

Newsletter

Autumn 2023

Prepare now for tax year

Start getting ready, now, for the end of your financial year. Some things need to be done in advance:

Bad debts

If you have customers who are not paying their debts and you have taken all reasonable steps to collect the money, write off the bad debt before you get to balance date or you will not be able to claim that cost as a tax-deductible expense.

Kilometre rate

If you claim for the running costs of your motor vehicle on a kilometre rate basis, make a note

to get an odometer reading on balance date. The rate is calculated based on the total number of kilometres travelled in the year and the proportion of them used for business. If the total number of kilometres exceeds 14,000 there is a two-step process for the calculation.

Vehicle logbook

If you need to keep a logbook you must do so for a three-month period at least once every three years.

Stock

If you are a retailer, this is a good time to start organising

your stock ready for counting it. Get rid of obsolete stock. If you keep it, it still has to be valued at either what you paid for it or its current market value – for which you must have evidence.

Maintenance of equipment

Any maintenance you carry out before the end of your financial year is tax-deductible for that year. If you are planning maintenance in the short term, it might save you tax if you got on with it before the end of the financial year. Maintenance means bringing the asset back up to its original condition.

Is 2023 the time to start a business?

The merchants of doom might have you think otherwise, but if you're thinking about starting a small business, 2023 might be your lucky year.

Advances in technology mean there's never been a better time to put into practice your ideas, ambition and work ethic.

Technology means we can run many businesses efficiently and cheaply from a laptop at home, and there's plenty of online support (see story on Digital Boost).

Most of the world is currently experiencing difficult economic times, but many entrepreneurs say the best time to start or expand a business is at the bottom of a downturn – things can only get better.

A big factor to consider is the change in attitude of consumers, who after the Covid pandemic have become more supportive of small businesses. According to American Express, 88 percent of US consumers say they would be more likely to shop at a small business if they knew it supported



other local businesses or contributed to the local community.

Remember, however, that about two-thirds of small businesses survive after two years, about half after five years, and only about one-third survive after 10 years. So do your homework.

Interest pitfalls if you had a big year

If you are expecting an annual income of more than around \$200,000 from your business and you're not paying PAYE on any salary from the business, beware of Use of Money Interest, which has now been set at 9.21%.

If your income exceeds \$204,820, your tax is going to exceed \$60,000, which is the threshold at which Use of Money Interest is applied.

Inland Revenue expects you to know your income for the year ended 31 March 2023 by 7 May 2023.

This is not particularly realistic

for small businesses. However, if you haven't paid enough tax by that date, you must top up the tax or face Use of Money Interest charges on short-paid tax.

What to do? Try to estimate your taxable income for the financial year. Work out your tax for the year, which is \$60,000 +39% on every dollar of income in excess of \$204,820. Deduct the first and second instalments of provisional tax you have already paid and pay Inland Revenue the difference.

Similarly there is a threshold for companies which is \$214,285.

Replacement for tax invoices from 1 April 2023

Tax invoices are on their way out. In their place the buyer has to hold "taxable supply information".

This information can be kept in any form, such as a receipt. These new rules are effective from 1 April 2023. They require less information so you can continue using your current tax invoices.

For purchases of less than \$200 the seller has to provide: supplier name, date of invoice, description of goods or services and the amount to be paid.

For purchases \$200 up to \$1000 the supplier must add the GST number and either the

GST exclusive amount, amount of GST being added and the total inclusive amount, OR the GST inclusive amount and a statement saying it is the GST inclusive amount.

For purchases of more than \$1000 the vendor must also include some additional information. For full details see www.ird.govt.nz and search "Rules for tax invoices".

Click on "show all". Down the page you will see "GST recordkeeping requirements and a box inviting you to "Choose your taxable supplies".

Build to rent asset class proposed

In some places overseas, rental properties are purpose-built for tenants who have the right to stay for the rest of their lives. New Zealand has taken its first step in this direction. A tax Bill in August 2022 is aimed at creating a "build-to-rent" asset class.

It proposes:

- * the landlord must offer a lease for at least 10 years
- * the tenant can request a shorter time
- * the tenant can terminate the tenancy by giving 56 days notice
- * the landlord must have at least 20 dwellings in a single development
- * the whole enterprise must have a single owner with all properties sharing a single boundary.
- * explicit personalisation policies must be offered over and above the Residential Tenancies Act 1986
- * developers can put shops in with the dwellings.

If this type of investment is created, interest will be tax deductible – even though it applies to residential rental property – on the condition the property continues to be operated as a "build-to-rent".

Existing investors in property will be given a transitional period to come within the build-to-rent rules, if they want to.

Rules change again on tax payment dates

Inland Revenue has modified the rules, again, on tax payment dates.

Previously, if the due date for payment was at a weekend or fell on a public holiday such as an anniversary day, you were entitled

to pay on the next working day.

However, if you usually pay your tax electronically, the banking system still operates and therefore the time is not extended to the next working day.

If you pay physically at Westpac bank, you still get allowed that extra day.

Note April 7 is on Good Friday. Be sure to follow the new rules.

Digital help just a click away

As a business, we're often told we need to "go digital".

Few of us can operate in the modern world without some sort of technology, but the array of digital tools can be bewildering. Even if we're convinced we must have them, we have to work out how to use them.

