



## Newsletter Summer 2023-24



## Tags track your valuables

Apple Air Tags and their Android equivalents have been in the news lately, especially as they've been used to track down missing luggage.

For a businessperson, they can be incredibly useful for keeping track of important belongings, which you can't afford to lose if you have an important meeting out of town.

All you need to do is pair the tag with your phone and place the tag with your luggage, car keys, wallet or other valuable item. The tag emits a Bluetooth signal that can be detected by an app and shown on a map.

The whole process is anonymous and encrypted.

Tags have been used to not only find lost and stolen belongings, but also to keep track of pets, and even by journalists to track where recycled plastics end up.

They cost about \$50 each.



### Auckland Office

Level 7, 57 Symonds Street  
Grafton, Auckland 1010  
P O Box 750, Shortland Street  
Auckland 1010  
Ph. (09) 303-2200

### Pukekohe Office

3/23 Manukau Road  
Pukekohe 2120  
P O Box 456, Pukekohe 2340  
Ph. (09) 238-8077

# New government set to introduce tax reforms

Given one of the National Party's big campaign promises was tax cuts, we can safely assume the new government will follow through on its proposed reforms.

Any changes are unlikely to be before July 2024. So let's look at the proposed new rates of income tax:

Income up to \$15,600 a year	10.5% (previously 14,000)
From \$15,600-\$53,500	17.5% (previously 14,000 to 48,000)
From \$53,500-\$78,100	30% (previously 48000 to 70,000)
From \$78,100-\$180,000	33% (previously 70000 to 180,000)
Over \$180,000	39% (no change)

Other likely changes include a rise in the amount you can earn to qualify for the Independent Earner Tax Credit. The credit is currently available to people who earn between \$24,000 and \$44,000 a year. It's worth \$520 a year and reduces progressively for incomes between \$44,000 and \$48,000 a year, becoming nil when your income reaches \$48,000.

The upper limit is to be increased from \$48,000 to \$70,000 a year, with the progressive reduction starting at \$66,000. This would mean people with incomes between \$44,000 and \$66,000 will qualify for the \$520 tax credit.

Other policies include a 25 percent rebate for childcare costs, worth up to \$75 a week. This will be calculated on joint household incomes. The maximum joint income for getting the full rebate is to be set at \$140,000.

Expect interest deductibility for rental properties to be restored, progressively rather than being reduced progressively as follows:

- 50% interest deductibility kept from April 2024
- 75% interest deductibility from April 2025; and
- 100% interest deductibility from April 2026.

Depreciation for commercial building is likely to be scrapped from the 2024/25 year as well as the proposed GST on digital platforms like Airbnb and Uber.

Also, the clean car discount is likely to be ditched, as is the Auckland regional fuel tax.

# Tax rate for trusts to go to 39%

## Tax distortions are increasing.

A short while ago the top tax rate for both an individual and a family trust was 33 percent. When this was increased to 39 percent for the individual, there was an obvious incentive to retain as much income in a trust as possible.

This led to the former government proposing an increase to 39 percent tax on trusts, effective from 1 April 2024. At this stage the new government has made no comment regarding the previous government's proposed 39% flat tax rate for trusts. The Bill covering this lapsed when Parliament recessed for the election.

If we assume the new government follows through with this and your taxable income is less than \$180,000 (the threshold for the increase to 39 percent tax) it would pay to distribute as much of the trust income to you or any other beneficiary whose income is below \$180,000. You would be paying tax at 33 percent whereas the trust would be paying tax at 39 percent. Remember, if you allocate income to a beneficiary to save some tax, you must also pay that beneficiary the money, at some stage.

There is just one problem. One of the prime reasons for setting up a family trust is to protect family assets so they can't be sold up by creditors, if you're ever sued. So, if the trustees of your trust distribute income every year to you and you don't spend it, those savings would not be protected from someone suing you. Whereas the assets remaining in your family trust do not belong to you and would not be available to pay your debts.

As you can imagine, the income distributed from your family trust to save tax could accumulate to quite a large sum. If you give it back to the trust, i.e. it's gone in a circle, Inland Revenue could say you only distributed it to avoid tax. It's very difficult to predict when IRD will use the avoidance provisions they have at their disposal— please take our word for it being a risk.

Companies pay tax at the rate of 28 percent. Therefore, if you accumulated your savings within a company, you would pay a lot less tax than you would by doing so through a trust. You wouldn't have the protection a trust offers, but that that might not necessarily matter to you.

The only time you would pay more than 28 percent is when you wanted to use some of the money. You would need to declare a dividend, which would then become part of your income.

When you retire and your income falls, you might find the distributions from a company ultimately get taxed at a lower rate than 28 percent and you actually get some tax back, depending on your other income.

It's unlikely the government would consider putting up the company tax rate because New Zealand companies would not be competitive with those overseas.

## Assess your cyber risk

Taking your business online comes with many rewards, such as greater reach, rising profits and efficiency gains. But it also comes with risks.

Here are five steps to performing a cyber security risk assessment so you can ensure your business is prepared to get online.

1. **List your important systems** and whether they're inside or outside your organization. Note the kind of data they hold.
2. **Identify threats.** Consider how valuable your data is and how easily your systems could be attacked, especially if they're online.
3. **Evaluate the risks.** Think about what could go wrong with your data or systems – like if they're no longer private, correct, or available.
4. **Understand the impact.** Figure out how each risk might affect your business, such as operationally, reputationally, financially or technically. Rate them as low, medium or high impact.
5. **Take action.** Implement measures to reduce, transfer or accept risks. Share your plan with your team, and create a response plan for incidents. Regularly review your risk assessment as things change.

