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BOTTOM LINE

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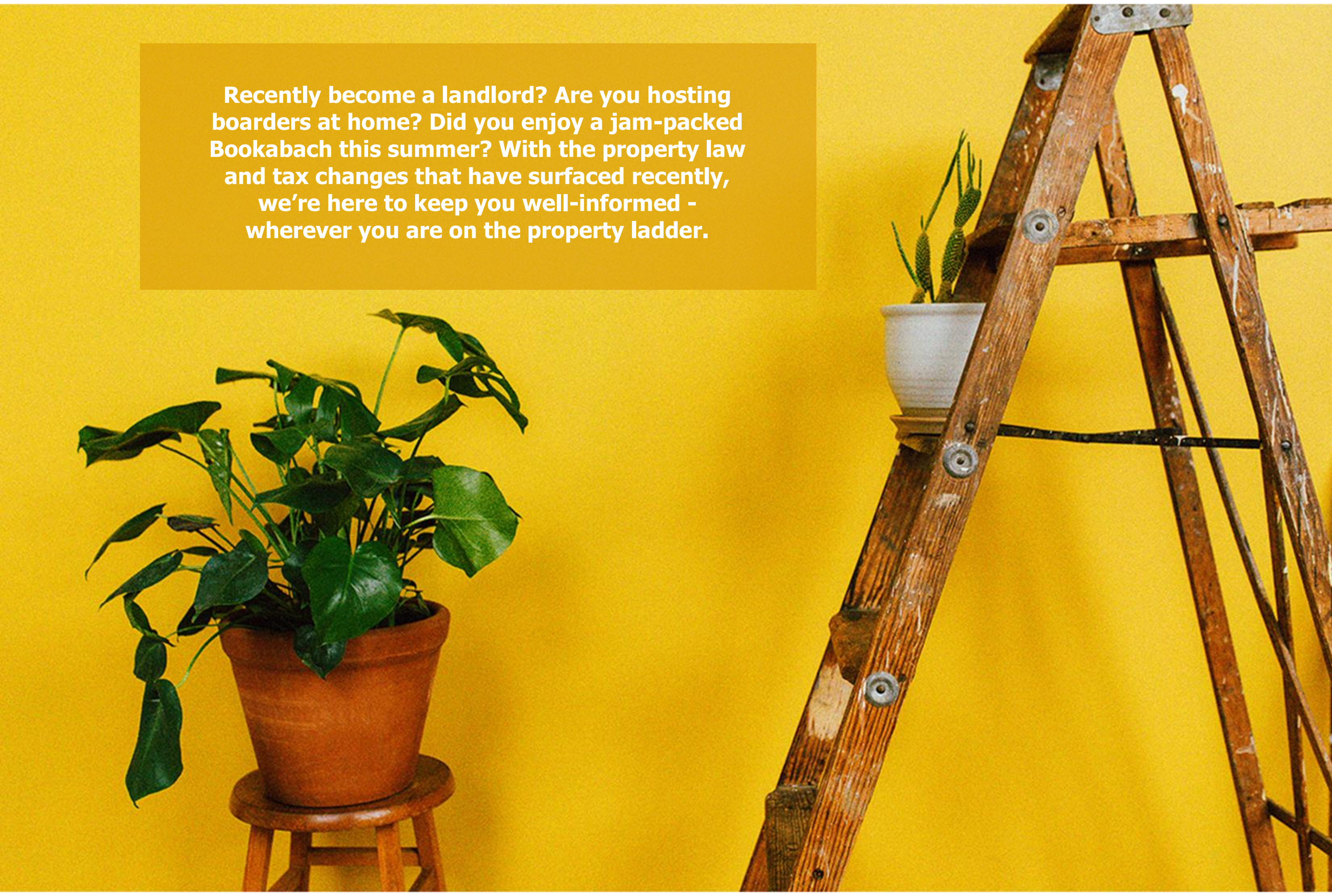
OUR NEWSLETTER FOR GROWING BUSINESSES

Recently become a landlord? Are you hosting boarders at home? Did you enjoy a jam-packed Bookabach this summer? With the property law and tax changes that have surfaced recently, we're here to keep you well-informed - wherever you are on the property ladder.



