

James Bell Accounting Limited

BUSINESS BITS WITH BELL

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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INSIDE THIS EDITION

2025 In Reflection	1
Client Christmas Gifts	2
Thank You for your Support	2
October/November 2025 GST Returns	2
Don't forget the risk from within	2
Inland Revenue is taking a tougher stance on debt	3
Taxing the sun	4
FBT changes	4
Snippets	5
IRD interest rates	5
Depositor Compensation Scheme	6



Season's Greetings!

Our office will be officially closed from 4 p.m. Tuesday 23rd December 2025 and will reopen 9 a.m. Monday 19th January 2026. For urgent matters, please leave a message on Jim's mobile phone 021-946-102.

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2025 In Reflection

Welcome to my 22nd In Reflection – yep that's right over 20 years of reflecting on the past year. How a lifetime flies by! The season of goodwill is just around the corner and, as always, has caught us quicker than this year.

At this time last year, and in 2023, I commented on both the Ukraine/Russia war and the war between Hamas-led Palestinian militant groups and Israeli military forces. I spoke then, in particular, of the Ukraine/Russia war that it was unbelievably still going. I am amazed that war is STILL in progress – while at the time of writing a shaky ceasefire between the Palestinians and Israelis exists. Our collective JBA hearts go out to all the innocents suffering and in the hope that these wars, and other conflicts around the world, end soon.

Domestically, I commented last year that interest and inflation rates were beginning to fall. This year, interest rates have continued to fall, with a significant cut in the Official Cash Rate (OCR) made by the Reserve Bank (RBNZ) in October a noted highlight. Inflation has remained a concern with the RBNZ lowering the OCR more cautiously than it otherwise might have, for fear of overstimulating the economy and sending inflation skyrocketing again perhaps to 2022 levels of 7.17% at its peak. At the time of writing the latest 12 month rate – to the September 2025 quarter – is 3%, the top end of the RBNZ's annual target range (1% - 3%)

Locally, the political landscape remains bumpy with all parties having one eye on next year's election. The Labour party's recent announcement of a Capital Gain Tax on residential properties (excluding the family home) and on commercial properties should it reclaim power in 2026 has prompted much debate.

The continuing cost of living crisis continues to offer little comfort to the average New Zealander. The health system remains broken.

For all the negativity above, I look out of my office window while writing this, the sun is shining, summer is around the corner, and all in all New Zealand still remains the best place to live and the greatest little country on Earth, in my completely independent opinion!

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At JBA, we have had few changes this year. Our focus has been on guiding clients through the continuing economic uncertainty. We anticipate similar conditions in the coming year. It will be interesting what happens towards the end of 2026 after the election.

We continue emphasizing to market that we are not just a “tax firm”, but also a business development specialist firm, supporting clients of all sizes in achieving their goals and successfully growing their businesses during these tough economic times. We

are always happy to discuss this with clients, so if this sparks any interest with you, please don't hesitate to contact me for a chat as to how we might assist your business.

As Christmas approaches, we encourage everyone to spend quality time with loved ones. It is, after all, these most important people that we work so hard for. So be it beaches, the beach, the park, or the garden, enjoy the sunshine, your time away from the demands of work, and time spent with loved ones.

Client Christmas Gifts

As is our style in recent years, in support of those less fortunate than ourselves, rather than providing client gifts as we used to do in years gone by, we have been making an annual donation to a worthwhile charity. For the last few years, we have donated to **Single**

Parent Families (Link House Birthright Waikato Trust) charity in the Waikato. We are fortunate to be able to do this and are proud to have done so once again this year on behalf of our firm and our clients.

Thank You for your Support

We would like to take this opportunity of thanking all established clients for your continued support of our business – it is very much appreciated and acknowledged, especially in these trying times. After all, without you we would have no business. For those newer clients that have joined us during the year, we thank you for choosing our firm as your professional partner in business and we hope that we have met or indeed exceeded your expectations. We also would like to thank those of you who referred new clients to our company, such referrals are always greatly appreciated and your faith in us is fully recognised and appreciated by all of us here at JBA.