*Source: Digital Boost. For more information, including a short video on this topic, see [digitalboost.business.govt.nz](https://digitalboost.business.govt.nz)*

### Strings of emails

One of the advantages emails has over conventional letter writing is to be able to string together correspondence backwards and forwards in one document.

If that string is broken, it might be necessary to refer to earlier correspondence to find out what was said. Maintaining the string avoids the need to go back and look at earlier correspondence.

If your firm doesn't have a policy on this, the string can easily be broken by someone who doesn't take the care to continue it. Consider whether your business ought to have a policy on when it is OK not to continue the string.

## **BRIEFS**

### **Don't waste your audience's time**

If you're writing or presenting a seminar or webinar, respect other people's time. Don't waste it with rambling opening remarks, which add no value to what you are about to say. Here's an example:

"I hope everyone has had a great Christmas break and is ready for the busy year ahead. We must hope 2024 will be a better year and we will not see a repetition of last year with its extraordinary floods, not only on the West Coast of the South Island but also in our biggest city. We will not be in a hurry to forget the devastation caused by cyclone Gabrielle in the Central North Island and Hawke's Bay. Today we're going to discuss. . ."

### **Donations – rebate not permitted**

Sometimes a charity will organise tickets for a show to raise funds. Your payments for the tickets are not donations for tax purposes. The reason for this is you can get a donation rebate only if your payment doesn't provide you with any significant benefit.

### **Talk to real person**

To prove you *can* talk to a real person, a client rang Amazon recently and had the call answered promptly! The trick is to log online to start. Log in to your Amazon account, click the Customer Service tab at the top, select "Help with something else", then select "I need more help", then "Request a phone call". It worked for our client.

## **Making a decision on the most productive social media channels**

### **When you chose the social media platforms on which to advertise your business, how did you decide?**

We've all heard of Facebook, Instagram, LinkedIn, YouTube and TikTok, but there are so many options out there! Some of the alternative social media platforms offer more niche followers, such as [Neighbourly](#) and [Pinterest](#).



Here are Digital Boost's top three tips to think about when choosing a social media platform for your business:

1. **Customer personas.** To reach your customers, you need to know who they are. Once you've narrowed down who you're targeting, find out what platforms they use and focus your efforts there.
2. **You don't have to stick to mainstream channels** if your offering is more niche – you could save by advertising on social media platforms that aren't Facebook and Instagram. For example, if you're selling jewellery, Pinterest could be a good alternative. If you're in TV and film, you could benefit from Reddit's huge communities.
3. **Does it have a dashboard?** Today, having good real-time data means you can adjust your spend and focus your efforts where it matters the most. So ask yourself: what can each social media channel offer me in terms of reporting? Being able to monitor and measure how well your posts and ads are performing allows you to make better decisions and refine your strategy as you go.

Find out more at [digitalboost.co.nz](http://digitalboost.co.nz)

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– Image by [Gerd Altmann](#), [Pixabay](#)

## **Claims for new furniture, telecoms**

**Inland Revenue will permit a maximum claim of \$400 for all purchases of office equipment and a further maximum of \$400 for all telecommunications equipment.**

Alternatively, there are reimbursement options:

- If the equipment is used exclusively for business, the reimbursement to the employee can be 100% of the annual depreciation.
- If the principal purpose of the piece of equipment is for business use, then no more than 75% of the annual depreciation can be reimbursed exclusive of tax.
- If the principal use is for private purposes, then no more than 25% of the annual depreciation can be reimbursement exclusive of tax.

If an asset costs \$1000 or less, the reimbursement can be paid in full, just as the asset can be treated as a 100 percent deduction in the year of purchase by the employer.

## No need for cards – go digital to pay

**You've gone out and forgotten your payment cards. Unless you have cash, you're stuck when you need to pay for something.**

Fortunately, technology allows us to carry a digital wallet, which can contain all your cards – including loyalty cards – with your smart phone.

It means you don't have to use a physical card to make a payment, although it works much the same way. Instead of swiping or tapping your card at a store, you just open the wallet on your phone, hover it over the store's payment machine, and pay by verifying it's you – with a security code or fingerprint scan.

Loading your cards into a wallet is surprisingly easy. iPhones have Apple Wallet, and there's also a Google Wallet. There are plenty of apps to choose from for both Apple and Android phones.

To load cards, simply open the wallet and add the cards you want. It makes things easy by asking to use your camera to scan your card and load all the details. Then you're ready to use it at the supermarket, in stores or online.

There are other handy features in wallets, which will no doubt expand as technology advances. For example, you can store and use your passes (such as for a concert), account cards and travel tickets. Many airline apps offer the option to "add to wallet". Google has also enabled a feature that will let you add a boarding pass from a screenshot, so if you can't add your boarding card, screen shot it from the airline app and then you'll find you have the option to add it to your wallet.

You can even use a wallet to unlock and start your car, if it's a modern vehicle with a car key reader. With passive entry – default when you set up a digital key – your phone will automatically unlock your car doors when you're near, start your car when you're inside, and lock your car doors when you leave.




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## TAX CALENDAR

### November 28 2023

First instalment of 2024 provisional tax for those with June balance dates.

### January 15 2024

Second instalment of 2024 provisional tax (March balance date except for those who pay provisional tax twice a year)  
Pay GST for period ended 30 November 2023

### April 7 2024

Terminal tax for 2023 (March, April, May and June balance dates).  
For all clients except those who have lost their extension of time privilege.

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## Claims for renting to flatmates

**A tax deduction can be claimed for the share of the area of your home used by flatmates.**

The income you derive is, of course, taxable. There are two components of the area used by flatmates:

- the area exclusively occupied by them
- common areas available to both you and the flatmates.