Fortunately there's one solid website that's free from the hype of the technology corporates, and independent enough to provide sound advice – and it's free.

Digital Boost is a government-funded tool to help small businesses "adapt to today and prepare for tomorrow".

It's easy to sign up and has plenty of real-world advice, mainly in the form of more than 350 videos broken down into bite-size pieces that can be



accessed online and viewed when you have time.

"Whether you're new to digital tools, or looking to take them a step further, we'll show you how to take your business to the next level," Digital Boost says. "Sign up to find out how to make the internet work for you."

There are also plenty of stories by other Kiwi businesses who are successfully using digital tools, and interactive online workshops. There's even a diagnostic tool that will test your website for performance and identify small changes that could make a difference.

See digitalboost.business.govt.nz.

Increase your chances of getting the right staff

New Zealand is desperately short of employees.

To increase your chances of attracting staff when you advertise, remember these rules:

- * Since you want potential employees to read the advertisement, get them excited about working for your firm. What's so special that they would want to come and join you? Remember "what's in it for me"? That's what the potential employee wants to hear.

- * For print advertisements, don't forget the importance of a powerful headline. You've got to catch the reader's eye.

Make the advertisement easy to read. Reverse type for text (white on black or similar) is not noticed as easily or as readable as standard black type, and doesn't usually work well on newsprint.

Make it as easy as possible for potential employees to contact you. Many will read the ad outside normal working hours. You might just have to be prepared to answer the phone when it suits them.

Disclosures for big businesses

Some small businesses will be pleased to learn there is to be public disclosure of information on the payment practices (particularly late payments) of businesses with a turnover of \$33 million or more a year. A Bill passed its first reading on 8 November and has been referred to a committee which is to report back by 27 April 2023.

Borrowing money for your company

Given a choice, it's safer for a company to borrow money than its shareholders.

Inland Revenue has argued, successfully, that interest paid on money borrowed by shareholders for their company is not a tax deductible cost for the company. This is because the company didn't borrow the money.

Many companies have been caught out by this and had the unpleasant surprise of discovering interest had not been a tax deductible cost for some years. Inland Revenue has disallowed the expense, increased the taxable income and collected extra tax, together with a hefty Use of Money Interest charge.

It's easy for an accountant not to notice the money has been borrowed by the wrong people.

So you've been warned. If your company needs to borrow money, make sure it's indeed the company that does the borrowing.

If you find a loan is in your name, you can still do something about it.

- Lend the money to the company and charge interest for the loan. The interest charged needs to be based on market and charging the same as the bank is charging is acceptable and the simplest. Unfortunately if the interest the company pays (excluding interest to banks) exceeds \$5,000 in an income year RWT will have to be deducted and paid.
- An alternative is the money could have been borrowed as agent for the company.

In both cases the paperwork matters. Get professional help and get it right.



Image by Gerd Altman,

Schedule emails

You want to send an email at a later time, but you're going to be busy then.

What you can do is schedule sending an email at a given time and date. Most email programs allow you to do this, even on your cell phone. Here's how with the main programs (other programs will be similar).

Gmail: When you go to hit send, click the small down arrow. A menu for delaying that email will open. Choose one of the suggested times or set your own.

Outlook: Look for the Tag Menu on the email message ribbon **and** click the small down arrow in the right-hand corner. The menu allows you to

schedule the email send.

Mac Mail: Click the pop-up menu next to the Send button, then choose an option. Emails you choose to send later appear in the Send Later mailbox in the sidebar.

Android phone or tablet: After composing your Gmail, tap More at the top right, tap Schedule.

Iphone: Tap and hold the Send button to see your scheduling options. You can see scheduled emails in the Send Later mailbox.

You can also delay sending **all** emails by creating a Rule to defer delivery by x number of minutes. It has several steps, so Google "email schedule rules".



TAX CALENDAR

7 April 2023

Terminal tax for 2022 (March, April, May balance dates). For all clients except those who have lost their extension of time privilege.

7 May 2023

Third instalment of 2023 Provisional Tax (March balance date)

28 May 2023

First instalment 2024 Provisional Tax (December balance date)

31 May 2023

Deadline for Fringe Benefits Tax returns.

Blogging the hot tip for the year

One of the biggest money-making tips for 2023 is blogging.

Its appeal is that anyone who has reasonable skill in writing (though not necessarily the case if you see some blogs) and a good niche idea can make money.

Having a clearly defined niche will help with your branding and help you to build a loyal following of readers who will keep coming back for more.

The beauty of this kind of start-up is that it costs very little money to get off the ground. If you don't have one already, all you need is a hosting provider and a domain name.

Bloggers make money by growing their following, which allows them to add sponsored

content, affiliate marketing, and display ads to their website. The bigger the following, the greater the earning potential.

The top bloggers earn more than \$100,000 a month!

Making money, however, won't happen overnight. It requires patience and dedication. It could take a few months before you start making any money, so don't quit the day job!

If you're keen to give it a go, think about what you're passionate about, and what other people will be interested in. For some ideas, nichepursuits.com says the most popular blogs are mum blogs, DIY and home décor, gardening, making money, investing, fashion, and health and wellness.

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