LYNCH & PARTNERS
CHARTERED ACCOUNTANTS

March • 2024

OUR NEWSLETTER FOR GROWING BUSINESSES

THE Client Link

A new way of signing documents

We hope you're having a great 2024 so far, and are looking forward to a year full of fresh opportunities and new challenges.

An ongoing challenge for accountants has always been how to get documents that need signing out to clients in the simplest, most cost effective way. With this in mind, Lynch & Partners have decided to move away from the traditional method of obtaining signatures on documents towards the use of FuseSign, an electronic signing platform.

The next time we send you a document to sign, you will receive an email, or text from FuseSign containing a link. You just need to follow the instructions in the email to access your documents and begin the signing process.

We appreciate that not everyone will be comfortable using an electronic signing platform. If you would like to opt out and would prefer that we continue to mail out any documents requiring your signature, please contact us. However, if you are happy to use FuseSign to sign documents, but need a little help with the process, again please don't hesitate to contact us.

FuseSign

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Our Prime Minister Christopher Luxon has his feet firmly under the table, so what major policy changes will affect your business? National outlined some of the headline changes it wanted to make within its first 100 days in power. The National-led coalition government have some well underway.

Here are some of the major changes businesses should watch out for:

1. **The reintroduction of 90-day employment trial periods**

   The National-led government has extended the availability of 90-day employment trial periods for all businesses, reversing changes under the Employment Relations Amendment Act made in 2018, which scrapped 90-day trials for businesses with more than 20 employees.

2. **Clean car discount and 'ute tax' to end**

   The clean car discount, under which people could claim back up to $8,625 for an electric or hybrid vehicle, will disappear for all vehicles registered after 31 December 2023. The levy on higher emissions vehicles, such as utes, has also been scrapped.

3. **Fair Pay Agreements cancelled**

   The government has also repealed the Fair Pay Agreements Bill, which was introduced to give workers in certain industries powers to negotiate minimum employment terms.

   Collective agreements can still be negotiated by unions through collective bargaining, however with the repeal of the Fair Payments Agreements Bill, any person or organisation that obtained personal information for the purpose of Fair Pay Agreement bargaining must now dispose of that information in line with the Privacy Act 2020.

4. **Fuel tax changes**

   National have previously stated that the Auckland fuel tax, which adds 11.5 cents to every litre of petrol sold in the city, is set to go however no indication on the timing of this has been released. National also wants to cancel planned fuel tax increases that would have added a further 12 cents to the litre.

5. **Rural regulations set to go**

   National and Act have committed to reducing regulation and red tape in the farming sector. What that looks like we are still to find out. We'll keep you posted.

What property investors need to know

At this early stage, there will always be unknowns as ministers assess new legislation and review existing policies.

One key area to watch will be the tax treatment of property investors. National plans to shorten the bright-line test for property investors to two years from 10 years, returning the law to its 2015 setting from 1 July 2024. New builds will not be exempt from the two-year bright-line.

Interest deductibility for property investors will also be phased back in, reversing Labour's 'phased-out' ban on interest deductions.

Interest deductibility will be 80% in 2024-25, and 100% in 2025-26, as outlined in the proposed amendment paper.

National's proposed restrictions on foreign persons acquiring residential properties for more than $2m in New Zealand and the proposed 15% 'foreign buyer tax' on such purchases have been quashed as part of the coalition government negotiations. Accordingly, any expected change in demand for residential property from this proposed change has gone.

Tax deductions for depreciation on commercial and industrial (non-residential) buildings will also be removed from the 2024-25 income year.

There will be plenty of other changes as the year progresses. Keep up to date by engaging with your industry body, reading the news, and talking to us and your other advisers as policies develop.