Inland Revenue considers you should treat the common area as 50 percent rented and 50 percent for your own use. It doesn't matter how many flatmates you have. The IRD does not give any rationale for this method of apportionment. It is arguable, based on case law, that the common area should be apportioned based on the number of occupants e.g. if it's you with 3 flatmates that would mean 75% of the common areas would be claimable. This basis gives a better reflection of how the expenses relate to you and the flatmates however be aware IRD will want to cling to their view so taking a different position could mean a dispute.

If you have interest to claim and a loss, you can only claim the interest and the loss against other income, such as salaries or wages, provided the home is considered your "main home" i.e. predominately used by you. This is a different calculation. IRD have stated you can treat the common area as 100 percent available to you. For example: You have two flatmates. You have 25 percent of the area of the house exclusively for yourself and they have a total of 40 percent exclusively for them. This leaves 35 percent common area. For the purposes of being able to claim a loss you occupy 60 percent (your 25% + 35%) of the home and therefore can make the claim.

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# Newsletter

## Autumn

### 2024



Auckland Office  
Level 7, 57 Symonds Street  
Grafton, Auckland 1010  
P O Box 750, Shortland Street  
Auckland 1010  
Ph. (09) 303-2200

Pukekohe Office  
3/23 Manukau Road  
Pukekohe 2120  
P O Box 456, Pukekohe 2340  
Ph. (09) 238-8077

## CRM - now for small businesses

**CRM – or customer relationship management – software has largely been used only by large companies as a powerful sales efficiency tool.**

But now CRM software is more cost-effective and easy to use for small businesses.

A CRM can help to improve service and sell more to existing customers, automate marketing and sales processes, better track and manage business performance, improve team communication and provide real-time information on mobile devices to your sales team.

One of the big benefits is in helping salespeople to provide quotes to potential customers more quickly. Many businesses miss out on sales because their quote is sent too late.

CRM software is mostly cloud-based, and solutions can be as complex or as simple as your business needs. Some of it is low cost or free, so search online for what suits you.

## Tax changes loom for rental income

**Changes are coming for tax on rental income.**

### *Residential rental*

For the year ending 31 March 2024 the interest deduction allowed for those who owned properties on 27 March 2021 will be reduced to 50%. However, while the government have categorically said they would increase this to 60%, we don't have draft legislation yet. It shouldn't be too much longer.

Hopefully, this will increase to 80% for the following year and 100% thereafter.

Presumably, there will be no more need for the proposed build-to-rent exclusion for those building 20 or more dwellings on one or adjoining sites.

We would hope that anyone who has bought a property since 27 March 2021 or buys between now and when the government changes the law will be able to claim interest again. We will have to wait to see what the rules are going to be.

### *Commercial rental*

The depreciation deduction, which is allowed on commercial buildings but not residential, is going to be withdrawn from 1 April 2024.

### *Bright line*

Residential property sold within 10 years (in some cases five years) of purchase is subject to the Bright Line Test. This means the profit made forms part of taxable income. The government has announced the time limit for holding property to avoid the profit on sale becoming taxable is going to be reduced to two years from 1 July 2024. This has retrospective effect such that any property purchased two years or more prior to this date will automatically be outside the bright line period.

Reminder: The profit made on property bought with the intention of selling for a profit is still taxable income and always has been.

Purchasing a rental property for the purpose of ongoing rental income, with the knowledge you will get a capital gain in the long run, is not considered purchase with the intention of selling for a profit. We all know property goes up in value over time.

## Family Trust shareholder – pay dividends now?

If your company shares are owned by your family trust, consider paying the maximum possible dividend before 31 March 2024. The income tax rate in the family trust will probably be increasing to 39% from 1 April 2024. Therefore, any dividend declared from that date onwards is going to incur an extra six cents in the dollar of tax. The law has not yet been passed, however the IRD recently released guidelines on what might constitute tax avoidance in terms of the trust rate moving to 39% so it would seem it is likely to happen.

# Online platform GST looks to stay

**The new government appears not to be removing the GST charges to be made by online platforms (companies finding customers for you through their website).**

From 1 April 2024, online platforms that offer the following services will charge your customers GST:

- Ride sharing and ride hailing
- Food and beverage delivery, such as Uber Eats
- Short stay and visitor accommodation.

## **If not registered for GST**

If the government received all the GST, this would be unfair because there is GST in the expenses incurred in providing the services – for example, rates and insurance paid on short-term accommodation. As a consequence, some of the GST will be paid to you to compensate you for the GST claim you are missing out on, and some to the Inland Revenue.

The online platform will pay you an extra 8.5% and it will pay the balance of the GST, being 6.5%, to Inland Revenue. Obviously this is going to increase the price of the services, which might put some pressure on the amount you charge.

## **If registered for GST**

The platform will pay all the GST to Inland Revenue. As a consequence, you will treat your income from the online platform as zero-rated income. You will claim GST in the usual way.

*Image by [fotografierende](#), [Pixabay](#)*



# Gains on fixed interest investments

**Sometimes you can buy an investment at either a premium or discount.**

For example, you decide to buy \$20,000 worth of XYZ bonds because you think they're paying a good interest rate and you are comfortable the company will be around to pay back. This means XYZ Ltd will pay you at some stated date \$20,000 and in the meantime they will pay you interest.

What happens if you buy the bond from somebody, perhaps a sharebroker, for \$19,750? You have bought at a discount of \$250.

Inland Revenue says when you get this money back you have to also account for the \$250. You have made a profit of this amount and you have to treat it as taxable income. They would also agree if you had paid \$20,250, you could claim back, as an expense, the extra \$250 you paid.

What they do in practice is to add up all the money you have ever received from the investment and deduct all the money it has cost you – the difference is taxable income. This is because some of these arrangements are more complicated than described above. Inland Revenue calls this process making a “base price adjustment”.

