

Home Insurance

Aligning with international practice, most New Zealand insurers have changed their home insurance policies from replacement of the home based on its area to replacement up to a specified dollar amount, known as the "sum insured".

The new approach enables reinsurers to know the maximum they may have to pay out in the event of a large disaster.



- Major changes from replacement to sum insured.
- Every house and property is different; so it's the home owner's responsibility to calculate the cost to rebuild.
- Remember if improvements are made to your home it is likely to affect the cost of rebuild.
- The sum insured for your home should not include land.
- The sum insured amount should represent the total cost of rebuilding your home, i.e. fences, sheds, architects costs, demolition and other costs.
- If you don't update your sum insured the policy will be based on a default sum until your insurer is advised otherwise.
- There are online calculators available to help, which can be used as a starting point.
- For more specific estimates on rebuilding costs, advice can be sought from a quantity surveyor or valuer.
- Any valuation obtained should be specifically for insurance purposes.



Entertainment etc.

December often involves our clients spreading Christmas cheer to their staff. The treatment of entertainment is often confusing, and is dependent on the particular situation. Contact us to discuss your particular situation.

50 % Deductible

- Corporate boxes, corporate marquees or tents, and similar exclusive areas (whether permanent or temporary) at sporting, cultural or other recreational activities that take place away from your business premises - this includes tickets or other rights of entry.
- Accommodation in a holiday home, time-share apartment or similar, but not accommodation incidental to business activities or employment duties.
- Pleasure-craft, e.g. a corporate yacht
- Food & drink provided or consumed:
 - incidentally at any of the three types of entertainment above, e.g. alcohol & food provided in a corporate box
 - away from the taxpayer's business premises, e.g. a business lunch at a restaurant
 - on the taxpayer's business premises at a party, reception, celebration meal, or other similar social function. e.g. Staff Christmas party held on the business premises (excluding everyday meals provided at the staff cafeteria.
 - at any event or function, on or away from your business premises for the purpose of staff morale or goodwill e.g. Friday night "shout" at the pub.
 - in an area of the business premises reserved for use at the time by senior staff & not open to other staff, e.g. executive dining room used to entertain clients.



100 % Deductible

- **Meals while travelling on business.** The cost of meals is fully deductible however, there are some exceptions, e.g. the cost of meals you provide to a business contact & meals at a party or other social function during travel are only 50% deductible. The cost of meals for the staff member entertaining the business contact is also 50% deductible.
- **Food & Drink at Conferences/Staff Training or Business Course.** To qualify for a full deduction of the cost of food & drink, the conference or course must continue for four hours or more, not counting meal breaks - morning & afternoon teas are not considered to be meal breaks. The conference must not be held for the principal purpose of entertainment.
- **Meal Allowance.** A tax-free meal allowance paid by an employer to an employee working overtime is fully deductible.
- **Executive Dining Room.** This is an area reserved for the use at that time only by those at a certain level of seniority, and not open to all the employees working on the premises. The cost of a light meal provided to employees in an area reserved for senior staff is fully deductible when the meal is provided during the course of the employee's duties. e.g. sandwiches provided at a lunchtime meeting of supervisors.
- **Morning & Afternoon Teas.** If these are provided for employees at a conference or on the business premises, other than in an executive dining area or at a conference, they are normal business expenses. The full cost of these can be claimed as a normal business deduction, unless the event is being held for the principal purpose of entertainment.
- **Off-shore entertainment.** Entertainment consumed or enjoyed outside NZ is fully deductible. However, business entertainment provided on pleasure-craft in NZ waters is generally considered to be in NZ and is 50% deductible.
- **General Entertainment provided.** When a business provides entertainment that's part of their regular business activities, the expense is fully deductible so long as it's available at that price to the general public. If the entertainment is provided at a price that is less than what the public would pay, its 50% deductible.
- **Charitable Entertainment.** Entertainment provided to members of the public for charitable purposes is fully deductible. Charities are generally not liable for income tax.
- **Entertainment liable for FBT.** Entertainment that is liable for FBT is fully deductible. Call us for more detail.
- **Licensed premise operators.** Expenditure incurred by a licensed premises operator in providing a special offer of one of the following, is fully deductible. e.g. happy hour at reduced prices during a particular time period, two-for-one price meals, free drinks.

Reminders

15 January 2014: Provisional tax, GST and employers' deductions for the period 16 – 31 December 2013 are due.

20 January 2014: Employers' deductions for the month of December 2013 and/or the period 1–15 January 2014, and FBT quarterly returns are due. If this date falls on a public holiday in your region, you have until the next working day to file and/or pay.

28 January 2014: Provisional tax and GST returns and payments due.



NEW MIXED-USE ASSETS RULES, LEASE PAYMENTS AND OTHER MEASURES NOW LAW

Mixed Use Assets - taking note

If you own a holiday home and rent this out commercially, there are new rules around how tax deductions are calculated. In order to accurately work out what these will be, there are some crucial points that we will require from you. You will still need to keep your normal records for income and expenses, but as well as that you will need to start recording full details of dates rented and use for private purposes.

By keeping full notes of rental periods and costs etc., we can assess what is and what isn't deductible for you when we start preparing your annual tax return. If you have any more questions about mixed use assets, feel free to give us a call.



*The team at Footes would like to wish
all their clients a safe and happy Christmas break and look forward to seeing you in
the new year.*

*We will be closed for the Christmas break from
12 noon on Monday 23rd December 2013 and re-opening at 8.30 am on Monday 13th
January 2014.*



Disclaimer

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.

limited
footes
chartered accountants

30 Church Street, Timaru.
Ph: (03) 687 2036
Fax (03) 684 8032
Email: admin@footes.co.nz
Web: www.footes.co.nz