AUGUST 2016 ISSUE

Welcome to the August 2016 edition of BDO Know How.

BDO Know How is our bi-monthly business newsletter providing updates on key business and tax issues which you need to know to best optimise your business. If you have any feedback or suggestions, please send them to editor@bdo.co.nz or click here for more information.

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NEW LENDING RESTRICTIONS

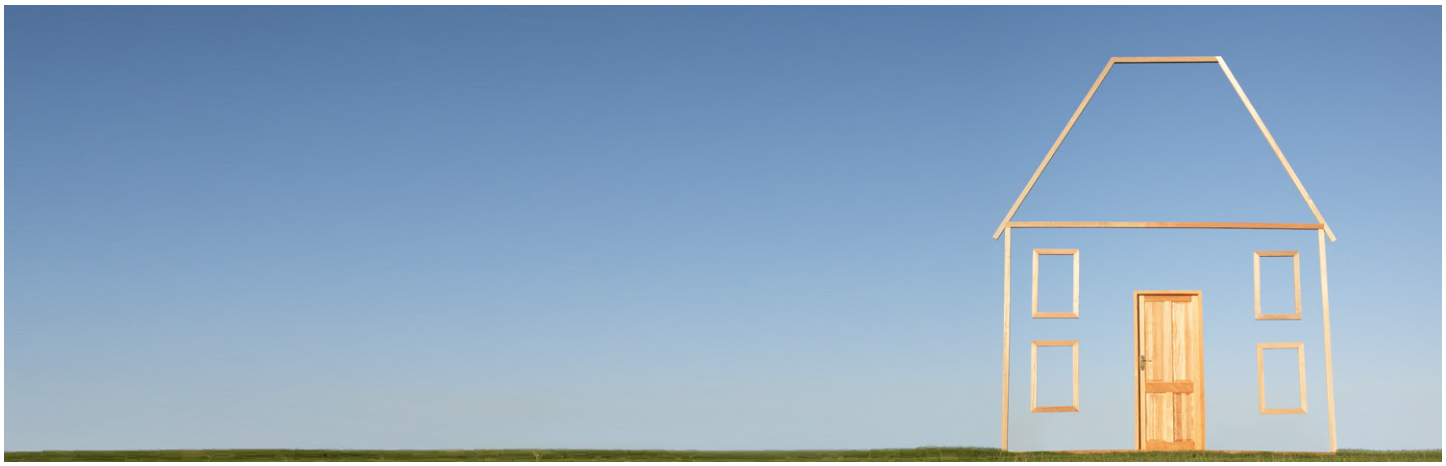
From 1 September 2016, the Reserve Bank will implement new residential lending restrictions on property investors. These restrictions mean that 95 percent of bank lending to property investors will require a 40 percent deposit. This is effectively an extension of the lending restrictions previously applied to the Auckland market spreading nation-wide.

The measures are the Reserve Bank's attempt to dampen the demand for residential property houses and to the address bank's exposure to riskier mortgages.

Your bank may still lend if your deposit is less than 40 percent, however lending of this nature will only be available to 5 percent of all new loans to property investors.

Your 40 percent deposit can be a mix of cash and equity, effectively the bank needs to be sure there are reserves to draw on should things go awry.

The definition of a property investor is someone who owns a house which is not 'owner-occupied.' There are a few exceptions to this, such as holiday houses used exclusively for private use. Lending to investors for construction of new houses and non-routine repairs will not be subject to the new rules.



THE FUTURE IS NOW - EFILING GST

Xero and MYOB Essentials users are now able to file their GST and provisional tax returns directly from their accounting software using a new tool developed by Inland Revenue. The feature is available to all customers who use either product to prepare their GST returns.

The current process for most users who prepare their own GST returns is to run their GST report, then log onto the IRD website and manually enter their figures. The new system instead uses the prepopulated data directly from MYOB or Xero.

The new system is easy to use, convenient and reduces the chances of transcription errors. Its implementation forms part of Inland Revenue's business transformation project, as Inland Revenue moves many of its core services online.

In Xero, once GST returns are finalised, users are given a 'file now' option, and are taken to Inland Revenue's authorisation screen, then asked to enter 'myIR' login details. Once authorised the return is filed, and you will need to arrange payment (if any). The process is similar with MYOB Essentials, instead using the 'GST Lodgement report' and authorising through the 'myIR' login.