You should also note that bigger investors, particularly those with fixed interest-type investments exceeding \$1 million, are expected to spread the premium or discount over the term of the investment. This means that if, for example, you bought your investment on 1 February 2024 and it was going to mature on 1 August 2026, you would be investing for 30 months.

The correct way to apportion the premium or discount is to take the total number of days and apportion over each financial year. For the year ending 31 March 2024 this would be 60 days in this example.

## **BRIEFS**

### **GST registration for part-time business**

You do not have the right to continue to be registered for GST if your business is not being carried on continuously or regularly. Sometimes clients either take a salaried job, operating their business part-time, or drift into semi-retirement. They need to look at the amount of work they do to see whether they still comply with the “continuously or regularly” criteria. If they don’t, they need to deregister for GST and pay GST on the market value of any assets they retain.

### **Loans to your company**

If you borrow money for your company, you should make sure it is the company that signs up for the loan. If the money is lent to you and just put in the company, then the interest is not tax deductible. It is possible to get around the problem, but to do so adds to your costs. There’s also the risk of Inland Revenue not agreeing with what you might do.

### **No FBT under scheme**

Inland Revenue has approved a scheme as not being subject to Fringe Benefit Tax (FBT). WorkRide Ltd provides self-powered commuting vehicles to the employees of its customers. The employees agree to a temporary reduction in salary in return for the temporary lease of equipment, and the opportunity at the end of the lease to own it. IRD has approved the scheme starting 1 December 2023 and ending on 30 November 2026

## **Contactless shopping on the rise as retailers embrace technology**

**One of the tech trends predicted for 2024 is a big acceleration in the adoption of contactless shopping.**

Large retailers trying to cut costs and boost profitability are increasingly moving to mobile and social media shopping. Small businesses aren’t far behind as they’re finding prices for the necessary technologies are becoming more manageable.

Retailers are looking at greater use of QR codes, mobile terminals and mobile wallets, which are becoming more prevalent as shoppers use them more often to shop and pay. These technologies can be lifesavers for small businesses with limited staff.

It is likely more owners of hospitality venues will throughout this year be introducing touch screen or app customer ordering systems. These “tap and pay” systems can reduce queues and ensure payment before delivery.

The clinical approach to customer service, however, creates challenges for retailers who still value person-to-person interaction. Hybrid operations that incorporate technology and the human factor are more likely, but there will be opportunities for retailers who emphasise personal service.

– *Image by Mudassar Iqbal, Pixabay*



## **Prepayments and insurance**

**A prepayment is the portion of an expense relating to the following tax year.**

For example, rent of premises is usually paid in advance. This would mean if your lease requires you to pay the rent on the 20th of each month and you have a March balance date, your 20 March payment would include rent for 1 April to 19 April, which falls in the next financial year. This latter portion of the rent does not relate to deriving income to 31 March so logically it should not be claimable.

The Inland Revenue recognises that it would give everybody a lot of work if they had to adjust for all prepaid expenses like these, no matter how small the amount or what length of time the prepayment relates to. Determination E12 provides some relief here. This sets out the prepaid expenses for which you do not need to adjust for tax purposes, provided you do not treat them as prepayments in your financial statements. For leases, you don’t have to adjust where the prepaid portion is no more than one month.

Another of these expenses is insurance. The amount in the Determination is \$12,000 of premium for any contract. So if your premium is less than \$12,000 and you have paid it before the end of the financial year, you don’t have to adjust for the prepaid portion. Premiums have risen in recent years, so you might find you’re now paying more than this. If so, you should adjust the expense claim, effectively taking the prepaid portion as a deduction into the next year. You would need to tell us about this. Note Inland Revenue requires the adjustment for each contract as opposed to each policy.

# Deal with important stuff now, before balance date

You need to think about the following before your balance date, which is 31 March for most businesses.

## *Bad debts*

Don't forget to write off bad debts. It is illegal to backdate writing off bad debts, so go through your debtor's ledger soon and determine which businesses are not likely to pay you. You must show you have taken all reasonable steps to collect the debt and also evidence it has been written off. If your business is very small, perhaps the best evidence you can show is to write on a copy of the invoice that you have written it off, sign it and put in the date.

## *Stock*

Cull your stock. If some of it is only fit for the tip then get rid of it. If it is still on your premises, it has to be included. Remember, stock has to be valued at its cost, including the cost of getting it into your shop, warehouse etc. You may use market value, if it is lower than cost, instead of cost for an item, but you will need to keep evidence to show where you could have bought the item at the lower price.

## *Motor vehicle*

If you are going to make a claim for use of your vehicle for business on a kilometre rate basis, remember to read your odometer at the end of the day on balance date.

## *Insurance premiums*

If you get to the end of the financial year and you're paying off an insurance policy, make sure you have an agreed arrangement for payment with the insurance company. If you haven't and the insurance company would have a right to cancel your policy for unpaid premiums (even though it would be unlikely to do so), you might not be entitled to bring the whole of the unpaid portion into account as a sundry creditor (also known as Accounts Payable).

## *Vehicle logbook*

If you need to keep a vehicle logbook, this needs to be for a continuous typical three months of vehicle running. A new recording needs to be made once every three years (or more often if there is a major change – more than 20%) in the proportion of business and private running.



## TAX CALENDAR

### **7 April 2024**

Terminal tax for 2023 (March, April, May balance dates). For all clients except those who have lost their extension of time privilege.

### **7 May 2024**

Third instalment of 2024 Provisional Tax (March balance date)

### **28 May 2024**

First instalment of 2025 Provisional Tax (December balance date)

### **31 May 2024**

Deadline for Fringe Benefits Tax returns.

