

NEWS & VIEWS

SHAND THOMSON



Accountants who know Agri business

WINTER 2023

■ ■ WELCOME NICOLE



We were delighted to welcome Nicole Edwards as an Associate of Shand Thomson in October last year. Nicole was born and raised in South Otago and has always called Balclutha home. She has a Bachelor of Commerce from the University of Otago majoring in Accountancy. Nicole joined Shand Thomson in 2013 and was accepted by Chartered Accountants Australia and New Zealand as a Chartered Accountant in 2017 after

following their professional programme of studies and exams, whilst gaining practical experience.

As well as her strong accounting and business advisory skills, Nicole has special expertise in cloud solutions, including Xero and associated applications. Nicole trains and supports our clients and staff in IT matters with much enthusiasm and a friendly approach.

Outside of work Nicole is a hard working member of the Clutha community. She is the funding co-ordinator for Blessed Box Charitable Trust which provides new mums in the Clutha district with healthy meals and snacks, and materials aimed at supporting them in the first weeks of motherhood.

In her spare time Nicole can be found up bright and early exercising her dogs.



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While we believe the information in this newsletter is accurate, it must of necessity be of a general nature. We recommend that you obtain specific advice on matters of concern to you, and that you do not rely solely on this newsletter.

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■ ■ Newsletter by Email?

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■ BUDGET 2023 AND TAX BILL NEWS

Key tax changes announced in the May 2023 budget and tax bill amendments are:

- The trustee tax rate will increase to 39% (from 33%) from the start of the 2024-2025 tax year to align with the top personal tax rate. Estates will get a 12 month exemption, and different rules apply to some charitable and disabled person trusts. This is a significant change that will encourage increased consideration of allocating income in trusts to beneficiaries and make protecting assets more expensive.
- The government will pay a 3% Kiwisaver contribution for parental leave recipients to replace contributions lost whilst on parental leave, if recipients also contribute 3%.
- From 1st April 2024, lump sum payments from ACC or MSD can be backdated in individual tax returns so the tax treatment is in line with the period the payment relates to. This will avoid the unintended consequence of some payments being taxed too highly in the year they are received.

■ MINIMUM WAGE RATES

Minimum wage rates have been updated, applying from 1st April 2023 to employees aged 16 years and over.

	Per Hour	8 Hour Day	40 Hour Week	80 Hour Fortnight
Adult	\$22.70	\$181.60	\$908.00	\$1,816.00
Starting-out	\$18.16	\$145.28	\$726.40	\$1,452.80
Training	\$18.16	\$145.28	\$726.40	\$1,452.80

- The rates do not apply to under 16s, some people with a disability exemption and apprentices covered by other laws
- The starting-out rates apply to 16 and 17 year olds in their first six months of service with their current employer, and 18 and 19 year olds who received benefits for more than six months and are now in their first six months of employment
- The training wage applies to employees aged 20 or over who are doing an approved industry training programme

It is important to note that each pay period the gross amount paid divided by the hours worked must equal at least the minimum wage. This calculation can **not** be made over longer periods of time – so, farm workers can not work long hours in summer but shorter hours in winter, and receive the same wage each pay period, as during the summer the minimum wage rules will be breached.

Employees must be paid at least the minimum wage plus the employer's Kiwisaver contribution.

■ INCORPORATED SOCIETIES ACT 2022

A new Incorporated Societies Act was passed on 5th April 2022 replacing the 1908 Act. Detailed regulations will be published in September 2023 and Incorporated Societies will have from October 2023 to April 2026 to re-register their society and meet the new standards.

Key changes:

- Societies will need to re-register on the Incorporated Societies Register by April 2026.
- The Constitution will need to be checked and modified as necessary to ensure details around membership minimum numbers, system for amendments, system for disputes, committee setup etc are up to date. A 'Constitution Builder' tool will be available online.
- The minimum number of members is **TEN** at all times and a register of member details and consent must be kept.
- A committee of at least **THREE** people is required and the majority must be society members.
- Officers are bound by duties such as acting in good faith, exercising care and diligence similar to Directors of a company. Purchasing insurance for officers should be considered.
- The AGM must be held within six months of balance date.
- Financial statements must be filed annually within six months of balance date. The report must meet XRB Tiers 1-4 standards. There is an exemption for 'small' societies which can file 'basic statements' if expenses and current assets are less than \$50,000. Large societies will have to be audited annually.
- Annual returns must be filed. There may be a fee.
- On windup, remaining assets must pass to another not-for-profit organisation.

This will affect many small community groups and it is important to start thinking about what the changes will mean for your club, society or organisation.

■ BRIGHTLINE TEST - MAIN HOME EXCLUSION

Inland Revenue has released draft guidance relating to the bright-line test, which requires the payment of income tax on profits from some sales of residential land (including houses) if they occur within the bright-line period of ownership. Broadly speaking, the relevant bright-line periods are as follows:

- 29th March 2018 - 26th March 2021 five years
- 27th March 2021 onwards ten years

There is partial exemption for new builds after 27th March 2021, which can use the lesser five year period.

