



Take Care if Winding up a Family Trust

If you're winding up your family trust, which some people are doing as a result of the top tax rate changing to 39%, be careful if your trust owns shares in your own company. When there is a change in shareholding in a company, such as from the family trust to you, if the number of shares being transferred exceeds 34% of the total shareholding of the company, imputation credits are forfeited.

In fact, you've also got to look out for past shareholding changes because the rule requires a continuity of shareholding of 66% of voting shares (and market value interests, if applicable) from the date the tax was paid to the date the credit is used. So if there has already been a shareholding change, be very careful. Declare a dividend to use up your imputation credits before you change your shareholding.

Why is this important?

Because when you wind up your company you have to pay out retained earnings as dividends. If you've lost imputation credits, you get taxed again on these distributions. Imputation credits are designed to allow you tax relief to the extent the company has already paid tax on its income being distributed to you.

IN THIS ISSUE:

Changes to ACC	P2
IRD taking a stronger approach	P2
Tax on sponsorship	P3
Simplified work leave rules proposed	P3
The down low on the new digital nomad tax	P4
Data security and privacy risks you can't ignore	P4
Tax Calendar – March, April 2026	P5

1. No Claims Discount is ending

The No Claims Discount is being removed as it hasn't delivered the expected health and safety improvements and has been subsidised by other businesses.

What's changing:

- Levy invoices will no longer include a 10% discount or a 10% loading based on claims history.
- Employers will see this change in the provisional invoice they receive in 2026.
- Self-employed people will see this change in the invoice they receive in 2027, unless they cease being self-employed earlier.

2. Experience Rating becomes self-funding

Experience Rating will become self-funding, meaning businesses outside the programme will no longer contribute to the discounts in it.

What's changing:

- All businesses in the programme will pay an additional Experience Rating (ER) Programme rate, currently 7.2%, on top of their Work Account levy.
- This will appear as a single Work Levy (ER) rate and is separate to any Experience Rating loading or discount for a business's claims performance.
- Employers will see this change in the provisional invoice they receive in 2026.
- The levy calculator has been updated to include the ER programme rate for impacted customers.

3. Interest on new instalment plans

Interest will apply to all new or rolled-over levy instalment plans, including three- and six-month plans that were previously interest free. This change is intended to

improve fairness for businesses who pay their levy invoice in full and on time.

What this means:

- Each instalment will include interest, calculated using a formula that reflects wider economic interest rates.
- Instalment plans set up before 1 April 2026 will keep their existing interest rate until the plan ends. For plans of three- or six-months, this is 0%.
- All instalment plans will use the same annualised interest rate.

Longer instalment plans will incur more interest overall.

4. Late payment interest (formerly late fees or penalties)

Late payment interest applies when levies or instalments become overdue. Changes are being made to how the rate is set, and how interest is applied.

What's changing:

- The late payment interest rate will be set using a formula connected to the instalment interest rate, with an additional margin to discourage late payments.
- Late payment interest will be calculated daily and compounded monthly.

To avoid higher interest charges from late payments, businesses should arrange payment before their invoice becomes overdue.

Inland Revenue Taking a Stronger Enforcement Approach in 2026

Inland Revenue has stepped up its approach to overdue tax, with faster follow-ups, closer monitoring, and earlier enforcement where businesses fall behind. This is largely driven by improved technology and automation, enabling earlier detection and more consistent responses.

For businesses carrying tax debt, early action is critical. Inland Revenue is far more willing to work with those who make contact early to clear outstanding amounts or set up an instalment arrangement before the debt escalates.

Alongside this broader enforcement approach, Inland Revenue has also signalled a tougher stance on serious non-compliance.

A recent Revenue Alert highlights the potential criminal consequences where employers deduct PAYE or other amounts from employees' wages but fail to pay these to Inland Revenue by the due date. This is treated as a serious offence, with penalties including prosecution and potential imprisonment of up to five years.

What this means in practice: Inland Revenue is acting earlier, more consistently, and more firmly — particularly where employee deductions are involved. Proactive engagement and keeping obligations up to date are now more important than ever.

Tax on sponsorship under review

The Inland Revenue Department is revising its understanding of what constitutes a tax-deductible expense for sponsorship.

Sponsorship can be either in the form of money, products or services. If you want to claim a deduction, there needs to be a sufficient connection between the expenditure and the earning of business income. So if you feel you would like to contribute to your favourite sports team, you have to get good value in return otherwise your expenditure is not tax deductible.

The amount of the expenditure could be relevant to the deductibility if “the parties are associated”. This means if

your company is sponsoring your favourite sports team or a relative’s activity, there is an association between you and the company, which tends to suggest the expenditure is not genuinely advertising for the business but rather for your personal benefit.

Your purpose at the time of incurring the cost is the key factor.

You need to be careful if you are supplying trading stock. If you supplied trading stock at less than

market value, Inland Revenue says you are making a taxable profit on the difference between market value and the cost at which you supplied the goods.

If you provide the services of one of your staff, the salary paid is tax-deductible.

If you acquire the use of a valuable asset as part of the sponsorship but you don’t get ownership of it, the related sponsorship cost is tax deductible.



