THE Client Link

AUGUST 2026 OUR NEWSLETTER FOR GROWING BUSINESSES

IN THIS ISSUE:

From personality tests to HR courses and CEO podcasts, there's no shortage of people telling you how to manage your people. But the best solutions are often those that move beyond the one-size-fits-all advice and are tailored to the specific needs of your team.

While many New Zealand organisations are still navigating economic pressures and making careful decisions about growth and staffing, there are also signs of renewed confidence and opportunities ahead. As businesses look to the future, it's a timely reminder that people and payroll processes deserve just as much attention as the numbers.

In this issue, we unpack some important employment topics, provide an update for company shareholders following this year's Budget, and share practical insights on leading a diverse team of people.

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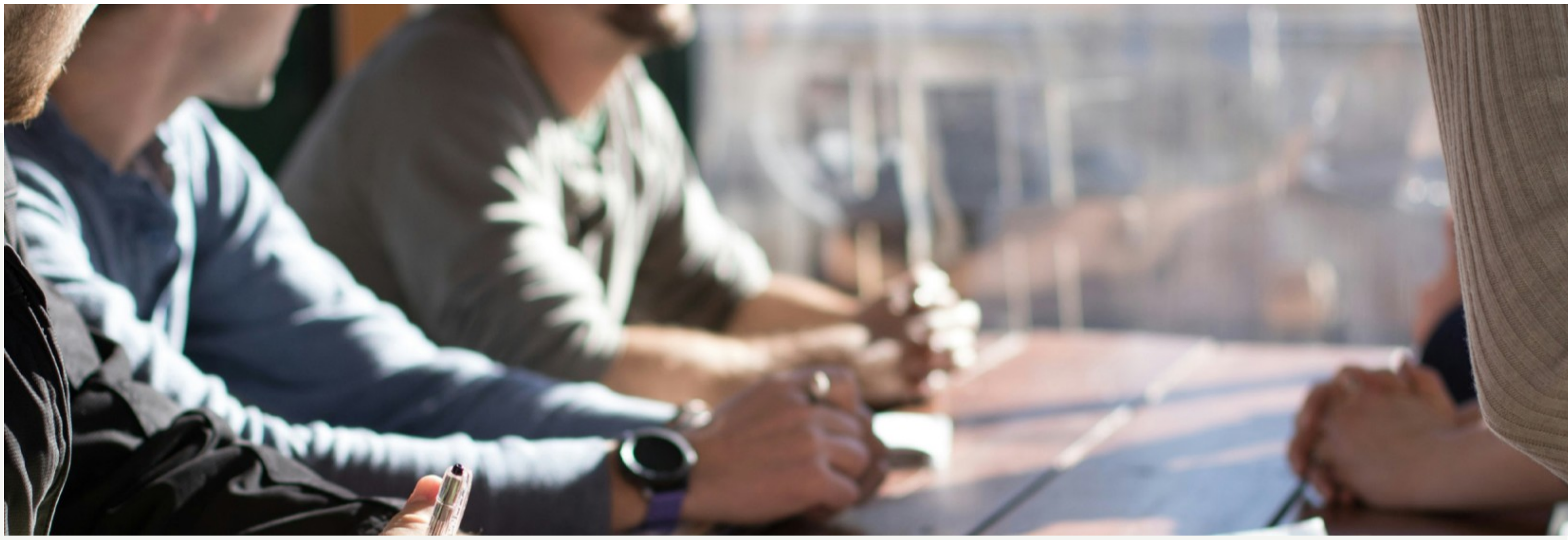

What you need to know about restructuring your business

As Kiwi businesses continue to face rising costs, high interest rates, and cautious consumer spending, many are reviewing their operating models. For some, that means restructuring.

If you're considering changes to roles or staffing levels, it's important to understand your obligations as an employer. Here's what you need to know about restructuring your business legally, fairly and in good faith.

1 You need a genuine reason to restructure

A restructure should be driven by the **needs of the business, not the performance of an employee**. There must be a valid reason for the proposed changes and you should be able to explain why the new structure better supports your organisation.