## Family trusts and children who grow up

**The maximum amount you can distribute from a family trust to a child who is under the age of 16 on the trust balance date is \$1000 to still have this taxed at the child's personal tax rate.**

If you distribute just one dollar more, the tax rate becomes the same as for the trust.

It's easy for us, with our busy business lives, to not notice when a child goes over the age of 16. Instead of paying 39% tax on the trust income, it could be handy to allocate some of its income to the youngster, perhaps to help with tertiary education. Once the age of 16 has been reached, the amount you can allocate to a young person is no longer limited.





## Newsletter Winter 2024



### Auckland Office

Level 7, 57 Symonds Street  
Grafton, Auckland 1010  
P O Box 750, Shortland Street  
Auckland 1010  
Ph: (09) 303-2200

### Pukekohe Office

3/23 Manukau Road  
Pukekohe 2120  
P O Box 456, Pukekohe 2340  
Ph: (09) 238-8077

# Avoiding 39% tax in family trusts

**As you will probably know, trusts are to be taxed at 39% if their income exceeds \$10,000.**

It is reasonable to expect a large number of trusts will have exactly or almost exactly \$10,000 of income because the tax rate will be 33%. Be aware if you go just one dollar over the \$10,000 threshold, all of the trust income is taxable at 39%.

Inland Revenue has issued a statement explaining what it will accept as legitimate tax avoidance and therefore acceptable. It includes the following:

- Where a company is owned by a trust, a change in dividend policy is acceptable. For example, you could reduce trust income by just not paying dividends.
- Distributions to beneficiaries who have a lower tax rate.
- Trustees could create a company and transfer income earning assets to it, which would then be taxed at 28%. However, see the last bullet point below in the list of unacceptable ways of avoiding the high rate of tax.
- Winding up the trust.
- Using PIE investments, which are taxed at 28%. Comment: Is this going to take money out of the bond market and possibly have an impact on the interest rates offered by issuers?

Inland Revenue will not accept artificial and contrived ways to dodge the high rate of tax. Examples include:

- Allocating income from a trust to a beneficiary who later resettles this money (gives it back) to the trust.



- Allocating income to a beneficiary who has no knowledge they have received the money or expectation of being paid it.
- Using loans from a company to get funds into a trust instead of paying dividends to it. The loans could then be on-lent to beneficiaries.
- Artificially altering the timing of income or expenditure, particularly where it is linked to existing contractual terms or practice.
- Creating artificial expenditure, such as the trust paying management fees to a company, which cannot be commercially justified.
- Making distributions to a company beneficiary where that company shares are owned by the trustees. Where this happens, the distribution has to be taxed at 39%.

### **When does a bond give you a better yield than a PIE?**

Suppose you invest in a PIE yielding 5% gross. After-tax at 28% you will have 3.6%.

Suppose you invest in a bond yielding 5.9%. After tax at 39% you will have 3.599%.

This uneven playing field should please the banks.

## TAX TRAPS

# Bright line test on property held briefly

**Residential rental property owners will know they could be subject to tax on any gain on sale if they've owned the property for only a short period of time.**

The name for this short period is "the bright line test".

There were three bright line tests – for two years, five years and 10 years. Effective from 1 July 2024 it is proposed to replace the three bright line tests with just one test.

It will be for a two-year period regardless of whether the property was bought before or after 1 July 2024.

Note the start of the bright line test is from the date of settlement on purchase. It is not from the date of signing the sale and purchase agreement, unless it is a purchase off the plan in which case it is the date the agreement is signed. This has always been the case. The bright line period ends at the time of signing a sale and purchase agreement for the sale of property.

## Main home exclusion

Here are some points to remember:

- Where the bright line end date is after 1 July 2024 the main home exclusion will be based on the predominant use of the land.
- The land must be used most of the time as the main home.
- The exception is for a new build. When determining the predominant use, you ignore the period under construction.



Image by [Gerd Altmann](#) from [Pixabay](#)

## Interest deductions on residential rentals

**There have been significant changes to the tax deductibility of interest paid to buy residential rental property.**

Previously, subject to certain transitional rules, the interest on money borrowed to buy property where the sale and purchase agreement was dated after the 27 March 2021 was not tax deductible.

Limits were imposed on property bought before this date.

The current situation is:

- Year ended 31 March 2024 – 50% of interest is claimable on property where the sale and purchase agreement was dated on or before the 27 March 2021.
- Year ending 31 March 2025 – the cut-off date is dropped and interest deduction is partially allowed for all borrowing. The claim is limited to 80% of the interest incurred.
- Year ending 31 March 2026 onwards – full tax deductibility of interest is restored.

## NEW INCOME TAX RATES

New income tax rates starting 1 July 2024 are expected to be:

Up to \$15,600	10.5%
From \$15,601 to \$53,500	17.5%
From \$53,501 to \$78,000	30%
From \$78,001 to \$180,000	33%
Over \$180,000	39%

## Giving trading stock to a charity

**The Government proposes to allow businesses to make donations of their trading stock to recognised charities.**

Normally, if goods are taken out of a business, they need to be valued at their market value. Tax needs to be paid on the difference between market value and cost, which is the profit.

However, from 1 April 2024, it is proposed these donations can be made at their cost price, which means the business does not have to account for any profit on the goods given away.

## A Kitchen tool that is useful for home – and office

Not many people will use a dual timer in their kitchen. The Appetito dual digital kitchen timer is, however, a great tool if you want to know how much time you've spent on a job. Think about when you're working on a job and the phone rings. After the call you have to guess how long it took. Or you forget to record the time you started a job. With a dual timer and three clicks, you can move from one timer to the other. When the phone rings, turn off timer number one and turn on timer number two. At \$27 you'll quickly get your money back.