Simplified work leave rules, proposed

For years employers have struggled to understand the rules about paying holiday pay and sick pay. The government has now come up with a rather simple formula. It isn't law yet so you can't apply the new rules. However, if it becomes law this is how it is currently proposed to work:

- **Annual leave** – count the number of hours worked by your employee. Multiply this by 0.0769 and you get the number of hours of annual leave you should be granting your employee. So, if Alice works 200 hours then she gets an entitlement of 200×0.0769 hours of holidays. That works out at 15.38 hours. If you know her hourly rate you can easily calculate how much holiday pay she is entitled to.
- **Sick pay** – same idea only the figure you multiply by is 0.0385. So Alice's entitlement to sick pay, if she has worked 200 hours is 7.7 hours.
- **Casual workers** - if you read the sick pay and holiday pay together it comes to 11.54% ($0.0769 + 0.0385$). At present proposal is to round this up to 12.5%.

Learn to say no to unprofitable work

One of the hardest skills to learn in business is how to say no to work, especially when it's being offered. But saying yes to unprofitable work quietly costs you time, energy and money.

Unprofitable jobs often have warning signs – vague scopes, tight budgets, frequent “quick questions”, or a strong push for discounts. If a job makes you uneasy before it starts, trust your instinct.

Saying no doesn't have to be blunt or awkward. You can keep it professional and polite. Try phrases like: “This work falls outside what we can offer at that price,” or “Given the scope, this wouldn't be a good fit for us.” Another option is to make the work suit you. Set clear boundaries, adjust the scope, or quote a price reflecting the real time involved. If the client walks away, that tells you something.

Remember, every hour spent on low-value work is an hour you can't spend on profitable, satisfying work.



The down low on the new digital nomad tax

In the August 2025 Tax Bill, the Government proposed new rules for digital nomads, paving the way for overseas remote workers to spend longer periods of time in New Zealand.

Once enacted, this bill will allow eligible visitors working solely for overseas employers or clients to be treated as non-residents for tax purposes for longer while in New Zealand, without becoming liable for New Zealand income tax.

To qualify, digital nomads must:

- not provide services to New Zealand customers and,
- stay fewer than 275 days in any rolling 18-month period.

Encouraging longer stays means more visitor spending on tourism, hospitality, retail, and local services, all of which will boost our wider economy – and depending on your industry, your business, too.

Data security and privacy risks you can't ignore

Cyber incidents are becoming more common and more sophisticated. Even a single breach can lead to financial loss and reputational damage, and it often starts with something as simple as a weak password or a convincing email.

This year, keep an eye out for:

Email-based scams

Phishing is still the top digital threat, with scammers now using AI to create more realistic messages, invoices, and impersonations, so train your staff to spot red flags and run scam-simulation tests.

Ransomware and malware

Outdated software, old devices, and unsecured WiFi networks are all easy entry points for attackers. Turn on automatic updates, do a quick monthly check for anything that needs manual attention, and replace devices that can no longer protect you from malware.

Password protection

After thieves stole precious jewels from the Louvre last year, there was a rumour circulating that the museum's security password was 'Louvre'. Whether or not it's true, it's a good reminder to use multi-factor authentication and choose long, complex passwords. Hard to remember = hard to guess.

Third-party tools

Online apps for payroll, scheduling, marketing, or sales can be helpful, but if those tools aren't secure, neither is your data. Always choose reputable platforms with strong security measures.

AI and privacy

AI can help with productivity, but there are big question marks around what it can do with your data. Avoid sharing sensitive information (especially customer details, financial information, and intellectual property) on public AI tools.

Small steps make a big difference. If you'd like help reviewing your financial system security, we can point you in the right direction.

Stay visible in an AI-led search world

From SEO to GEO: AI is changing the way customers find your business

For over a decade, Search Engine Optimisation (SEO) has been a key part of a business's digital presence. Techniques like keyword research, metadata, and backlinks have helped websites rank on Google.

You've likely dabbled in SEO or hired someone to improve your rankings — but, like many things, artificial intelligence (AI) is changing the game.

Introducing GEO: Generative Engine Optimisation

Instead of Googling, people are increasingly turning to AI platforms like ChatGPT, Claude, Gemini, and Copilot to find products, services, and local businesses.

AI doesn't just 'rank pages' the way Google does. It gathers information from across the internet and summarises it into answers. If your content is inconsistent, unclear, or rarely updated, AI tools are less likely to include your business in their responses.

What does this mean for SMEs?

After years of building websites that offer a great user experience, you now need to think about the robot experience too.

Here are four GEO tips to help your business stay visible in an AI-led search world:

- 1. Accuracy:** Make sure your business name, services, pricing, location, and expertise are up to date everywhere you appear online: your website, Google Business profile, social media, and any directories you're listed in.
- 2. Readability:** AI prefers content that is clear and easy to read. Keep using personality, humour, and your own unique style; just make sure the language is unambiguous so it's easy for AI to understand what you do, where you are, and who you serve.
- 3. Reputation:** Reviews matter more than ever. AI increasingly relies on ratings and customer feedback to decide which businesses to recommend, so encourage clients to leave honest reviews on Google and Facebook.
- 4. Structure:** Help AI interpret your website by structuring your content clearly. Direct headings, well-labelled services or product descriptions, and a logical flow to your FAQs make it easier for AI to find, trust, and recommend your business.

Tax Calendar – March, April 2026

DATE	CATEGORY	DESCRIPTION
28 March	GST	Payment and return for February.
31 March	Income Tax Return	Income tax return due for the year ended 31 March 2024*.
7 April	Terminal tax	Terminal tax due
7 April	PAYE	Large employers returns for the second half of March. File employment information within two working days after payday.
22 April	RWT	Payment and return for November.
22 April	PAYE	Small employers return for March and large employers returns for the first half of April. File employment information within two working days after payday.

Note: The above dates apply for clients for whom we prepare tax returns. Clients who do their own tax may have different due dates. Ask us if you're not sure.

Disclaimer: This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.