



TAXATION & FINANCIAL SPECIALISTS

Where the client comes first...

Winter 2026

Don't be tempted to join 'the race to the bottom'

In the world of commerce, there's a dangerous trap known as "the race to the bottom".

When a small business tries to win customers solely by being the cheapest option, they aren't just cutting prices – they're often cutting their own throat.

Large corporations have the "economies of scale" necessary to survive on razor-thin margins. As a small business, your overhead per unit is naturally higher. Trying to underprice a giant is a game you aren't built to win.

Why low prices can backfire

- *Devalued brand:* Constant discounting trains customers to wait for a sale rather than valuing your craft.
- *Attracting "price loyalists":* These customers leave the second a competitor drops their price.
- *Sustainability:* Without a healthy margin, you lack the cash flow to reinvest in your team, your equipment, or your growth.

Better ways to win

If you aren't the cheapest, you have to be the best. Here are three powerful levers to pull:

1. Hyper-personalised service

While big-box stores treat customers like numbers, you can treat them like neighbours.

FEATURE	COMPETING ON PRICE	COMPETING ON VALUE
Profit margins	Thin and fragile	Healthy and re-investable
Customer loyalty	Low (price-driven)	High (relationship-driven)
Marketing focus	Save money	Get better results
Long-term outlook	High risk of burnout	Scalable and sustainable

- *The strategy:* Use your agility to provide "concierge-level" support. Handwritten notes, remembering a client's preferences, or offering a direct line to the owner creates an emotional bond that a discount code can't touch.

2. Specialised expertise

Don't be a generalist. Be the absolute authority in one specific area.

- *The strategy:* If you run a coffee shop, don't just sell "coffee". Sell "sustainably sourced, single-origin beans roasted for low acidity." People will

pay a premium for specialised knowledge and curated quality.

3. Convenience and speed

In the modern economy, time is more valuable than money.

- *The strategy:* Can you deliver faster? Is your booking process seamless? Do you offer a "done-for-you" service that removes all friction for the customer? If you save a customer an hour of frustration, they won't care if you cost 20 percent more.

The golden rule: Price is what a customer pays; value is what they get. Focus on the "get," and the "pay" becomes secondary.

TAX

PAYE – It was never your money

Inland Revenue’s recent alert (RA 26/01) clarifies a critical distinction: PAYE is not a standard business bill.

Because these funds are deducted from employee wages, the IRD views them as money held “in trust” for the Crown. Using these funds to cover other business costs is now viewed as misappropriation, not just a late payment.

Escalation to criminal charges

IRD is moving away from just use of money interest and penalties (late payment and shortfall), and toward criminal prosecution for those initially using PAYE as an interest-free loan.

- *Prison time:* Serious or repeated failures can lead to up to five years in prison.
- *Personal liability:* Directors can be held personally and criminally responsible for these decisions; the “company” shield will not protect you.

How IRD judges conduct

The department looks for patterns

of behaviour rather than one-off accidents:

- *Intentional deferral:* Choosing to pay rent or suppliers over PAYE.
- *Repeated failure:* Missing multiple months while the business continues trading.
- *Avoidance:* Failing to communicate until the IRD initiates enforcement.

What you should do

If cash flow is tight, your window to act is small.

- *Prioritise PAYE:* This must be the first bill you pay, even if others go late.
- *Engage early:* Contact the IRD before the due date. They are far more cooperative with proactive businesses.
- *Get advice:* If you’re tempted to use PAYE to survive the month, seek professional help immediately.

Key changes to KiwiSaver

Significant updates to KiwiSaver have rolled out over the past year.

Here is what you need to know about your contributions and government “top-ups.”

Changes from 1 July 2025

- *Government match halved:* The annual Government Contribution dropped from a 50% match to a 25% match. The maximum annual payment is now \$260.72. To receive this full amount, you must contribute at least \$1,042.86 personally by 30 June each year.
- *Teens included:* 16 and 17-year-olds now qualify for the government’s 25% matching contribution.
- *High-earner cap:* Those earning over \$180,000 annually are no longer eligible for the government top-up.

