

Tax Planning for the Year Ending 31 March 2014

There are some tax planning initiatives that we cannot assist with after year-end – because they have to be completed before year-end! These include:

Deductions for Prepaid Expenses per Determination E12

This Determination provides the following prepaid items that may be claimed in the year ending 31 March 2014 year even though the expenses may relate to a future year. Note that consumable aids and stationery must be in the possession of the person at balance date.

Expenditure		Maximum total amount of unexpired portions	Time period between balance date and expiry date
Column 1		Column 2	Column 3
a)	rental for the lease of land or buildings relating to a period ending more than 1 month after balance date	\$26,000	6 months
b)	rental for the lease of land or buildings other than rental dealt with elsewhere in this determination	-	1 month
c)	rental for the lease or bailment of livestock or bloodstock	\$26,000	6 months
d)	payment for purchase of consumable aids	\$58,000	unlimited
e)	insurance premiums under an insurance contract if the total amount of such expenditure incurred in the income year in respect of the contract does not exceed \$12,000	-	12 months
f)	payment in respect of equipment service contracts or warranties if the consideration for the contract or warranty forms an inseparable and indeterminate part of the consideration for the asset or assets to which it relates	-	unlimited
g)	payment in respect of a contract for the service or maintenance of plant, equipment, or machinery if the total amount of such expenditure incurred in the income year in respect of the contract does not exceed \$23,000	-	3 months
h)	payment for the use or maintenance of telephone and other communication equipment	-	2 months
i)	costs for services, other than those dealt with elsewhere in this determination	\$14,000	6 months
j)	periodic charges, other than those dealt with elsewhere in this determination	\$14,000	12 months
k)	purchase of stationery	-	unlimited

l)	subscriptions for a newspaper, journal, or other periodical, including for the maintenance or annotation of a documentary information service	-	unlimited
m)	motor vehicle registration and drivers' licence fees	-	unlimited
n)	subscriptions, or other fees (but excluding any payment in respect of a franchise agreement) entitling membership of any trade, professional, or other association if the amount of such expenditure incurred in the income year in respect of the association does not exceed \$6,000	-	12 months
o)	costs on postal and courier services, including such expenditure for franking, private post boxes and private postbags, business reply post and freepost, and expenditure evidenced by the possession of postal stamps	-	unlimited

Bad Debts

A deduction for bad debts can only be claimed in the 2014 year if the debts are bad and they are written off in the books prior by 31 March 2014.

Holiday pay and Bonuses

In order to be tax deductible in the 2012 year, holiday pay and bonuses must be paid within 63 days of 31 March 2014. That is, by 2 June 2014.

Shareholders' salaries or bonuses must be paid by 31 March 2014 to be deductible in the 2014 year. PAYE on such payments must be accounted for as March 2014 deductions and paid to IRD in April 2014.

Trading stock

This must be valued at the lower of cost or realisable value on a line-by-line basis. General provisions for diminution in value are not deductible.

Dividends and Imputation Credits

A maximum 28% imputation credit can be attached to dividends paid during the year ending 31 March 2014 and a top-up 5% dividend withholding tax is payable to Inland Revenue by 20th of the month following payment of the dividend. Accordingly dividend withholding tax on dividends paid on 31 March 2014 will be payable to Inland Revenue by 20 April 2014.

We recommend taking our advice on dividend payments before 31 March 2014.

Body Corporate Charges

Deductibility of body corporate charges depends on the use to which the money is put by the Body Corporate. If the payment includes payments to maintenance reserve it is not deductible until the maintenance is undertaken. Capital expenditure contributions are not deductible.

Selection of Issues Only

Readers are advised that the selected items discussed above should not be relied upon as a specific comprehensive guide to year-end tax planning and should not be relied upon for that purpose.

Year-end Accounting Records

We suggest you attempt to complete your accounting records reasonably promptly after 31 March 2014. The basics include reconciling all bank accounts with your accounting records at year-end, identifying and listing or recording all debtors, creditors, work in progress and stock at 31 March 2014, separately filing all GST returns and workpapers, recording home office expense details and ensuring that supporting documentation such as sales and creditors invoices are methodically filed.

Give us a Call

We welcome calls at any time from clients or potential clients.