It has been a pleasure working with so many of you over the last 12 months. We value and don't take for

granted your continued support and trust in our company. Our clients and our associates are the lifeblood of our firm and while many people think accountancy is just “number crunching,” I can assure you that couldn't be further from the truth - it is in fact a “people profession”. We at JBA get great satisfaction from working with you and we very much look forward to seeing and working with you in 2026.

Finally, all of us at James Bell Accounting & Advisory Ltd, wish you all a safe and happy festive season and a very Merry Christmas and a Happy New Year.



October/November 2025 GST Returns

Please remember that GST payable for the October/November 2025 period must be paid to the Inland Revenue by the **15th January 2026** (rather than 28th December 2025).

For those clients whose GST returns we calculate, for us to have your GST liability calculated in time we

must have your records submitted to our office **no later** than **Wednesday 3rd December 2025**. We thank you in advance for your co-operation with this request in what is always a particularly frantic time of year.

Don't forget the risk from within

Online scammers and phishing attacks have become extremely sophisticated lately. Hence, it is understandable that we are constantly warned to be vigilant and on the lookout for the next attack. But as focus shifts to looking outside the organisation, an eye needs to be kept on what is going on within the organisation. Internal fraud is often subtler, harder to spot early and may occur on a regular basis.

Smaller family run businesses can be more susceptible compared to large organisations because they operate in a ‘high trust’ manner by:

- providing their employees with greater autonomy and authority,
- using fewer internal checks and process controls, and

- not using third party audit services.

The classic example is where the owner is busy running their business so they let their finance manager set up suppliers, approve payments and reconcile the bank, and plan on 'checking later'. Red flags worth paying attention to include reluctance to share duties or take leave, unusual supplier or bank-detail changes, round-sum or duplicate invoices, late reconciliations and urgent payment requests that are outside the norm, e.g. during shutdown periods such as Christmas.

If you sense something is off, start with simple checks. Scan the supplier master list for fictitious vendors or unverified bank account changes. Review one-off payments to new payees. In payroll, look for "ghost" employees, duplicate bank accounts and payments to ex-staff. In expenses, test for inflated or split claims and identical descriptions posted after hours. Keep bank, GST and payroll reconciliations current and have someone independent review them.

Don't assume 'John' or 'Jane' would never do it – as it can be the last person you would expect. The inevitable question is 'why?'. Cressey's fraud triangle is useful for putting it into context. It describes three factors that give rise to an increased risk of fraud if they exist simultaneously, as follows.



- Motivation – this can arise from personal financial stress, medical events or unrealistic targets.

- Opportunity - this can be in the form of weak controls, autonomy or minimal oversight.
- Rationalisation - this is the self-justification behind the behaviour. A person might rationalise their behaviour to the point they do not consider it wrong. They might tell themselves it's "only a loan" or they're "owed" it.

After something 'unusual' is identified, it's common to then realise all three existed.

To reduce the potential for internal fraud, try to do the basics right and implement procedures to balance the risk. Segregate duties so no one person can set up, approve and pay amounts. Where teams are small, use a maker-checker model with an external reviewer. Lock down supplier changes with call-backs to verified numbers and restrict who can edit vendor records. Use dual approval above modest limits and block changes to payee details after approval. Limit access with least-privilege permissions and multi-factor authentication.

Even when business ramps up, it's important to stick to the clear policies and processes your organisation has in place.

Inland Revenue is taking a tougher stance on debt

Over the last six to twelve months Inland Revenue (IRD) has been taking a firmer stance when it comes to collecting overdue tax. This is in the form of increased liquidation action and enforced withdrawals directly from a taxpayer's bank account.

Given the potential for IRD to take action it is more important than ever to engage with IRD, rather than put your head in the sand. Ideally, you can negotiate and enter into an instalment arrangement with IRD to clear the debt. The benefit of doing so is that IRD will hold off from taking action while the terms of an instalment arrangement are being met, and there is the potential for penalties to be remitted once the debt is cleared. However, entering into an instalment arrangement can be easier said than done.

Understandably, IRD takes the view that it should not be used as a bank to support a business that is unable to meet its obligations. This would provide an unfair advantage over competitors and would be unfair to those who do comply. Hence, IRD now

expects businesses seeking instalment arrangements to demonstrate both their ability to meet proposed repayments and to stay current with ongoing tax obligations.