MYOB's AccountRight Live users are expected to have online filing functionality soon, and Inland Revenue are currently working on authorising other accounting software providers.

We note that GST and provisional tax online filing functionality is unavailable for provisional tax payers using the ratio option.

For any assistance with Xero or MYOB's new online filing features, contact your local BDO adviser.

THE NETFLIX TAX IS NEAR

From 1 October 2016, GST will be applied on all cross-border remote service transactions from offshore suppliers to New Zealand consumers. The 'Netflix tax' is designed to level the playing field for New Zealand based suppliers who are required to charge GST on similar services provided in New Zealand.

It is worth noting that this doesn't apply to the online purchase of goods, so the New Zealand retailer is still at a disadvantage.

Remote service transactions are loosely defined as 'a service where at the time of the performance of the service, there is no necessary connection between the physical location of the recipient and the place of physical performance.' This means that the Netflix tax will apply to offshore consultancy, accounting and legal services, insurance, gambling, as well as digital services such as iTunes and Amazon purchases.

Supplies to NZ GST-registered recipients will be excluded, so offshore suppliers will not be required to account for GST on such supplies, and the NZ recipients would not have GST credits to claim. However, overseas suppliers will have the option to zero-rate remote services made to GST-registered recipients, and this would be useful if a supplier incurs New Zealand costs with GST that they wish to recover.

For assistance with the new GST rules, please contact your local BDO adviser.

CYBER INSURANCE - IS IT RIGHT FOR YOUR BUSINESS?

With cyber-attacks and data breaches becoming increasingly more frequent, a gap has opened in the market to help mitigate these risks for large and small businesses. In response to these risks, many insurance companies have begun to offer cyber 'liability' insurance.

More than two-thirds of respondents to a recent BDO survey said that their board was more involved in cyber security than it was a year ago. However due to the general lack of information available on the costs of cyber-attacks and data breaches, insurance companies are limited in their ability to develop robust risk modelling. This results in narrow liability policies to negate the insurer's own risk.

Below are six steps you should take to understanding your businesses risks to determine if cyber insurance is right for you.

1. Perform a risk assessment of your environment.
2. Quantify these risks and understand the potential impact this will have on your business. For instance, what would be the financial impact of a cyber-attack you couldn't defend against?
3. Evaluate risk exposures and assess whether you are comfortable with the level of risk to your business. If not, cyber insurance's potential benefit would outweigh its cost.
4. Evaluate insurance policies for those risks that you can't remediate and select the most beneficial to your organisation.
5. Implement a security risk remediation programme to ensure the gaps you have identified are covered.
6. Implement cyber incident detection and response processes.

With ever evolving technologies this process should be repeated as often as you see fit, but at least each year. If this is your first time completing a full cyber risk assessment there are many resources and experts available. Bear in mind, insurance brokers themselves do not necessarily have the expertise required to present the most accurate client assessments. For assistance with cyber risk assessments and safeguards please contact BDO's Risk Advisory team led by Andrew Sloman.

2016 CYBER SECURITY SURVEY

In today's digitally reliant marketplace, the need to manage a business' reputation through effective cyber security measures cannot be underestimated.

Knowing what's required can be the biggest challenge and benchmarking is a vital piece of the decision making puzzle.

To contribute to valuable benchmarking, BDO Australia, BDO New Zealand and AusCERT have joined forces to launch the 2016 Cyber Security Survey. This annual survey will identify and monitor current cyber security trends, issues and threats facing businesses in Australia and New Zealand. The goal is to deliver insights that will help businesses build and maintain their cyber resilience over the long term.

Importantly, findings will allow you to answer the following critical questions in relation to your business' cyber security environment:

- What are the threats you should be concerned about?
- Are you doing enough, or possibly too much?
- Are you focusing on the right issues?
- Are you worrying about unnecessary threats?
- Could you refocus your resources more effectively?
- What are you not doing today that you really need to do tomorrow?

By taking part in this anonymous survey you will gain direct access to our survey report in November, which will provide a wealth of valuable data that will allow you to compare your business' current cyber security efforts with those of similar businesses.

Unlike some other survey's in this field, the questions are non-technical and it will take only 10 minutes to complete. Findings will also be tailored to key industry segments, as well as country (i.e. Australia and New Zealand).

The survey is now open and closes at midnight on Friday 9 September 2016.

CLICK HERE TO TAKE PART

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