Reasons may include:
Financial pressures or rising costs • Changes to products or services • Outsourcing business functions • A shift in strategy or priorities

2 Consultation comes first

Employees who may be affected must be consulted before any decisions **are made**. You must provide relevant information, give them an opportunity to respond and genuinely consider their feedback before making a final decision.

An affected employee (except employees on $200k or more) left out of this process may have grounds for a personal grievance claim.

3 Other important considerations

Redeployment. Consider whether an employee could move into another suitable role before making them redundant.

Vulnerable workers. Certain employees, including some cleaners, caterers and caretakers, have additional protections during a restructure.

Employment agreements. Redundancy compensation is only required if provided for in the employee's contract.

Budget 2026 - Tax update for Companies being removed from the Register

Has your company been struck off or is it being removed from the Companies Office Register? Recent Budget changes mean that outstanding loans to shareholders, directors or associated persons may become taxable income if they remain owing six months after the company is removed from the Register.

If you are considering restructuring your business affairs or changing your trading entity, be sure to speak with us about the tax implications.

If you're considering restructuring your business, talk to us first.
We can help you make informed decisions before taking the next step, talk to us first.

Making the most of the 90-day trial

Hiring the wrong person can be expensive, which was one of the arguments for reintroducing 90-day trial periods in December 2023. The key is not to view the trial period as a safety net, but as an opportunity for both you and your new employee to make sure the role is the right fit.

To get the most out of a trial period:

1. **Start before day one.** A trial period isn't a substitute for good recruitment. Take time to check references, verify qualifications, and ask the right questions during the interview process.
2. **Set people up for success.** Be clear about expectations, provide training and support, and make sure your new employee understands what success looks like in their role.
3. **Check in regularly.** Regular conversations help you understand how a new employee is settling into their role, while giving them the chance to ask questions and seek support.
4. **Address issues early.** Don't wait until week 12 to raise concerns. If something isn't working, be clear about the improvements you expect to see.

Remember: the trial period works both ways. If it's not the right fit, it's okay to walk away – no strings attached.

Heads up: Proposed changes to the Holidays Act

The Employment Leave Bill is currently making its way through Parliament and, if passed, will replace the Holidays Act 2003.

Leave entitlements under the new Bill…

- Annual and sick leave would accrue in hours, starting from an employee's first day of work
- Employees could take part-day leave
- Bereavement and family violence leave could become available earlier in employment.

Other proposed changes include…

- Simpler methods for calculating leave payments
- Clearer rules for determining public holiday entitlement
- New compensation rules for casual and additional workers
- Payslips becoming a legal requirement.

If passed the new legislation is expected to include a two-year transition period.

For more information about the proposed changes, visit the MBIE website.

Second-hand goods

Inland Revenue has clarified the meaning of **"second-hand"** and **"paid"** for GST purposes. To qualify as second-hand, goods must have been bought in New Zealand, and GST can only be claimed on amounts that have actually been paid, regardless of whether you account for GST on a payments or invoice basis.

Deposit or finance? If you pay a deposit, you can claim GST on the deposit but not the unpaid balance; however, if the balance is paid using arranged finance, it is treated as paid and the GST can be claimed, as the subsequent loan repayments do not contain GST. If the deposit and finance fall into different GST periods, the GST claim on the financed amount must be delayed until the finance is completed.

Associated persons and leasing. Special rules apply when goods are purchased from an associated person, such as your company buying a car from you — and to leasing arrangements.

2 WEEKS

The business that runs without you

Could your business operate for two weeks without you? Many small businesses depend heavily on the owner's knowledge and decision-making, but illness, emergencies or even a holiday can quickly expose the risks.

Businesses become less stressful to own when systems replace memory. Document essential tasks, securely store important passwords and make sure key staff understand critical processes. Cross-training can also reduce reliance on any one person.

Good systems save time, improve consistency and make training easier. They can also increase the value of your business if you decide to sell. It's not about making yourself unnecessary – it's about giving yourself better options.