Changes from 1 April 2026

- *Default rate increase:* The

standard contribution rate for both employees and employers has risen from 3% to 3.5%. This applies to all pay received after 1 April.

- *Employer matching for teens:* Employers must now pay the 3.5% matching contribution for 16 and 17-year-old staff.
- *Rate reductions:* If the 3.5% rate is unaffordable, you can apply for a Temporary Rate Reduction to stay at 3% for 3–12 months. This is repeatable, but your employer’s match will also drop to 3%.

Changes from 1 April 2028

From 1 April 2028, the default contribution rate for both employees and employers will rise again, from 3.5% to 4%.

New tax rules on crypto trading

From 1 April 2026, the “off the radar” era of cryptocurrency ends with the Crypto-Asset Reporting Framework (CARF).

Local and global exchanges must now report your transaction data directly to Inland Revenue, who will share this with international tax authorities.

Taxing your profits

In New Zealand, crypto gains (and losses) are generally treated as taxable income/loss, not tax-free capital gains. Because crypto doesn’t provide a “yield” (like rent), IRD assumes it was bought with the dominant purpose of resale. Consequently, most traders are liable for income tax on realised gains at their personal marginal rate.

Handling losses

If your crypto activity is taxable, your losses are generally deductible.

- *Offsetting income:* Realised losses can often reduce your total taxable income, potentially leading to a tax refund.
- *The realisation rule:* You can only claim a loss once you actually sell or swap the asset – a “dip” in portfolio value doesn’t count unless you are transacting to such a high level you are actually in business as a “trader”, and can then treat the crypto as trading stock that is now worth less than costs.
- *Evidence:* Keep meticulous records, as IRD will scrutinise your original intent for buying.

The “swap” trap

Swapping one coin for another (e.g., Bitcoin for Ethereum) is viewed by IRD as a sale. You may owe tax on that trade even if you haven’t converted back to New Zealand dollars.

Strategies for managing emails

To improve email efficiency, focus on maintaining context, managing recipients, and optimising for scanability.

1. Maintain thread context

Keep conversations in a single thread to preserve history and attachments. If the topic shifts, update the subject line to reflect the new focus while keeping the previous records accessible.

2. Strategic recipient management

- *Move to BCC*: When someone introduces you, reply to all but move the introducer to BCC to spare their inbox.
- *Selective CC*: Only include necessary parties; remove those no longer relevant to the task.

3. Formatting for skimmers

- *BLUF*: Place the “Bottom Line Up Front” in the first two sentences.
- *Structure*: Use bullet points for



multiple questions and bold deadlines or key actions to ensure they aren't missed.

4. Efficient habits

- *One-touch rule*: If a reply takes less than two minutes, do it immediately; otherwise, flag it for later.
- *File naming*: Use descriptive filenames (e.g., 2026_Project_

Summary.pdf) to make attachments searchable.

- *Unsubscribe*: Regularly clear out unread newsletters.

5. Know when to stop

If a thread exceeds three replies without resolution, switch to a phone or video call. Follow up with a brief summary email to document the final decision.

Maintain the integrity of a family trust

Managing a family trust requires a clear distinction between your role as a trustee and your status as a beneficiary.

To maintain the trust's integrity, follow these essential practices:

- *Governance and independence*: Trustees must manage the trust as a separate legal entity. Decisions should generally be unanimous and must be formally recorded in signed minutes.
- *Separation of funds*: It's critical to keep trust assets strictly separate from personal finances. Even if you're a beneficiary, you can't access funds at will.
- *Documenting distributions*: When withdrawing funds, the minutes must specify the nature of the payment. Common classifications include:
 - o a distribution of trust income
 - o a distribution of trust capital
 - o a reduction of debt owed to the beneficiary or the creation of an interest free loan.
- *Fiduciary duty*: Before making any distribution, trustees must demonstrate they have considered the interests of all beneficiaries. While you must record that this consideration has occurred, you're not required to document your specific reasoning.

The bottom line: While beneficiaries can certainly receive income from a trust, they must always act through the formal authority of the trustees to ensure the entity remains compliant and protected.

