

# NEWS & VIEWS

SHAND THOMSON

Accountants who know Agri business



WINTER 2022



Pictured from left: Tegan Hollows, Tania Lowery and Olivia Adam

## ■ ■ CAANZ AWARDS

Chartered Accountants Australia and New Zealand (CAANZ) recognises members who have contributed long service to the profession. Tania Lowery recently reached such a milestone after 25 years as an Accounting Technician, and her achievement was celebrated at an event in Dunedin in May. Tania is a valued member of our senior team.

Our newest Chartered Accountants were presented with their certificates and lapel badges at the same event. This is the culmination of years of study, as after completing a tertiary degree, a further professional programme of studies and exams and a high level of practical skills are required to be eligible for membership. Tegan Hollows and Olivia Adam have worked diligently to achieve their status, and we were proud to see their efforts rewarded in front of their families and senior colleagues. Olivia's efforts are particularly memorable as she completed all her studies whilst working full-time, and most recently in the company of her baby son Laikyn. Tegan attended the University of Otago for her tertiary studies, and has completed the professional programme while captaining the Otago Spirit and Big River Country rugby teams - no mean feat. We are very proud of them both. Congratulations Tegan and Olivia.

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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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## ■ ■ TAXING CRYPTO (BITCOIN) ASSETS - WHAT YOU NEED TO KNOW

Interpretation and certainty on the tax treatment of crypto assets has been slow coming, however there are some generally accepted principles which the IRD apply, which are similar to the principles of other forms of investment. Crypto asset activities can generally be broken down into three categories: 'mining', 'staking' and 'trading'.

**Mining** is validating others' transactions in return for extra tokens, and often requires significant energy costs and computational power. **Staking** allows users to put existing tokens on the line to act as a guarantee of transaction legitimacy and potentially earn extra tokens as a reward. In both of these activities, the taxation treatment is determined by the way that you undertook the venture (i.e. with a business-like approach), the degree and repetition of your transactions, and your intentions. This is similar to the 'business' versus 'hobby' test that we apply to any undertaking.

For **Trading** (buying and selling), crypto assets tend to have similar properties to gold bullion, and tend to be considered "acquired for the purpose of disposal", unless the taxpayer can show proof of a 'staking' activity. In practice, this means that most of the net gains from crypto assets are taxable.

If you are in the business of trading crypto assets, then these assets fall under trading stock rules under which you would return the income on sale or claim losses if incurred, and determine costs using either a weighted average cost or "First In First Out" method.

**NFT's** are digital imprints recorded using a cryptocurrency framework. The major taxation difference to note is that NFT's do not fall under the IRD definition of crypto assets and so are subject to GST if sold by a registered person any time after the 1<sup>st</sup> January 2009.

Crypto activity nearly always has tax implications so make sure you tell us if you have any involvement.

## ■ ■ NEW DISCLOSURES FOR DOMESTIC TRUSTS

There are new minimum disclosure rules for family trusts with assessable income.

This includes requirements to prepare financial statements and disclose additional information to the IRD about:

- those who have received any distributions from the trust during the year
- settlements (gift, loan etc) to the trust during the year
- prior settlements (all years)
- who has the power to appoint or dismiss trustees, add or remove beneficiaries or amend the trust deed
- total beneficiary drawings for the year
- beneficiary current account balances
- beneficiary names, IRD numbers, dates of birth, and tax residency

It is not clear what the IRD intend to do with this additional information but it appears to be the first step towards targeting higher income earners who could be sheltering income in trusts.

*"We are what we repeatedly do. Excellence, therefore, is not an act, but a habit."*

Aristotle

## ■ ■ MINIMUM WAGE / LIVING WAGE

The minimum wage has been revised in New Zealand from 1<sup>st</sup> April 2022. The adult minimum wage increased from NZ\$20.00 to NZ\$21.20 per hour. The starting-out and training minimum wage rate increased from NZ\$16.00 to NZ\$16.96 per hour. If you have any workers on starting-out or training wages, now is a good time to check when they'll be eligible to move to the adult rate.

The New Zealand Living Wage hourly rate for 2022/23 is \$23.65. It was announced on April 1<sup>st</sup> and will come into effect on 1<sup>st</sup> September 2022. The rate of \$23.65 is 68 percent of the average hourly earnings in New Zealand, which were \$34.76 for the year to June 2021.



## TAXING MATTERS

- The new student loan repayment threshold is \$21,268 (\$409 weekly).

When income exceeds this amount repayments are levied at 12 cents/\$.

- The Inland Revenue has announced increased rates for motor vehicle claims or reimbursements for the 2022 financial year. The Tier One rate is 83 cents/km and applies for the business portion of the first 14,000 km travelled by the vehicle in the year.

The Tier Two rate is 31c/km (petrol/diesel), hybrid 18c/km and electric 10c/km and applies as soon as the vehicle's total kms travelled exceeds 14,000 km (business & personal) for the year.

There is a second option, which allows business kms to be claimed/reimbursed at 83 cents regardless of total kms **provided** the business kms < 3,500 pa.