Overhaul of FBT rules

Changes proposed from 1 April 2027

From 1 April 2027, the way Fringe Benefit Tax (FBT) is calculated for staff vehicles is set to change significantly. Instead of tracking the number of days a vehicle is available for private use, vehicles will generally be classified according to how they are used and given a set FBT inclusion rate. This should simplify record-keeping and reduce the need for ongoing day-by-day tracking.

The new treatment will largely depend on how the vehicle is mainly used. Further guidance is still expected on exactly what “mainly” means and what evidence employers will need to keep.

HOW INCLUSION IS DETERMINED

VEHICLE USE	KEY REQUIREMENT	INCLUSION
Full private use	Mainly personal use	**100%**
Partial private use	Mainly business; private use and commuting permitted. **Branded**	**35%**
Farm vehicles	Mainly farming; qualifying closely held farming company/shareholder-employee	**35%**
Minor private - one worksite	Commuting only to a fixed worksite. **Branded**	**20%**
Minor private - multiple worksites	Commuting only; work requires multiple worksites. **Branded**	**0%**
No private use	Shared/pool business vehicle; no personal use	**0%**

CALCULATING THE TAX

Apply the inclusion rate above to the base percentage for the vehicle's engine type.

PETROL / DIESEL	HYBRID	ELECTRIC (EV)
22.8% of cost or **47.25%** of TBV	**19.6%** of cost or **40.5%** of TBV	**17.0%** of cost or **35.0%** of TBV

Existing rules for switching between the Cost and Tax Book Value methods remain unchanged.

OTHER IMPORTANT CHANGES

Exemption shake-up: The traditional “work-related vehicle” exemption is being eliminated. However, a total exemption is being introduced for specific emergency vehicles.

The "incidental use" safety net: Don’t worry about one-off situations. Infrequent, ad-hoc personal tasks — such as an employee borrowing a work ute to move a couch on the weekend — are carved out and will not change the vehicle’s category or trigger extra tax.

WHAT TO DO NOW

Although the changes don't apply until April 2027, they may affect decisions about vehicle purchases, branding and employment arrangements. If you'd like to discuss how the new rules could affect your vehicles, please contact us.

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Health and safety

Some fringe benefits supplied for health and safety reasons are not subject to Fringe Benefit Tax (FBT).

To qualify for this exemption, the benefit must meet the following four requirements:

- **It must be for an employee:** If you operate through an ordinary Limited Liability Company, you are considered an employee if you work in the business (even if you are a shareholder-employee), so this can apply to you too.

  > ***Note on LTCs:*** *If your company is a Look-Through Company (LTC) and you own shares, you are treated as a "working owner". Working owners are completely outside the FBT regime, so FBT does not apply to you. However, if you work in the LTC but do not own shares personally (for example, if a family trust owns them), you are treated as a standard employee, meaning FBT rules and this health and safety exemption do apply to you.*

- **It relates directly to health and safety:** The benefit cannot just be a general perk.

- **It must manage a specific workplace risk:** The benefit must help the employer meet obligations under the Health and Safety at Work Act 2015. General health and well-being initiatives typically do not qualify. Free annual flu injections can manage the risk of a workplace outbreak and are exempt; a gym membership remains subject to FBT.

- **It is not an explicitly restricted benefit:** The exemption generally does not apply to subsidised travel, accommodation, or standard clothing, unless specifically required to manage a distinct workplace health and safety hazard (such as specialised protective gear).

✓ Applies	X Does Not Apply
ergonomic desk and chair for an employee who works from home	corporate running or biking event to promote general health and well-being
counselling services - high-stress workplace affecting mental health	prescription glasses and hearing aids - because of personal benefit
Covid or flu vaccinations	health insurance premium to manage general risks to an employee's health.
eye and hearing tests - risks relating to workplace	
first aid training to manage workplace injury risks	
sunscreen for employees who work outside.	

