



Chatfield & Co.

LIMITED
CHARTERED ACCOUNTANTS

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

Newsletter - Summer 2025/26

How the power of pricing can influence consumer purchases

When it comes to setting prices, numbers are not just numbers – they are signals.

How you price your products or services can subtly influence how customers feel about what you are offering. That is where pricing psychology comes in, using behavioural science to guide smarter pricing strategies.

The big box stores and supermarkets are experts at this strategy.

You can apply four of the most powerful techniques – charm pricing, anchoring, bundling, and urgency – to position your goods or services more effectively.

You will certainly have seen charm pricing. It is the \$19.99 price instead of \$20.00. This works because consumers tend to focus on the left-most digit. In this case the '1', not the '2', so \$19.99 feels significantly cheaper than \$20, even though it is only a cent less.

This trick can make your pricing feel more attractive without really cutting into your margin.

The idea of anchoring is using a high "reference price" to influence how your actual price is perceived. For example, if you list a premium package for \$499 and your standard one for \$299, suddenly \$299 feels like a great deal.

That high anchor helps frame the



Image by geralt, Pixabay

value of your other options. If someone takes the premium package, you will do well, but you are expecting most to go for what would be regarded as the better deal.

Bundling is all about combining products or services into a package. It reduces the need for customers to make multiple decisions and can increase perceived value.

For example, instead of choosing between separate services, customers see a single, value-packed offer, which can help you upsell without the hard sell.

And you will have seen this concept many times, on the internet.

Creating a sense of urgency through limited time offers or low stock messages taps into the fear of missing out. This encourages quick decision-making and discourages hesitation, especially in online or service-based sales.

Used thoughtfully, these strategies cannot just help to convert browsing sales but also help to position your brand more effectively.

– More on pricing, pages 3 and 5

TAX

Tax Bill changes proposed.

Key reforms for employers, employees, and investors

The **Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill** includes the following proposed changes to the tax law:

Employee share schemes

Some employers, particularly when starting in business, like to compensate their employees with some shares in the company mainly because they cannot afford to pay market wages and this is a way to compete for good employees.

Obviously, if you issue shares in lieu of wages, it is income and taxable but usually neither the employer nor the employee can afford to pay the tax.

As from 1 April 2026 the date for paying the tax is going to be deferred until there is a “liquidity event”. This means something happens which should provide the cash needed. There are three liquidity events:

- the company shares are listed on the stock exchange
- there is a sale or cancellation of the shares
- a dividend is paid.

These schemes are available for private unlisted companies. The employer must notify Inland Revenue and the employee of the election at the time the shares are issued.

Exempt employee share scheme

Employers are allowed to issue their employees with shares, without incurring tax. The scheme is already in existence but the current Bill before Parliament proposes increasing these thresholds as follows:

- the maximum value of the shares is \$7500 per year
- the maximum discount an employer can provide on the market value of those shares is now \$3000.

Cash basis person

Investors will be aware that at a certain threshold they have to account for income from “financial arrangements” on an accrual basis. This means you have to bring into account money earned at balance date but not yet received for interest-bearing investments, as opposed to investment in equities (shares, unit trusts).

There are three of these thresholds.

Most people get caught by either the “absolute value” threshold for the total amount of your financial arrangements (investments plus money owing by you) or the total interest threshold (Interest income plus expenditure on interest) on those financial arrangements. The figure for the total of financial arrangements used to be \$1 million, but is being increased to \$2 million

The interest threshold has gone up from \$100,000 to \$200,000.

There is a third threshold. Called the deferral threshold. Here is the calculation:

(Accrual Income – Cash Basis Income) + (Cash Basis Expenditure – Accrual Expenditure). This threshold is to increase from \$40,000 to \$70,000.

Gift cards – open loop

Our front-page article in the autumn 2025 newsletter told you all about gift cards.

Under the current law the correct way to account for tax on “open loop” gift cards is to treat them as a bonus and tax them as wages. An open loop card is a card which can be widely used for purchases such as a Visa card.

Many employers were treating the cost of these cards as fringe benefits. For bigger organisations, where the \$22,500 threshold mentioned elsewhere in this newsletter would generally be exceeded, this treatment would not make any difference to the amount of tax collected by Inland Revenue.