Check subscriptions to contain costs

Rising costs are prompting many businesses to take a closer look at their online subscriptions – and the savings can be significant.

From software platforms to media services, monthly charges can quietly add up, especially when tools are no longer being fully used. A quick audit of subscriptions is a simple way to cut unnecessary spending and improve cashflow.

Start by listing all active subscriptions and their monthly costs. Identify which ones are essential, which are underused, and which can be cancelled or downgraded. It's also worth checking for duplicate tools that perform similar functions, and even multiple subscriptions for the same service!

Setting calendar reminders before renewal dates can help avoid unwanted charges, while switching to annual plans might offer discounts for services you rely on.

Regularly reviewing subscriptions – ideally every three to six months – keeps spending aligned with business needs. In a tight economic climate, small savings across multiple services can make a meaningful difference to the bottom line, and support long-term financial stability and smarter budgeting decisions.

Making it right

When you make a business mistake act quickly.

Don't assume it won't be noticed. Avoid excuses; honesty and a straightforward apology demonstrate professionalism and preserve your credibility.

Communicate with care

Explain what happened in clear, simple terms. Transparency builds trust when a client understands the cause and the remedy. However, be mindful of your language – focus on the fact that a standard wasn't met and how you will fix it, rather than making broad legal admissions of negligence that could complicate insurance or indemnity claims.

Offer a meaningful solution

When a mistake occurs, your priority should be to make it right, even if the cost of the remedy is high. Suggest a practical solution. Listen to the client's needs and be prepared

to go the extra mile to ensure they are not disadvantaged by your mistake. Putting things right, even when it hurts the bottom line, is an investment in your integrity and the goodwill of your business.

Close the loop

Once a solution is agreed, confirm it in writing. A brief email outlining the agreed fix "closes the loop" and prevents future misunderstandings about whether the issue was fully resolved.

Fix the process, not just the problem

Identify gaps in your systems or communication. Improve the process rather than blaming personnel. A mistake is an opportunity to strengthen a relationship. Customers remember the quality of your recovery more than the original problem.



TAX CALENDAR

31 May 2026

Deadline for Fringe Benefit Tax returns

30 June 2026

Last day to apply for annual FBT returns

28 July 2026

3rd instalment 2026 Provisional Tax (June balance date)

28 August 2026

1st instalment 2027 provisional tax (March balance date)

Quote accurately, quote quickly

The need for speed and precision

When someone asks for a price, don't delay. They have already decided they want the work done, so help them choose you by being prompt. Remember the slogan "money loves speed". However, never rush complex jobs; give yourself time to assess labour, materials, and potential risks. While a quick response wins the job, an accurate one ensures you remain profitable.

Defining the scope and terms

A professional quote must include client details, a clear description of work, the total price and whether GST is included and a validity period to protect against rising costs. It is vital to outline your assumptions, exclusions and any required deposits. Using professional software helps ensure the layout is clear and the breakdown of stages or materials matches the complexity of the project. Clear, detailed quotes build trust, reduce the likelihood of disputes and make it easier to manage profitability.

Managing changes and acceptance

A quote is a firm price for a clearly defined job, not an estimate. To make it legally binding, always require a formal sign-off or digital acceptance before starting. Ensure the client understands that any changes to the

original plan are "variations" that will require a written price adjustment. This prevents "scope creep" and protects your margins.

Choosing quotes vs estimates

Use a quote when costs are predictable and well-known. Use an estimate—an approximate cost based on available info—when hidden issues might arise, such as in renovations. Being clear about which one you are providing manages expectations and builds trust. Ultimately, a detailed, well-documented price reduces disputes and proves you stand behind your professional standards.

The legal weight of an estimate

Under the Fair Trading Act and the Consumer Guarantees Act, an estimate is not a "blank cheque". While it isn't a fixed price, New Zealand law requires it to be based on reasonable grounds. If the final cost exceeds the estimate by more than a typical margin – often cited around 10-15% – it may be challenged as "unreasonable" unless the client explicitly agreed to a change in scope. You have a duty to inform the client as soon as you realise costs are escalating. Continuing the work without a written variation for a significant price increase leaves you legally vulnerable.

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