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From Airbnb to boarders: what's new for property owners?

Renting your home or bach online?
If you rent a property for short stays (up to four weeks), you need to know your tax commitments. New rules announced last May come into force this financial year.

Here's what you need to know:

2,500	If your tax due at end of year is more than $2,500, you'll have to pay provisional tax instalments the following year.
60,000	If you earn more than $60,000 a year from your taxable activities, you must register for GST. If you earn less than $60,000 a year, you can choose to register for GST.

If you have the choice, think carefully about whether registering for GST is best for you. Once you're registered, there are ongoing requirements (such as recordkeeping, invoicing and filing returns) and when you sell your property or stop providing short-stay accommodation you'll probably have GST to pay.

Unsure if being GST registered is the right way to go? Give us a call for advice.

Hosting boarders at your place?
You need to choose between the ***standard-cost method*** and the ***actual-cost method*** to work out the income you make from boarders so you know how much tax to pay.

- The ***standard-cost method*** keeps things simple because when your income from a boarder is equal to or below standard costs, it's tax exempt. You can also claim standard costs instead of claiming on actual expenses. The weekly standard cost per boarder has just been changed to $186/week for the 2019/20 tax year. What does it include? Food and household bills, gifts, and entertainment and activities you provide for your boarder. You'll also need to calculate your annual hosting and transport costs.
- Five or more boarders? You have to use the ***actual-cost method***. Up to four boarders? You can choose to claim actual costs instead of standard costs. Under the actual cost method all your income from the rental is assessable income and must be declared. To use this method, you need to:
  - Keep full records of your actual income
  - Keep full records of your expenses
  - Fill out an IR3 annual tax return to return income and claim actual expenditure incurred.

If you don't complete a return of income by the due date for filing, IRD will assume you picked the standard cost method.

Either way, keep your records!

Because you may not know until the end of the tax year whether you'll want (or be able) to use the standard-cost method, make sure you keep full records. Jot down the number of weeks you had boarders, the total income from boarders, cost of capital improvements or rent paid, kilometres you travelled transporting them, and any other related expenses.

Short-stay rental property in a trust? Your questions answered

Q: If property held in a trust is rented out by the trustees for short-stay accommodation, who should declare the income, and what deductions can be claimed?
A: The income belongs to the trustees and will generally have to be declared in the trust's tax return. However, some or all of the income may be allocated as beneficiary income, which means it would be taxed at the beneficiary's tax rate rather than at the trust rate. Expenses relating to the income (rates, insurance, repairs etc.) can be deducted but only partly if the expenditure also relates to private use or non-income-earning use of the property.

Q: If property held in a trust is rented out by a beneficiary of the trust for short-stay accommodation, who should declare the income, and what deductions can be claimed?
A: The income belongs to the beneficiary because they're the one granting the licence to the guests to stay. Non-capital costs related to earning the income can be deducted, but some of these costs will only be partly deductible if they also relate to private use of the property.

What's new in 2020?

Partnership Law gets a makeover: The Partnership Law Act 2019, which governs business partnerships (for example, the rights and responsibilities of partners to each other and to third parties) comes into effect in April. The modernised Act is a lot easier to understand and apply than its 1908 predecessor.

Investment income changes: Do you pay or receive interest, dividends, PIE income, or taxable Māori authority distributions? New reporting and administration rules apply from 1 April. Payers now need to report more frequently (and electronically) and recipients have to give their IRD number to their investment income payer (ie: bank) to make sure they're on the right tax rate. For the full list of changes, visit **www.ird.govt.nz/investment-income**

Staff use of telecommunications tools and usage plans: The IRD has released a guidance statement for employers wanting to reimburse an employee for the employee's cost of their phone, tablet or computer. If the device is ***mainly used by the employee for business purposes***, the employer can reimburse 75% of their total bill. If the tool is ***mainly used by the employee for private purposes***, but required for business purposes, then the employer can pay the employee 25% of their total bill. In both cases, the income is non-taxable. There is also a proposed provision to allow $5 a week to be non-taxable to an employee where payments made to employees to reimburse for the use of their personal mobile device is $5 or less per week.