## Your public perception

How you treat your customers, employees and suppliers is key to success in business, but what about the general public? Their opinion matters too, even if you don't realise it. Think about it this way: Is your company car a mess, with bald tyres? That might make people wonder if you cut corners with your work, too. Same goes for personal actions. A lawyer stumbling out of a bar isn't exactly confidence-inspiring for clients. For small businesses, image is everything. A big company can bounce back from a bad PR hit, but a small business might not. Being a good business also means being a good citizen. Give back to the community. Look for a position of responsibility in a non-profit organization, such as the local chamber of commerce – it will make you more visible.

# Knowing your numbers

**In these crazy times of change and uncertainty, it's more important than ever to have a handle on the vital signs of your business – you know, the numbers that keep the engine running smoothly.**

Businesses can hit a rough patch just because they're not keeping tabs on those key numbers. Not knowing where your leads are coming from, how well you're turning them into customers, or the value those customers bring, can lead to chaos and a shaky future.

On the flip side, those who stay on top of their numbers are the ones who can spot trends on the horizon and pivot like pros. They're not just surviving; they're thriving.

So, what's important for a small business?

You should watch your balance sheet ratios – that's the equity you have in the business. In tougher times, like right now, you should have more equity in your business than in good times. Take the example of a property investor who can rely on increasing property values when times are good. A 20% equity works fine. But when times change you need more, otherwise there's too much borrowed money and too much interest to pay.

Keep an eye on your KPIs – that's your key performance indicators. These are things like:

**Revenue growth.** This measures the increase in revenue over a period of time. It indicates the business's overall financial performance.

**Profit margin.** It shows the percentage of revenue remaining after all expenses are deducted, reflecting the efficiency of operations.

**New customer cost.** Knowing what it costs to get a new customer gives you a good idea of how effective your marketing and sales are.

**Customer lifetime value (CLV).** This estimates the total revenue a business can expect from a single customer over their lifetime, guiding decisions on customer retention and loyalty programmes.

So, keep your eyes on the prize, stay agile, and remember that with the right insights, your small business can not only weather the storm but come out stronger on the other side!

## FamilyBoost on the way – main points explained

**Family Boost has been introduced to help pay early childhood education fees.**

**The main points are:**

- Starts 1 July 2024.
- It pays 25% of early childhood education (ECE) fees with a maximum of \$75 a week.
- Payments are to be subject to application and will be refundable quarterly. If you have youngsters going to preschool, be sure to find out about this and get your application sorted out.
- You pay for the first 20 hours and the subsidy kicks in after that. If there is any MSD childcare subsidy, this has to be used up before Family Boost kicks in.
- If the family income exceeds \$140,000, the subsidy starts to reduce. Families are no longer eligible when income reaches \$180,000.
- Keep the invoices from childcare. They need to be submitted to Inland Revenue through the Inland Revenue website, MyIR

You can find details of how to apply on the IRD website via this link -

<https://www.ird.govt.nz/working-for-families/applying>

# Tech ideas to get you going

If you're thinking about bringing some new tech into your retail business, here are a few suggestions to get you going.

**Get what you need.** Work out what's not working with your current setup and what you want to achieve. Whether it's sorting out stock, getting closer to customers or crunching sales numbers, pinpoint your targets.

**Do your homework.** Look around for what's going to work best for you and your budget. Think about things such as cost, ease of setup, and if it works with what you already have.

**Try before you buy.** Don't go all-in right from the start! Do a small-scale trial first. Pick a section of your operation and test things with any new tech. Get feedback from your team and tweak things if you need to.

**Get the team on board.** You want your team excited about the new tech, so show them how it'll make their lives easier. Get them involved in the decision-making and discuss any concerns they might have.

**Ease into it.** Don't rush! Roll out the tech bit by bit across different areas. Keep an eye on how things are going and make tweaks along the way.

**Show it off to customers.** Show your customers how the new stuff can improve their shopping experience. Whether it's flashy apps, DIY checkouts, or personalised tips, make it part of their experience.

**Keep improving.** Tech moves fast, so keep an eye on what's new. Listen to your team and your customers for ideas on how to make things even better.

**Check your numbers.** Keep tabs on how the tech is doing. Are sales going up? Are customers loving it? Use those numbers to fine-tune your game plan.



## TAX CALENDAR

**31 May 2024**

Deadline for Fringe Benefit Tax returns

**30 June 2024**

Last day to apply for annual FBT returns

**28 July 2024**

3rd instalment 2024 Provisional Tax (June balance date)

**28 August 2024**

1st instalment 2025 Provisional Tax (March balance date)

## Keep customers satisfied

**A customer was seen recently complaining he had not received his coffee after 20 minutes in a busy cafe.**

The cafe owner checked the docket, which showed a meal on the order, but no coffee. She had served the customer herself, and knew he had not ordered a coffee. She could have gone back to him and shown him the docket.

Instead of getting into an argument which could only be resolved with CTV footage, she made him a coffee, apologised for the delay and wished him a good day.

Was it worth swallowing a bit of pride? Of course. The customer will likely return.

## Make life easier with email assistants

**Several AI apps are on the market, such as Gemini and Shortwave.**

Gemini is a stand-alone app. You can use it at any time to get information. For example, in our article above, Gemini could help you do your homework for bringing new tech into your business.

You will also be pleased to learn it's free. For more highly advanced work you can buy Gemini Advanced, but for most everyday things you're not likely to need it.

Shortwave only works with Gmail. You can ask it to:

- Summarise an email thread.
- Suggest responses to an email thread.
- Find information from previous emails.
- Find information from your Google Drive files.

Some apps can also talk to your calendar and make appointments for you.





## Newsletter

### Spring 2024



### Relieve the cramp with shared space

**When your home office starts feeling cramped, you might think about renting a separate space.**

This can be pricey and risky if you're stuck with a lease that doesn't work out.