There's always a cost to waiting

Every business owner has a list of jobs they'll "get around to one day." Updating prices. Chasing old debtors. Reviewing subscriptions. Looking at insurance. Checking whether staff are using the latest software properly.

The problem is, small costs rarely stay small.
One café owner recently reviewed their monthly expenses after noticing profits weren't matching sales. Within an hour they found three software subscriptions they no longer used, an internet plan that was far more expensive than market rates, and merchant service fees that hadn't been negotiated in years.

Their review found more than $4000 a year in savings - without selling one extra coffee.

Many business owners focus on increasing revenue while overlooking expenses that quietly grow over time. Inflation, automatic renewals and changing supplier pricing can all erode profits.

A simple annual "business health check" can uncover surprising opportunities. Review recurring expenses, compare suppliers, check margins on your best-selling products, and make sure your pricing still reflects today's costs - which seem to rise daily!

Even small improvements compound over time.

Growing a business isn't always about working harder.
Sometimes it's about stopping money from quietly leaking away.

Review recurring expenses
Check subscriptions, memberships and services you no longer use or could get cheaper

Compare suppliers
Prices and terms change - it pays to shop around.

Check your margins
Make sure your best-selling products are still delivering the profit you expect.

Review your pricing
Ensure your prices reflect today's costs so your profits don't quietly disappear.

Changes come in 2026 Budget.

There was a lot of new material in the 2026 Budget, including several changes affecting charities and not-for-profit organisations.

Charities and not-for-profit organisations

Charities

From 1 April 2028 you will be able to claim refunds throughout the year for your donations to charity. You will also be allowed to instruct Inland Revenue to send your tax credit to that charity.

The maximum donations claimable for a credit is going to be capped at the lower of $100,000 or the donor's taxable income.

Not-for-profit organisations

There was some discussion last year about members' subscriptions being taxable. That's not going to happen – the law is to be changed to confirm subscriptions will not be treated as taxable income.

From 1 April 2027 the tax-exempt threshold is to be lifted from the current first $1000 of income, to $10,000.

Volunteer honoraria have been taxed as Schedular Payments. From 1 April 2028 organisations will be able to process honoraria as though they were salaries or wages, if they so choose.

Diversity is good for business.

Here's how to make it work.

Diversity isn't just about fairness and inclusiveness – it can also be good for your bottom line. Different perspectives can uncover opportunities, challenge assumptions and help avoid groupthink. You don't need to be an expert in personalities, generations or neurodiversity to lead a diverse team well. Stay curious about your people and be willing to make small adjustments.

1. **Embrace different personalities**
People are wired differently. Some employees nod along in meetings while others contest every point; some enjoy an open-plan office while others seek a quiet corner. These differences are often about personality rather than attitude, and good leaders recognise this and adapt their approach.

2. **Support neurodiversity**
Neurodiversity, including ADHD, autism and dyslexia can affect how people communicate and process information, while also bringing strengths such as creativity, attention to detail and innovative problem-solving. Small changes such as providing written instructions, encouraging movement breaks and creating a no-judgement culture around noise-cancelling headphones or fidget toys can remove unnecessary barriers.

Diversity pays dividends

Different perspectives can sometimes be uncomfortable, but they can also make businesses better. Organisations that embrace those differences can benefit from stronger teams, better ideas and employees who want to stay.

Tax Calendar

DATE	CATEGORY	DESCRIPTION
28 August	GST	Payment and return for July.
28 August	Provisional Tax	1st Instalment due for 2027 provisional tax.
28 September	Provisional Tax	Second instalment of 2027 provisional tax (December balance dates).
28 October	Provisional Tax	First instalment of 2027 provisional tax for those with March balance dates who pay GST twice a year
28 November	Provisional Tax	First instalment of 2027 provisional tax [June balance dates]

Note: any provisional tax due dates noted apply to those clients who pay provisional tax on the standard uplift or estimation basis and have a March balance date. Different dates apply for those clients who have different balance dates, or use the ratio or AIM method. Contact us if you would like to check your provisional tax payment obligations.