

Tax Deductions for Writers

Under the New Zealand tax rules the following is a quick summary of what you can claim as tax deductions against the income that you earn as a self employed person.

If you have mixed income (i.e. some wage and salary on which you have PAYE deducted) you need to proportion out your tax deductions in some cases accordingly. If you have a job that is for 30 hours a week you cannot claim 100 percent of your vehicle running costs if you use the vehicle to go to your job.

The list below is not intended to be a complete guide - do make sure you get some good advice from a Tax Agent who can look at your situation and help you get the maximum legal deductions available:

Motor Vehicles

You can claim depreciation and GST back on the purchase of a vehicle. You will need to keep a log book for three months every three years to establish your business use percentage. Once you have this figure you can then also apply it to the running costs (petrol, diesel, repairs). While you are completing the log book take a reasonable guess and correct later if necessary. A motor vehicle purchase cannot be written off in the year of purchase but must be depreciated over time.

Repairs and Maintenance

To plant and equipment, office or workspace (be careful here if you have a home office to be clear about not claiming general improvements to your home).

Entertainment

Only 50 percent deductible - and it is good practice to keep a diary note of who you entertained and how it was useful to your business.

Books

Books related to what you do or of an educational nature (i.e. a book on running a small business) are all deductible.

Printing and Stationery

Subscriptions

Seminars and workshops

Legal Fees

Only legal fees for business advice or arranging finance, not for property purchase or setting up a business.

Accountancy and Other Business Advice

Bank Fees

Equipment Hire

Insurance

Travel and Associated Costs

Deductible as long as they have a clear business purpose. If you combine a workshop with a holiday you will need to apportion costs accordingly.

Interest

If you need to borrow money to finance your business the interest portion of the repayments is deductible.

Depreciation

Any capital item you buy for your business must be depreciated over time, not written off in the year of purchase. The general rule is \$500 + GST is capital expenditure. Obviously if you stocked up on printer ink that would be immediately deductible. A good rule of thumb is to ask yourself whether you will still be using this item in one years time (i.e. a computer, printer, digital camera etc). All items attract varying rates of depreciation and in the first year of purchase you may only deduct depreciation for the months owned in the financial year.

This information was prepared by Marj Noble, Tax Practitioner.

Marj can be engaged to provide tax and accounting advice and services.

marj.noble@extra.co.nz