One solution is shared office space, or co-working. Most towns and cities have these spots where you rent just what you need.

Sometimes it's a simple desk and internet access in a cubicle where you can work in peace. Other places offer private offices, meeting rooms and communal kitchens. Some spaces are more open and collaborative, perfect for groups of designers or IT geeks.

The perks include lower costs, flexible leases, keeping your work and home life separate, the chance to socialise instead of talking to your cat all day, and shared expenses for things like internet and power.

#### Auckland Office

Level 7, 57 Symonds Street  
Grafton, Auckland 1010  
P O Box 750, Shortland Street  
Auckland 1010  
Ph. (09) 303-2200

#### Pukekohe Office

3/23 Manukau Road  
Pukekohe 2120  
P O Box 456, Pukekohe 2340  
Ph. (09) 238-8077

## Common myths - a trap for newcomers

**Running a business can be challenging, and dealing with taxes can add to the complexity.**

Here are some common myths that often confuse new entrepreneurs.

#### **Myth #1: Taking less out means less tax**

While the money you take out is considered income, it's not your taxable income. Taxes are based on your business profit, which is your sales minus your expenses.

#### **Myth #2: Higher expenses equal lower taxes**

It might seem like spending more reduces your tax bill, but Inland Revenue has specific rules about what counts as a deductible expense.

- *Advance purchases:* Buying lots of stock isn't an immediate expense. Inland Revenue sees it as an asset (money in a different form) until you sell it. The value of unsold stock reduces your claimable stock expense.
- *Car depreciation:* Cars are considered to have a multi-year lifespan, so the expense is spread out over time through depreciation, not all at once in the year of purchase.

#### **Myth #3: You have to borrow personally for business loans secured by your home**

While banks often prefer using homes as loan security, they can still lend directly to your company. The interest rate might be higher for a company loan, but the interest is tax-deductible.

If you borrow personally but the money is for your company, you can still claim a deduction for the interest. However, this requires legal documentation and extra administration. It's best to consult with us before borrowing in your own name for business purposes.

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## Make a will to ensure your wishes are fulfilled

### **Mrs X died intestate (without a will).**

She was the mother of one child and her husband survived her. She and her husband owned a rental property, their home and various other assets.

What happens to her share of all this? It's likely the child will get a big chunk of the estate, whether this was what Mrs X wanted or not.

We strongly recommend you make a will so your assets are distributed according to your wishes. Remember too, if you remarry you will need to make a new will.

A will is not a do-it-yourself job. To get it right, get your solicitor involved.

## TAX

# Save time on expense claims

## Tired of manually figuring out costs for your tax claims?

Inland Revenue has standard rates to make things easier. These pre-set amounts mean you don't have to hunt down receipts for common expenses, saving you a lot of time.

Here's what you can claim using standard costs:

- *Business use of home:* \$53.10 per square metre of your home office space.
- *Homestay costs:* \$61 per day if you own the property; \$55 per day if you rent the property.
- *Boarders:* Claim \$231 per week for each boarder you accommodate. Note this is only if you provide meals. It doesn't apply to ordinary flatmates.
- *Childcare providers:* \$4.45 per child per day; \$435 annual fixed administration fee.

The benefits of standard costs include:

- *Convenience:* No need to collect and store receipts for specific expenses.
- *Efficiency:* Saves time on expense calculations and record-keeping.



Image by [FlyFin Inc.](#) from [Pixabay](#)

- *Simplicity:* Provides clear and readily available rates, which Inland Revenue revises every year.

Inland Revenue's standard rates are a quick and easy way to claim common business expenses. You don't have to use them if your actual costs work out better. Just do a quick check to see if it's worth the time and hassle of keeping all your receipts.

# Simplify business travel expenses

If you're sick of tracking every car expense for your business, Inland Revenue's kilometre rates offer a simple way to claim vehicle use costs.

## How it works

- **Charge per kilometre:** You charge your business a set amount per kilometre driven for business purposes.
- **Rates depend on distance and car type:**
  - First 14,000km:* \$1.04 per kilometre (all vehicle types)
  - More than 14,000km:*
    - Petrol/diesel: 35c per kilometre
    - Hybrid: 21c per kilometre
    - Electric vehicle (EV): 12c per kilometre.

Thus if your business travel was say 12,000 km out of say 21,000 km you would take 12/21 of your 12,000 km = 6857 km and claim \$1.04 per kilometre.

You would calculate your claim for the remaining 9000 km at the rate of \$0.35 per kilometre if you had a petrol or diesel car.



Image by [FlyFin Inc.](#) from [Pixabay](#)

## Benefits of kilometre rates

*Convenience:* No need to track individual expenses like fuel and repairs.

*Flexibility:* Great for occasional business trips, like property visits.

## Tracking kilometres

**Record your odometer:** Note your odometer reading on your business balance date (usually 31 March).

**Check your distance:** This helps determine if you've driven more than 14,000km in the year and need to use the two-tiered rate structure. Keep records of your business kilometres. A three-month logbook is allowed if it represents your annual travel, but you need to update it every three years.

## Changing vehicles mid-year

**Odometer readings:** Record the readings when selling your old car and buying a new one to ensure accurate kilometre tracking for both vehicles.

Remember, kilometre rates simplify expense claims but might not match your exact expenses, which could be higher or lower. They make claiming business travel expenses easier and they're especially helpful for people with occasional business trips or who prefer simpler record-keeping.

## A guide to winding up

### Closing your company can be bittersweet.

Before you shut the doors for good, there are some important steps to take to ensure everything goes smoothly and legally.

The goal of winding up a company is to settle everything in an orderly way. Here are some key steps:

**Settle debts:** Pay off all creditors, including suppliers and employees, and any outstanding taxes, before dissolving the company.