In general a person's main home is exempt from the requirement to pay tax and this guidance provides more detail on when the main home exclusion can be used.

Land subject to the five year test satisfies the main home exclusion if it was occupied as a main residence, being the "seat of the owner's domestic life" and interests, with the owner physically occupying the house for more than 50% of the time. Periods of time when the occupier is working away from home or has moved out for renovations or repairs do not count, provided the home was not rented out.

Land subject to the ten year test has more complex rules. All days in the bright-line period must be 'main home days'. Inland Revenue classifies a 'main home day' as any day when the property is deemed to be a person's main residence and "seat of their domestic life" including days the home is empty due to renovations, repairs or working away. However any absence from the home of more than 12 months cannot be treated as main home days and any profit on sale within the bright-line period would be taxable on a pro rata basis.

If a person has two or more homes, their main home will be the one they have greatest connection with. Inland Revenue considers the time the person has occupied the home, where immediate family lives, where social ties are strongest, where the person's employment or business is located and where personal property is located when deciding which is the person's main home. No person can have two main homes.

Consultation on the draft guidelines ended on 31st May 2023.

■ CHANGE TO COMPANY RETURN FEES

Due to increased compliance and software costs, the fee for preparing company annual returns will increase to \$165 from 31st March 2023.

■ DROP IN & ASK ANYTHING (ABOUT SOFTWARE)

We will be running an "ask us anything (about cloud software)" session as soon as the new Hub is open for business. The drop in session will be held during school hours with experts available in Farm Focus, Xero, MYOB and Figured. If we don't know the answer to your question we will do our best to find out for you. It will be best to bring your own device (BYOD) so we can help you in a familiar setting but we will also have devices available to use at the Hub. We will be emailing further notifications about this once we can set a date.



■ USE OF MONEY INTEREST AND FBT INTEREST RATES

From 9th May 2023 the IRD applies the following use of money interest rates to tax:

- 10.39% on underpayments of tax
- 3.53% on overpayments of tax

From 1st April 2023 the prescribed interest rate to calculate fringe benefits provided to employees is 7.89%.

■ ■ CONGRATULATIONS MEGAN!



We are proud to report that Megan Sinclair is our newest Chartered Accountant. This status is always the culmination of many years of study and hard work.

Firstly, Megan completed a BCom Degree in

Accounting and Economics at Otago University. This was followed by several years spent completing the Chartered Accountants Australia and New Zealand (CAANZ) professional programme of studies and exams, leading to a Graduate Diploma of Chartered Accounting.

Megan has worked as part of the Shand Thomson team since graduating, signing off her recorded practical experience whilst completing her further studies. Megan will receive her certificate at the next CAANZ ceremony on 22nd June. Well done Megan!

■ ■ CHANGES TO INTEREST DEDUCTIBILITY RULES

We are now into year three of the interest deductibility rules for residential rentals. These rules exclude the claiming of interest on borrowing to acquire rental housing from 27th March 2021 and allow for the phase out of interest claims for rental property acquired prior to the 27th of March 2021.

Phase out Date interest incurred	% of interest tax deductible
01.04.22 to 31.03.23	75%
01.04.23 to 31.03.24	50%
01.04.24 to 31.03.25	25%
On or after 01.04.25	0%

There are some limited exemptions - new builds and some social housing.

■ ■ GST & PURCHASE/SALE OF MIXED USE ASSETS

Inland Revenue has introduced a simplified method of GST treatment for assets used for both business and personal purposes costing \$10,000 or less (excluding GST). This applies from 1st April 2023.

If the principal purpose of the asset (50% or more) is for business use, 100% of the GST can be claimed at the time of purchase. If the principal purpose is personal use, no GST is claimed on the purchase. The same GST treatment applies when the asset is sold.

Assets costing more than \$10,000 plus GST need the business percentage of use calculated to determine the amount of GST to claim, with adjustments being made each tax year if the % of business use changes. This method can still be used for lower cost assets if preferred.

■ ■ MOTOR VEHICLE EXPENSES - KILOMETRE RATES

IRD has issued new rates for the 2022-2023 income year for business motor vehicle expenditure claims.

The Tier 1 rate is a combination of your vehicle's fixed and running costs. Use it for the business portion of the first 14,000 kilometres travelled by the vehicle in a year. The 14,000 kms includes business **and** personal use.

The Tier 2 rate is for running costs only. Use it for the business portion of any travel over 14,000 kilometres in a year.

Vehicle Type	Tier 1 Rate per km	Tier 2 Rate per km
Petrol or diesel	95 cents	34 cents
Petrol Hybrid	95 cents	20 cents
Electric	95 cents	11 cents

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