Minimum wage set to change: what you need to know

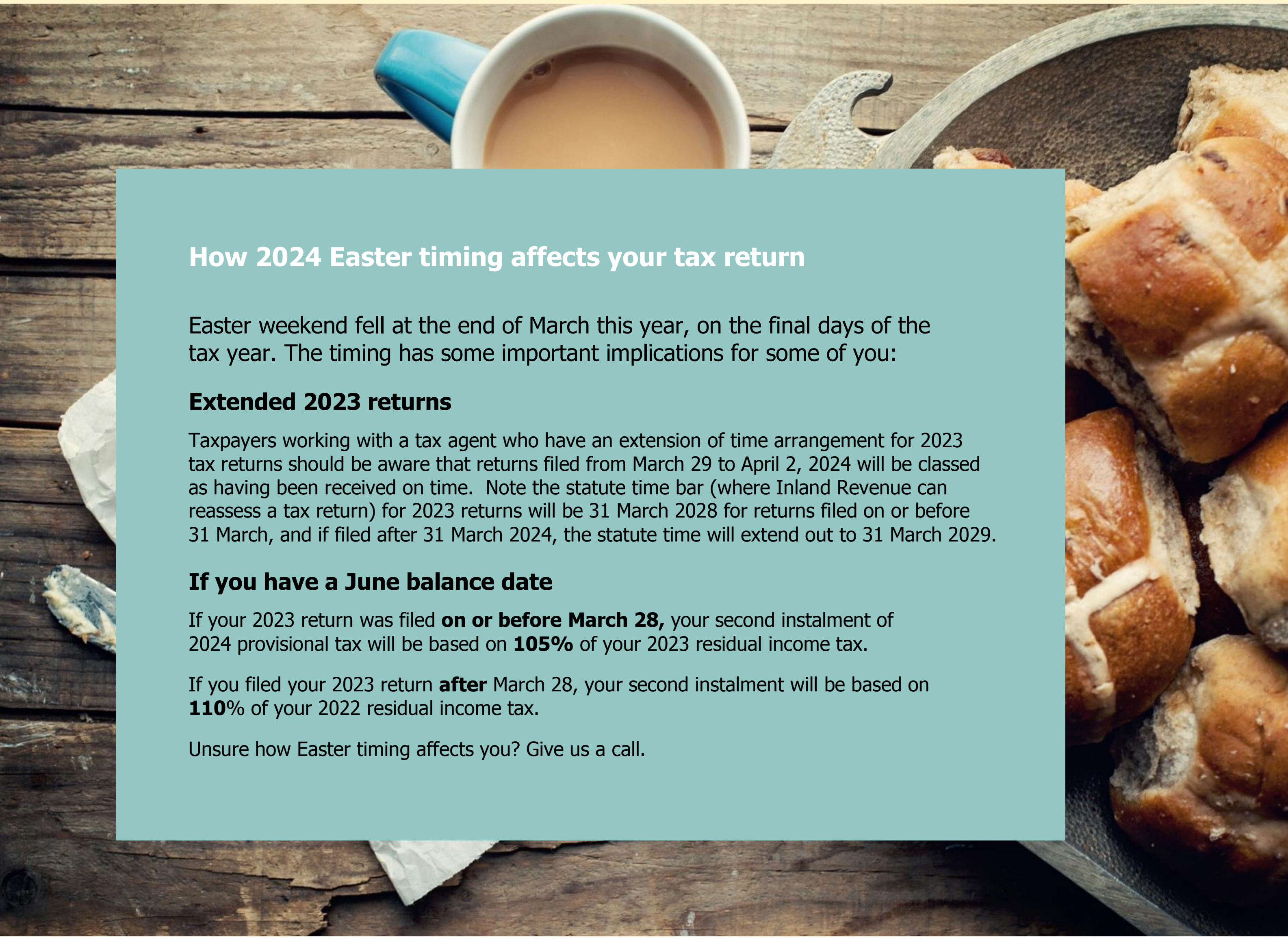
The government has announced an increase to the minimum wage that will kick in from April 1. The adult minimum wage will rise by $0.45 an hour, taking it up to $23.15 an hour. This will mean additional costs for many businesses.

Workplace Relations and Safety Minister Brooke van Velden said that "a cautious approach to the minimum wage is required this year" giving "our lowest paid workers more money in their pockets, without hindering job growth or imposing unreasonable costs on businesses".

If your business has minimum wage employees:

- talk to your payroll people to ensure wage changes have been made
- adjust your budgets for the year
- consider the impact on the rest of your financial plans
- check whether existing employment agreements provide for overtime or allowances. If they do, consider the impact of the wage increases.

Give us a call if you're unsure how to plan for the minimum wage adjustment.



How 2024 Easter timing affects your tax return

Easter weekend fell at the end of March this year, on the final days of the tax year. The timing has some important implications for some of you:

Extended 2023 returns

Taxpayers working with a tax agent who have an extension of time arrangement for 2023 tax returns should be aware that returns filed from March 29 to April 2, 2024 will be classed as having been received on time. Note the statute time bar (where Inland Revenue can reassess a tax return) for 2023 returns will be 31 March 2028 for returns filed on or before 31 March, and if filed after 31 March 2024, the statute time will extend out to 31 March 2029.

If you have a June balance date

If your 2023 return was filed **on or before March 28,** your second instalment of 2024 provisional tax will be based on **105%** of your 2023 residual income tax.