It is therefore not necessarily a question of whether the business has 'any' free cashflow to pay its tax, but whether it has sufficient cashflow to meet its future obligations, plus amounts that are already owed. If a business can enter into an arrangement to pay 'something' but will continue to fall further behind, IRD will likely

decline the request and the business should therefore 'fail' rather than continue to trade without being able to meet its obligations.

A hard line will also be taken on PAYE and GST as these are regarded as Crown funds held in trust by the business until they are paid to IRD. Non-payment of employer deductions is a criminal offence. Penalties can include fines, imprisonment, and shortfall penalties of up to 150 percent. Company directors and officers may also be held personally

liable if they are aware of ongoing non-payment.

A proposal to enter into an instalment arrangement will likely require the following information to be submitted:

- how much can be paid weekly, fortnightly or monthly,
- a statement of assets and liabilities,
- forward looking budgets, and
- cashflow forecast.

If specific transactions are anticipated that are

relevant, such as equity from a new investor, IRD could ask for details of that transaction, such as Term Sheets, Sale and Purchase Agreement and details of the investor. Their purpose being to assess whether the transaction has a real prospect of occurring or not.

The IRD's tougher stance highlights the growing importance of compliance and proactive engagement. Businesses should act early to manage their tax obligations, seek professional advice when needed and avoid using tax funds as working capital.

Taxing the sun

If you or your friends or neighbours have solar panels on the roof of their home it is likely the excess electricity is being sold back to the retailer for a credit on the bill. It is also likely that not much thought has been given to whether that 'credit' is actually taxable, however Inland Revenue (IRD) has given some thought to it.



Technically, the credit is likely to comprise taxable income, which then leads down the 'rabbit hole' of what costs can be claimed against the income, e.g. depreciation on the solar panels, and a portion of rates, interest, house cleaning costs, etc.

Draft legislation released in August includes a proposed new income tax exemption for electricity generated at the home that is sold back to the grid. The exemption is to apply from the 2026–27 income year and is a pragmatic change to eliminate the need to calculate and return income by the general population, who typically derive income from salary or wages which are subject to automatic assessment by IRD.

The exemption will apply to income derived from the sale of excess electricity generated at a dwelling by a natural person. "Excess electricity" refers to power generated but not consumed at a dwelling, which is then supplied to an electricity retailer. The exemption

does not impact payments or discounts provided by retailers for a person's own electricity use.

A dwelling includes a residence and its associated structures or improvements but excludes commercial accommodation such as hotels or motels. Therefore, income from electricity generated

at commercial properties will not qualify for the exemption. However, in most cases, it would be captured as part of the 'netting' of the income against the deductible electricity cost.

For farms, only electricity generated at the farmhouse or its immediate surroundings qualifies for the exemption, as this area is considered the dwelling. Income from panels on the wider farmland or other farm structures will remain taxable.

Of note, and somewhat unusually, the exemption only applies to natural persons (including tenants), the definition of which excludes individuals who are trustees. Hence, if an electricity account is in the name of a trustee who is not also a beneficiary, the exemption will not apply. In most cases, the power account will be in the name of the beneficiary / occupier anyway. But this is something worth checking to ensure taxable income is not 'inadvertently' being generated.

FBT changes

Earlier this year, Inland Revenue (IRD) released an officials' issues paper titled "Fringe Benefit Tax – Options for Change". The paper sought feedback on potential reforms to the FBT regime. The most notable proposals related to the application of FBT to motor vehicles, particularly utes. In the May 2025 Budget, the Government



signalled support for the reforms. However, the Government later backed away from some of the proposed changes, most notably, those relating to utes.

Draft legislation has now been introduced to Parliament, and the changes are more in the nature of 'tweaks', as opposed to structural

reform. The more notable changes are outlined below.

Gift cards: Currently, general practice is to treat gift cards as an unclassified benefit and subject to FBT. FBT applies to unclassified benefits unless a de minimis exclusion applies. That exclusion provides FBT is only payable on an unclassified benefit provided in a quarter if:

- the total value of all benefits provided to that particular employee exceeds \$300, or
- the total value of all benefits provided to all employees over the past four quarters (incl. the current quarter) exceeds \$22,500.