Are you a landlord? Keep up with the changes

With a third of New Zealanders renting homes, and some for a lifetime, it's key to have clear, fair rules for tenancies. The Government's tenancy law reforms announced late last year aim to improve tenants' security and stability while protecting landlords' interests. The Residential Tenancies Amendment Bill is now making its way through Parliament, with the Select Committee due to report on it in June this year. We'll keep you posted on the changes.

What landlords need to know:

- You will only be able to increase the rent once every 12 months (instead of six).
- You won't be able to get rid of tenants without a reason. Currently, periodic tenancy agreements can be terminated without cause as long as the landlord gives 90 days' notice. The RTA will now have a list of reasons you have to choose from.
- Tenants will be able to add minor fittings such as brackets to secure furniture against earthquake risk, to baby proof the property, install visual fire alarms and doorbells, and hang pictures.
- Rental "bidding wars" will be banned.
- The Tenancy Tribunal will be able to award compensation or order work to be done up to a value of $100,000 (instead of $50,000).
- New tools will be available to help you take direct action against tenants breaking the rules.

Changes relating to damage, methamphetamine, and unlawful rental premises:

- If tenants (or their guests) damage your rental property because of careless behaviour, they'll be liable. They can be charged up to a maximum of four weeks' rent or your insurance excess, whichever is lower.
- If you have insurance, you need to include this (and the excess) in any new tenancy agreement. You must also note that a copy of the policy is available to the tenant on request.
- You can now test for methamphetamine while your tenants are living there. You need to give tenants at least 48 hours' notice (but not more than 14 days' notice). You need to give boarding house tenants 24 hours' notice.
- You have to meet all legal requirements relating to buildings, health, and safety that apply to your rental property. You also have to ensure your property can legally be lived in at the start of the tenancy.

Five steps to a healthy rental property

To boost the quality of rental properties in New Zealand, the Healthy Homes Guarantee Act was passed in 2017. If you're a landlord, there are five actions you need to take to ensure your property meets the Healthy Homes Standards.

By 1 July 2024, you need to provide:

1. Fixed, efficient and healthy **heating devices** in living rooms, which can warm rooms to at least 18°C.
2. Ceiling and underfloor **insulation** that meets the 2008 Building Code or (for existing ceiling insulation) is at least 120mm thick.
3. The right size extractor fans for **sufficient ventilation** in kitchens and bathrooms, and opening windows in the living room, dining room, kitchen and bedrooms.
4. **Efficient drainage and guttering, downpipes and drains.** If your rental home has an enclosed subfloor, you need to install a ground moisture barrier if it's possible.
5. A property with **no unnecessary gaps** or holes in walls, ceilings, windows, floors, and doors that cause noticeable draughts. All unused chimneys and fireplaces must be blocked.

KEY TAX DATES – APRIL 2020

Date	Category	Description
6 April	PAYE	Large employers' payment due. File employment information within two working days after payday.
7 April	FBT	FBT return and payment due if payable on an income year basis. *
7 April	Terminal tax	Terminal tax for the year ended 31 March 2019. *
20 April	PAYE	Small and large employers' payment due. File employment information within two working days after payday.
20 April	RWT	RWT return and payment due for deductions from dividends and deductions of $500 or more from interest paid during March.
20 April	NRWT / Approved Issuer Levy	Payment and return for March.

* The terminal tax and FBT date apply for businesses with a March balance date and for clients for whom we prepare accounts and tax returns. Different dates will apply for clients who have different balance dates.