting briefly on findings and asks that "if your client contacts you about the visit please advise them it was for educational purposes".

We expect any adverse findings are reported to audit!

### CONSEQUENTIAL CONSEQUENCES

The national sport of the "cashie" might now be under threat. Indeed, gone are the days that the cashie is 'cool' or not paying PAYE or GST to Inland Revenue 'a joke'. Any deliberate non payment of tax is a crime. In fact, it is theft - from you!

Inland Revenue is getting better at identifying tax evaders and is bringing more prosecutions Very rarely does a prosecution fail.

The Courts impose fines, community service, home detention, and prison terms.

For any person operating in a regulated industry they could also lose their ability to work. A builder who was convicted of 91 tax evasion offences recently had his Licensed Building Practitioner licence revoked on the basis that his convictions reflected adversely on his fitness to carry and supervise building work. The same could apply to plumbers, drainlayers, electricians - any person who must be licensed to undertake work.

#### ON THE SPOT ADVICE

Our telephone/fax/email consultation service is available to enable practitioners to deal with any questions as they arise.

#### TAX OPINIONS

Providing fully researched opinions on the taxation effect of transactions.

#### TAX AUDITS

Reviewing tax compliance requirements (FBT, GST, PAYE etc) to identify any deficiencies prior to any visit from tax inspectors.

#### TAX DISPUTES

Preparation of responses to disputes with Inland Revenue.