However, confusion arose after IRD published the view that PAYE applies to certain ‘open loop’ gift cards, and not FBT. An open-loop card is a general-purpose prepaid gift card, like a Prezzy card, that can be used at a number of different retailers.

From 16 April 2025 employers will be able to choose whether gift cards are subject to FBT or PAYE, and for FBT purposes they will comprise a “classified” fringe benefit and therefore no longer qualify for the de minimis exclusion. This change will mean tax will apply to the provision of gift cards to employees, whether under FBT or PAYE, and the de minimis exemption will no longer apply.

Frustratingly, this change is being backdated and therefore tax may need to be accounted for retrospectively if FBT has not been accounted for on the understanding that the de minimis applied. Hopefully the effective date will be changed or IRD will comment specifically on this point and what it considers an acceptable approach.

Reimbursements: Where an employer reimburses an employee for costs that would have been an unclassified benefit if paid directly by the employer, the employer can choose whether to treat the payment as subject to PAYE or FBT. This change will be effective from 1 April 2026. This option will only apply to unclassified benefits, not to classified benefits such as health insurance.

Global insurance policies: From 1 April 2026, a proposed amendment will give employers more flexibility in how they account for FBT on Global insurance policies.

The Bill clarifies that where companies have insurance policies covering a number of employees with the same or similar entitlements, the cost can be treated as a pooled benefit or allocated to employees by dividing the total contribution across the group.

Snippets

IRD interest rates

There are certain topics that we enjoy being cynical about. The speed at which oil companies increase their price at the pump when the price of crude increases versus the speed at which it drops when the price of crude decreases. Or similarly, how quickly banks increase interest rates when the OCR increases, versus reducing it for OCR decreases.

Could it be time to add the IRD to the above list? The table below summarises the movements in the OCR over the last few years and compares those movements to the interest rate charged by IRD. It is generally understood that IRD does not wish to be treated as a bank; therefore, there is a large variance between the debit and credit rates. However, given the punitive nature of the debit rate charged, it is reasonable to expect more timely reductions in the rate.

Date	OCR	IRD Rate	Relative Difference
17/01/23	4.25	9.21	4.96
22/02/23	4.75	9.21	4.46
05/04/23	5.25	9.21	3.96
09/05/23	5.25	10.39	5.14
24/05/23	5.5	10.39	4.89
29/08/23	5.5	10.91	5.41
14/08/24	5.25	10.91	5.66
09/10/24	4.75	10.91	6.16
27/11/24	4.25	10.91	6.66
16/01/25	4.25	10.88	6.63
19/02/25	3.75	10.88	7.13
09/04/25	3.5	10.88	7.38
08/05/25	3.5	9.89	6.39
28/05/25	3.25	9.89	6.64
20/08/25	3	9.89	6.89
08/10/25	2.5	9.89	7.39

Depositor Compensation Scheme

As of 1 July 2025, the Depositor Compensation Scheme (DCS) has come into effect to protect the savings of individuals and businesses if a bank or other 'deposit-taker' fails. Managed by the Reserve Bank of New Zealand, the scheme is designed to strengthen public confidence in the country's financial system and promote stability during times of economic stress.



Under the scheme, eligible deposits held with licensed banks, credit unions, and building societies are protected up to a limit of NZD 100,000 per depositor, per institution. This means that if a participating institution is unable to meet its obligations, depositors will be repaid up to the coverage limit.

The DCS covers common deposit products such as savings accounts, transaction accounts, and term deposits. However, it does not extend to investments such as shares, bonds, or managed funds (KiwiSaver and other superannuation schemes), nor does it cover deposits held with unlicensed or overseas institutions. The scheme will be funded by levies on participating financial institutions rather than taxpayers. This ensures that the cost of protection is borne by the industry itself.

By introducing the DCS, New Zealand joins many other developed countries that already have similar safeguards in place, giving people added confidence that their money is secure even in the event of a bank failure.

If you have any questions about the newsletter items, please contact us, we are here to help.