Residential rental properties purchased on or after the 27<sup>th</sup> March 2021 are impacted, with no tax deductibility on interest paid from the outset.

Exemptions from the new rules include:

- borrowing for new builds - full interest deductibility for 20 years
- residential property that is part of a business venture (e.g. developers)
- Māori authorities
- Kāinga Ora and its subsidiaries
- borrowing for business premises, e.g. farmland, emergency housing, motels, hotels, boarding establishments, rest homes

This is a seemingly simple piece of legislation, however it is worthwhile discussing your options if you are borrowing to make a new investment.

## CHANGES TO INTEREST DEDUCTIBILITY RULES

The changes to the interest deductibility rules for residential rentals are a reality now for NZ residential landlords.

Rental property acquired prior to the 27<sup>th</sup> of March 2021 has a phase out deductibility:

Date interest incurred	% of interest tax deductible
01.04.20 to 31.03.21	100%
01.04.21 to 30.09.21	100%
01.10.21 to 31.03.22	75%
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%

Example: Mortgage of \$450,000, interest only, interest rate 6%:

Financial Year	Paid	Deductible
■ FY21	\$27,000	\$27,000
■ FY22	\$27,000	\$23,625
■ FY23	\$27,000	\$20,250
■ FY24	\$27,000	\$13,500
■ FY25	\$27,000	\$6,750
■ FY26	\$27,000	\$Nil



## FARM FOCUS SEMINARS

We will be hosting a hands-on seminar for new Farm Focus users on Wednesday the 20<sup>th</sup> of July. The seminar will cover the basics of coding, GST and day to day usage of the software. Please bring your own device.

Please contact Tim Bathgate to register your interest - [tim@shandthomson.co.nz](mailto:tim@shandthomson.co.nz) or 418 0020.

Farm Focus are also holding client seminars in Balclutha on 28<sup>th</sup> July and Mosgiel on 29<sup>th</sup> July. The content is designed for existing users and includes a free session covering efficiencies in coding and gathering data and/or a hands on (bring your own device) workshop at a cost of \$115/pp. You can register for these at [www.farmfocus.co.nz](http://www.farmfocus.co.nz).



BRIGHTLINE TEST

Originally legislated to tax speculative property investors - those who purchased houses and on-sold quickly for profit - recent changes to the rules now mean an increasing number of property owners are falling within the Brightline rules.

Profits on the sale of residential property, including residential sections, purchased since 1<sup>st</sup> October 2015 and sold within timeframes of the test will be taxable unless the property was:

- the main family home throughout the period of ownership
- inherited and on-sold

There are three categories of the test:

Purchase Date	Test
27 <sup>th</sup> March 2021 onwards	10 year
29 <sup>th</sup> March 2018 - 26 <sup>th</sup> March 2021	5 year
1 <sup>st</sup> October 2015 - 28 <sup>th</sup> March 2018	2 year

Complications arise in defining the acquisition and sale dates, given the various mechanisms for purchase – conditional agreements, unconditional agreements, purchasing subject to title etc. Associated party transactions are caught too, for example when parents have assisted an adult child into a first home, if title is with the parents due to lending requirements and the property is later sold to the child regardless of any agreed price.

The good news is that from 1<sup>st</sup> April there is some limited rollover relief. This covers circumstances such as relationship property settlements and, in very defined situations, the return of a property to a settlor.

Inland Revenue receives property sale data from Land Information New Zealand and sellers are often asked to confirm their tax position. If the property is subject to the Brightline Test the individual or their tax agent needs to make the appropriate declarations about the transaction as part of preparing annual tax returns.

It is in your best interests to take advice before purchasing or selling a residential property.

USE OF MONEY INTEREST RATE

Period	Rate at which you pay	Rate at which you receive
10 <sup>th</sup> May 2022 onwards	7.28%	0.00%
8 <sup>th</sup> May 2020 - 9 <sup>th</sup> May 2022	7.00%	0.00%
29 <sup>th</sup> August 2019 - 7 <sup>th</sup> May 2020	8.35%	0.81%

PAID PARENTAL LEAVE

Employment New Zealand has announced a 6.33% increase in the maximum weekly rate payable by the Government to employees and the self-employed on paid parental leave. The increase, effective on 1<sup>st</sup> July 2022 and linked to average weekly earnings, takes the maximum entitlement from \$621.76 to \$661.12.

The minimum rate for self-employed parents has increased from \$200 to \$212. This amount is equivalent to 10 hours at the adult minimum wage, now \$21.20/hour.

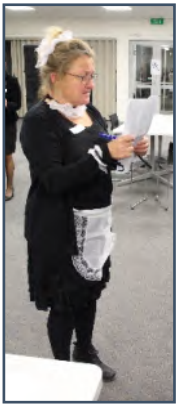
HAPPY RETIREMENT KAREN



We were sad to say goodbye to Karen Baughan recently. Karen retired from Shand Thomson after working as our tax administrator for many, many years. Her understanding of all things IRD related was at another level and she had built strong

relationships with clients and colleagues.

Karen’s unique sense of humour and genuine care for others will be sorely missed and we wish her all the best for a peaceful retirement with her many animals.



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