This law is to be revised from 16 April 2025. It will become permissible to treat these cards as classified fringe benefits. The exemption available for unclassified fringe benefits will not apply.

People returning to New Zealand and new residents

The government is concerned “good brains” are being turned away from this country because of the way we tax shareholdings in unlisted foreign companies.

The new rule, known as the Revenue Account Method, is being created for taxing returning New Zealanders, who have been out of the country for at least five years, and those who have never lived here and become New Zealand residents.

There is a list of conditions, and the method of tax is complicated to explain.

If you or someone you know could qualify, please get in touch with us.

Do you supply electricity to the National Grid?

The law is to be changed so a natural person, who contributes their electricity to the National Grid, and who generates the electricity from a dwelling, will not be taxed on the income.

Unclassified benefits for employees

You will be aware if an employer makes a gift to an employee, the value of the gift is a fringe benefit. It is an “unclassified” gift, there is an exemption of \$300 per employee per quarter with a maximum of \$22,500 in total for a year.

For example, I give Christmas presents each worth \$200 to all my staff. Provided I do not have too many staff and when I include other gifts during the year, the total value does not exceed \$22,500, I get an exemption from fringe benefit tax.

What happens if instead of making the “unclassified” gift myself, the employee actually purchases the gift and then I reimburse them for the cost? Answer: the reimbursement used to be taxable income but the law is now being changed from 1 April 2026, and it is to be treated as a fringe benefit.

BRIEFS

Family boost

Proposed changes:

- maximum eligibility annual household income \$229,100
- percentage claim to go from 25% to 40% – maximum \$1560 per quarter.
- abatement rate drops from 9.75% to 7% for household incomes over \$35,000 per quarter.
- effective date 1 July 2025.

Ref: <https://www.beehive.govt.nz/release/households-get-extra-family-boost-help>

Paid parental leave rate

- Weekly payment to become \$788.66.
- Minimum rate for self-employed to become \$235 per week.
- Duration – continuous period of up to 26 weeks.
- Effective date 1 July 2025.

Two tips to make deals seem irresistible

Some prices just seem like a better deal, so you end up buying even when you were not planning to.

How you were influenced is probably not by accident, and you probably fall for the pricing psychology behind it more often than you think.

Two clever strategies behind this psychology are what are known as the decoy effect and zero pricing.

Many businesses use the decoy effect to steer your choices. The idea is simple: offer three options but promote one as a “no-brainer”.

For example, the price at a café shows a small coffee for \$6, a medium at \$7.20 and a large for \$7.50. What coffee are you steered towards?

The medium coffee is not really there to sell. It is a decoy. Its job is to make the large look like a bargain: “Only 30c more for the big one? Why not!” Suddenly, you are upsizing,

and the café is making more profit, all without pushing you. It is your decision after all.

Zero pricing is a little different, because everyone likes something for nothing – “free” is the irresistible word. Offer something at no added cost, or highlight something free, and people pay attention.

Think of streaming services with free tiers, or cafés offering a free coffee with a scone. The offer might not be their main product, but it gets people in the door. And once you are in? Maybe you grab a muffin, upgrade, and upsize, or just keep coming back.

Both the decoy effect and zero pricing work because they play on how we feel about value, not just what we see on the price tag.

When renovating a new rental could cost you

Often, when a property is bought for rental, the owner will do it up shortly after purchase after it is tenanted.

IRD’s view is this cost should generally be added to the amount paid for the property.

Why? Because if it is work which the previous owner might have done, it is assumed, if that had happened, you would have paid more for the property.

It is better to plan your maintenance

and delay to a point where some wear and tear has occurred while you own it. Don’t rush in at the beginning.

The following are the factors which should be considered when determining whether a maintenance cost should be added to the cost of the property or treated as repairs:

- the time which has elapsed before the repair is undertaken
- the state of repair of the asset at the time it was bought

- whether the asset was in a fit state to use at the time of acquisition
- whether this state of repair of the asset affected its value when you purchased
- intended use of asset compared with previous use
- nature and extent of repair work done
- whether the owner made any use of the asset before or during the repair work.