If you filed your 2023 return **after** March 28, your second instalment will be based on **110**% of your 2022 residual income tax.

Unsure how Easter timing affects you? Give us a call.

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.

Inland Revenue recognises 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.

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.

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.

Contactless shopping on the rise as retailers embrace technology

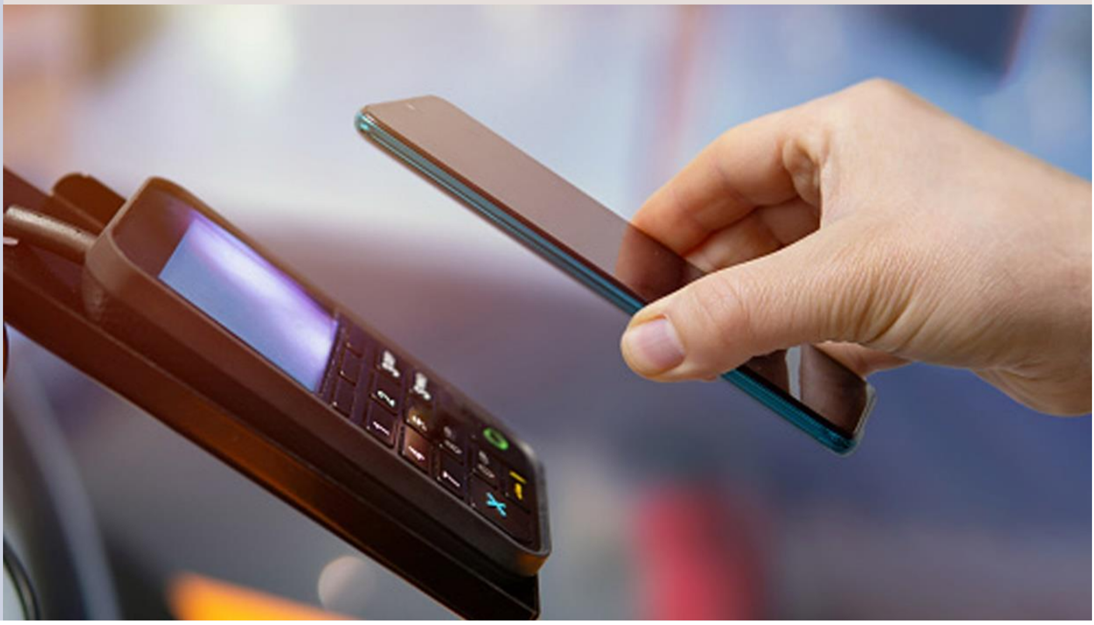
One of the tech trends predicted for 2024 is a big acceleration in the adoption of contactless shopping.

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's 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.



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, the government have categorically said they would increase this to 80% as outlined in the proposed amendment paper. Hopefully, this will increase to 100% for the following year.

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 trusts

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.

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.

Whether your business is in retail, farming, or finance there's no shortage of digital tools to improve efficiency, productivity, and performance.

In a tough business environment, the right digital tools can give your company the edge over your rivals and take you to the next level.

Innovative apps in nearly every industry have emerged over the past few years to help companies save time and become more resilient.

Six reasons to jump onto the Xero App Store

- Xero customers can access more than 1,000 different business apps at the store, and all of the apps can integrate into your Xero platform.
- All of the apps are designed to help you cut down on paperwork, boring back-office tasks, and the stuff that keeps you awake at night.
- The Xero App store uses machine learning to recommend the right apps for business owners and produce effective search results.
- There are apps for tradies, hairdressers, farmers, HR, inventory, and everything in between.
- SME owners and larger businesses can find apps to suit their industry or profession.
- The apps can help you with payroll, payments, reporting, expenses, and e-commerce.

Head to: apps.xero.com to learn more about the store and how it could transform your business.

Digital Boost reminder

If you're not tech-savvy, the government has a free online learning platform, Digital Boost, to help SMEs with digital transformation.

Launched during the pandemic, Digital Boost is a self-directed learning platform with thousands of short videos and information for business owners.

Head to: https://digitalboost.business.govt.nz/ to find out more.

TAX CALENDAR – MARCH 2024

Date	Category	Description
28 March	GST	Payment and return for February
7 April	INC	Terminal tax for 2023 (March, April, May balance dates)
7 May	INC	Third instalment of 2024 provisional tax (March balance date)
28 May	INC	First instalment of 2025 provisional tax (December balance date)
31 May	FBT	Deadline for Fringe Benefit Tax returns

Note: only provisional tax due dates for clients who have a March balance date are included where applicable. Different dates will apply for those clients with different balance dates.