**Collect debts:** If anyone owes your company money, collect it before closing. You might sell these debts to a collection agency or transfer them to another entity, but get legal advice on the proper procedures.

**Distribute assets:** After settling debts, distribute any remaining assets (cash, equipment, etc.) according to your company's constitution or shareholder agreement. Ensure all director and shareholder resolutions are completed before taking any surplus cash. Talk to us first!

The winding-up process can vary based on your company's ability to pay its debts (solvency) and the reason for closure. If your company is insolvent, different rules apply, and you might need to enter liquidation.

### Warning

If you overlook collecting a debt or leave an asset in the company after winding it up, you won't be entitled to it any more – it will belong to the government. Check carefully before you give instructions to wind up.

### Conclusion

Winding up a company involves legal and financial complexities. Talk to us to ensure you comply with tax and legal requirements and handle everything in an orderly manner.

# Understand your PIR to make the most of investments

## Just what is a PIR?

If you're a New Zealand resident investing in KiwiSaver or PIEs (Portfolio Investment Entities), your Prescribed Investor Rate (PIR) determines the tax rate on your investment earnings. Providing your PIR to the investment organisation ensures the correct rate is used.

## Finding your PIR

Your PIR is generally based on your highest income tax rate (marginal tax rate) from the past two income tax years. If your PIE income exceeds \$22,000, it must be included in the calculation. Here's how it works:

- If your total income is over \$48,000, your PIR is 28%.
- If your income is under \$48,000 but adding PIE income pushes it over \$70,000, your PIR is 28%.



For example:

- Income \$45,000 + PIE income \$23,000 = PIR is 17.5%.
- Income \$45,000 + PIE income \$28,000 = PIR is 28%.

## How to find your PIR for the year ending 31 March 2025

Look at your income tax for the last two years: 31 March 2024, and 31 March 2023.

Choose the lower marginal tax rate to be your PIR.

*Example:*

- If your income for 31 March 2024 was \$49,000, you'd be paying 30% tax on income over \$48,000, so your PIR would be 28%.
- If your income for 31 March 2023 was \$47,000, your highest tax rate would be 17.5%, so your PIR would be 17.5%.
- Choose the lower one, which is 17.5%.

## What are PIEs?

PIEs are investment funds with specific criteria. They offer a maximum tax rate of 28%, encouraging investment. Common types include:

- **Multi-Rate PIEs:** The most common type.
- **Listed PIEs:** Shares or unit trusts on the stock exchange, which may include dividends with attached tax credits (imputation credits).

## Imputation credits: A tax advantage

Listed PIEs may offer dividends with imputation credits, representing tax already paid by the company. If your tax rate is lower than the imputation credit rate, you can claim a tax refund by including them in your tax return.

## Other considerations

- **Non-residents** generally use a PIR of 28%, with some exceptions.
- **Trusts** can choose a PIR suitable for the beneficiaries. If not using 28%, undistributed PIE income will be taxed at the higher trust income rate. A trust choosing the 28% rate can exclude PIE income from its tax return but can't distribute the PIE income to its beneficiaries.
- **Companies** should always use a PIR of 0% and include the income in the tax return.

*Image by [wal172619](#) from [Pixabay](#)*

# Planning critical for survival

**Running a small business can be tough, especially when it comes to finding time to plan.**

Planning for disasters can be even tougher. But planning is like plotting your course on a map – it helps you steer clear of panic when things go haywire.

It's crucial to have an emergency plan for stuff like natural disasters, cyberattacks, fires, or major financial hits. This plan can be a lifesaver when chaos strikes.

Equally important is having a business continuity plan (BCP). A BCP is your playbook for getting your business back on track after a crisis. The goal is to keep the wheels turning so you can keep your business afloat.

Imagine a flood wipes out all your stock, machinery, and office space. A solid BCP should answer questions like:

- How quickly can you restock from your usual suppliers or find new ones?
- Can you buy stock from your competitors to keep things going?
- How fast can you clean up or find a new workspace?
- Can you get your suppliers to step in and serve your customers directly?
- Are you and your staff able to work remotely?
- Can you access important documents and systems, like from the cloud?
- Do you have a manual to guide your team on what to do during a crisis?

A critical factor in your BCP should also be business interruption insurance. It could be the difference between shuttering your business and surviving for another day. When buying a policy, consider:

Cover for wages

Cover for financial loss

How much time your business might be interrupted.

Having a robust BCP isn't just good sense, it's good for business. Potential buyers will see you're serious about your business, and your staff will feel happier knowing their jobs are safer.



## August 28 2024

First instalment of 2025

Provisional Tax for taxpayers with 31 March balance date, who pay provisional tax three times per year.

## September 28, 2024

Second instalment of 2025

Provisional Tax (December balance dates).

## October 28, 2024

First instalment of 2025 Provisional Tax for those with March balance dates, who paid GST twice a year

## November 28, 2024

First instalment of 2025

Provisional Tax for those with June balance dates

# Brainstorm with the assistance of AI



**More and more small businesses are jumping on the artificial intelligence (AI) bandwagon to save time and streamline their operations.**

AI can bring fresh and creative problem-solving techniques to the table, offering up potential solutions based on the info it's given. One cool way businesses are using AI is by tapping into tools like ChatGPT to kick their brainstorming sessions up a notch.

Picture this – you're brainstorming how to market a new product, let's say a fancy new carpet cleaning liquid. With a bit of input, AI can churn out ideas or collaborate with your team to polish up your own thoughts on how best to market your new cleaner.

Tools like ChatGPT can help tweak ideas, offer feedback, and suggest ways to make your ideas even better. It's like having a supercharged brainstorming buddy right at your fingertips!

*Image by [Leo](#) from [Pixabay](#)*

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