Unlock AI potential with specific questions

AI is useful for answering business-related questions, but it can be more powerful if you use it the right way.

If you’re new to AI, there are multiple applications readily available – ChatGPT, Google Gemini, Microsoft Copilot and Meta AI among them.

Ask and you will get an answer, but if you’re specific with your questions, the answer will be more specific. For example, don’t just ask: “How do I market my business?” It’s better to ask: “What are some low-cost digital marketing strategies for a local service business with less than \$1000/month to spend?”

Don’t ask: “How do I do X?” Try: “Give me a step-by-step plan for launching a subscription-based online news service.”

When you have an answer (almost instantly), follow up with more questions. Treat AI like a business consultant – it can keep going to clarify points and refine answers through conversation.

But always remember, AI is not perfect. Use it to help you prepare and speed up your thinking but verify important or high-stakes decisions with your accountant or lawyer.

Make your CV stand out to land the new job

Landing a job right now isn't easy, especially if you're just starting your work journey.

If you know a young person looking for their first role, here are some down-to-earth tips that might help:

- Show up in person (if you can) – One of the best ways to get noticed is to go into a company and hand over your CV yourself. Face-to-face contact can make a significant difference. That said, lots of places don't have reception areas anymore, so if you can't deliver it personally, post or courier it instead. Even if your CV is only a few pages, put covers on the front and back to make it look polished and professional.
- Customise your CV – Don't just fire off the same version to everyone. Tailor it to the job and the company. Point out how your skills or background fit what they're looking for.
- Keep it short and sharp – Most people won't read a long CV. Aim to keep the main CV to one page and then attach extra info as a supplement – like a more detailed breakdown of past work or qualifications.
- Put the good stuff first – Your most impressive points should be at the top. Chances are, the person reading your CV is skimming it quickly, so you want them to see your strengths right away.
- Make it easy to read – Use bullet points and short, punchy sentences. Start each point with an action word like "led," "organised," or "managed".
- Make contacting you easy – Include your phone number and email and make sure they're easy to spot. The easier it is for someone to get in touch, the better your chances.

In your supporting info, include (in this order):

- Work experience – start with what's most impressive or relevant.
- Skills.
- Education – put the most important stuff first.
- Volunteer work – include it if it adds value.

Last but not least, have someone else proofread your CV. Spelling or grammar mistakes can sink your chances, so a second pair of eyes is always a good idea.



28 November 2025
First instalment of 2026 provisional tax for those with a June balance date

15 January 2026
Second instalment of 2026 provisional tax (March balance date except for those who pay provisional tax twice a year).

Pay GST for the period ended 30 November 2025.

7 April 2026
Terminal tax for 2025 (March, April, May, and June balance dates).

For all clients except those who have lost their extension of time privilege.

Discounting could cost you more than you think

It's not surprising many businesses drop their prices to compete with a rival – especially one who's started discounting to get more sales.

If you're tempted, consider where you want to sit in the market, not just how your prices compare. A bit of thought could save your business from making a costly mistake.

Panicking and slashing prices to keep up with competitors can backfire. You can not only hurt your profit margins but also damage your brand. Would Rolls Royce ever cut prices just to sell a few more cars?

It's OK if you're aiming to be a cheap, high-volume supplier in the market. Your prices will reflect that. But if you position your business as a premium, high-value brand, cutting prices might not help.

Be clear on where your firm sits. Then look at what your

competitors are doing. If they're cutting prices, they might be trying to reposition themselves as a cut-price business. Understanding their moves helps you plan yours.

Important in any strategy is to figure out how much profit you need, not just to stay afloat, but to grow. Businesses need to make money, so your pricing has to support that.

Sometimes, raising your prices might actually be smarter, especially if you're adding value. An example is when McDonald's opened a store close to a shop selling hamburgers. The other owner doubled his prices and lost about 10% of his customers. But by doubling his price, he convinced people his product was so much better.

So don't treat pricing as a reaction, but as a statement. Remember, pricing on any part of the scale determines how you are perceived.

DISCLAIMER: The information in this newsletter is, to the best of the publisher's knowledge, true and accurate. No liability is assumed by the publisher for any losses suffered by any person relying directly or indirectly upon this newsletter.