

End of Year Tax Checklist

The end of the financial year can be a stressful time of year. We outline below a list of issues that you need to consider:

1. Bad Debts

To claim a tax deduction, the debt must be bad and physically written off from the debtor's ledger before the end of the financial year.

Definition of a bad debt:

If a reasonable and prudent business person would be of the view that it is unlikely that the debt will be paid.

Consider:

- a) Length of time debt has been outstanding
- b) Efforts taken to collect debt.

2. Employee Bonuses and Holiday Pay

Wages paid for holidays and bonuses taken and paid within 63 days of balance date, i.e. payments on or before 2 June 2021, are tax deductible for the 31 March 2021 income tax year.

Please keep a record of these payments.

3. Trading Stock

a) Stocktake

Make sure you are geared up to undertake a physical stocktake at your balance date. Stock figures for tax purposes need to be supported by the appropriate documentation. Depending on the value of stock on hand and your level of turnover, there may be merit in reviewing your stock valuation method.

Generally, stock should be at lower of cost or market value, however if you have obsolete stock you should dispose of it or make sure you have reduced it to its net realisable value.

Note: Some industries have special provisions

b) Valuing closing stock under \$10,000

Businesses can value closing stock at the opening stock value, where turnover has been less than \$1.3 million per year, and the closing stock can be reasonably estimated to be less than \$10,000.

4. Prepaid Income

Make sure that any invoices, issued prior to balance date relating to services either fully or partly to be provided after balance date are identified, and the portion relating to post balance is calculated so that the portion can be deferred to the following tax year.

Ensure that you alert us to these items when we prepare your annual accounts.

5. Prepaid Expenses

Some expenses can be prepaid in March and claimed back as a tax deduction in the year to 31 March 2021, regardless of their amount. These include stationery, postage and courier charges, vehicle registration and road user charges, rates, subscriptions for papers or journals.

Other expenses have limits on the extent to which they can be claimed if prepaid. These include rent, consumables, insurance premiums, professional or trade subscriptions, travel and accommodation, advertising, periodic charges, and other services. The rules surrounding prepayments are quite complex, so if you are planning this type of expenditure, please contact us.

All of this is subject to need and cashflow.

6. Fixed Assets

Consider the impact of significant transactions. You may be able to sell an asset after balance date rather than before, to defer the depreciation recovery to the next tax year

Check your Fixed Asset Schedule. Are there assets included that are no longer used in your business? Ensure that you alert us to these items when we prepare your annual accounts.

7. Credit Notes

Make sure to review any credit notes issued to customers following balance date that relate to pre balance date invoices. In doing so, you will be entitled to effectively reduce your current year's taxable income. Ensure that you alert us to these items when we prepare your annual accounts.

8. Portfolio Investments

Make sure that you list and provide the market value of all investments in companies domiciled outside New Zealand at 31 March 2021. This is needed to prepare the portfolio tax calculation under the Foreign Investment Fund Regime.