



Taking you to the **next** level



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## Upcoming Client Seminars - Tax Updates

We are planning to host a series of client seminars over the coming year. These are a good opportunity to share with you what is happening out there in the tax space and to be able to provide additional resources for you to improve your knowledge.

Our next seminar is:

- **Residential Property Tax Changes** - This will cover the new interest deductibility rules for residential rental properties which are effective from 1 October 2021 as well as the amended Brightline rules which are effective from 27 March 2021. Both of these pieces of legislation were only passed on 30 March 2022 and there are already fix ups required!

These amended Brightline rules do not only apply to residential rental property owners, they could potentially also apply to all residential properties located in NZ either now or in the future so a good understanding is recommended. Family homes are not always exempt.

If you are interested in attending this presentation please let Alana from our Special Services team know on [alana@bennettsproactive.co.nz](mailto:alana@bennettsproactive.co.nz) or phone our office on (07) 573 8446. An invite will be sent to everyone once the dates are confirmed.



We also continue to host our very popular Xero training sessions for clients. The next ones are scheduled for:

- Xero (Beginner) – Thursday 14<sup>th</sup> July 2022 and Thursday 11<sup>th</sup> August 2022
- Xero (Advanced) – Thursday 21<sup>st</sup> July 2022.

Again please contact Alana if you would like to participate.

# Trust Reporting

We have for some time now kept you updated on the new Trust Act 2019 legislation which came into force on 30 January 2021, modernising the previous legislation (being the Trust Act 1956). The new requirements now bind Trustees by mandatory and default duties and require certain information to be held and available amongst other changes. With this comes a task to ensure your Trust Deed remains fit for purpose which either your lawyer or ourselves can assist you with, if you have not already had the opportunity to do so. Here at Bennetts Proactive we have recently introduced a specialist team to ensure this happens in 2022/2023.

In addition to the Trust Act 2019 legislation, we also have new reporting requirements for domestic Trusts in NZ for Inland Revenue Department purposes. These new reporting requirements become effective for the 2022 Income Tax year and include:

- Disclosures need to detail a summary of the profit or loss and the Balance Sheet (in addition to the IR10 that is already required);
- Details of gifts to the Trust that have occurred during the year or that have not previously been disclosed to the IRD. This could also include services provided with either no monetary value or reduced values;
- Details of distributions to beneficiaries that have taken place during the year;
- Details of all persons that hold the Power of Appointment or the ability to modify the Trust Deed.

Exemptions from the reporting requirements allow for non-active Trusts to be excluded, however, a non-active Trust declaration must be completed. A non-active Trust is one that has no business activity, just holds non-income earning investments, but can have interest of \$200/year or less. Other exemptions include Trusts such as those classified as Foreign Trusts, Charitable Trusts or a Maori Authority.

So long story short, all eyes are on Trusts. While this comes with additional compliance don't be too alarmed. Trusts still remain a very relevant structure when considering asset protection and ease of succession administration or planning. Our review process this year will make sure all requirements are smoothly complied with to ensure that your Trust is fit for purpose and worthwhile.

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## Key Tax Dates

Date	Taxes payable
<b>20 July 2022</b>	PAYE - Period ended 30 June 2022
<b>28 July 2022</b>	2023 Provisional Tax (1st Instalment) for February Balance Dates
<b>20 August 2022 (22 August 2022)</b>	PAYE - Period ended 31 July 2022
<b>28 August 2022 (29 August 2022)</b>	GST—Period ended 31 July 2022
	2023 Provisional Tax (1st Instalment) for March Balance Dates
<b>20 September 2022</b>	PAYE - Period ended 31 August 2022
<b>28 September 2022</b>	GST—Period ended 31 August 2022

For most clients the first instalment of Provisional Tax for the 2023 year is due for payment on 28 August 2022. We will issue notices closer to the payment date for all clients that are required to make a payment. If you are planning on being away during that time please let us know so we can arrange to issue your notice at an earlier date.

Please also ensure that your tax is paid in full and on time, and with the correct details on your internet banking such as IRD number and period. Failing that, the payment won't be recorded as being received in time and therefore interest could apply.

# Recent Tax Changes

Here is a snapshot of the latest updates that may affect you or your business.

The cost of living support payment of \$350 (payable in three monthly instalments starting 1 August) to support an estimated 2.1 million Kiwis who earned less than \$70,000 last tax year was passed under urgency. This payment is to be administered by the Inland Revenue Department and to qualify for that payment a person must not be eligible for the Winter Energy Payment; must be 18 or over and a tax resident in NZ.

Changes in rates – Each year the Inland Revenue Department make changes as a result of CPI adjustments. The following increase in rates have been announced:

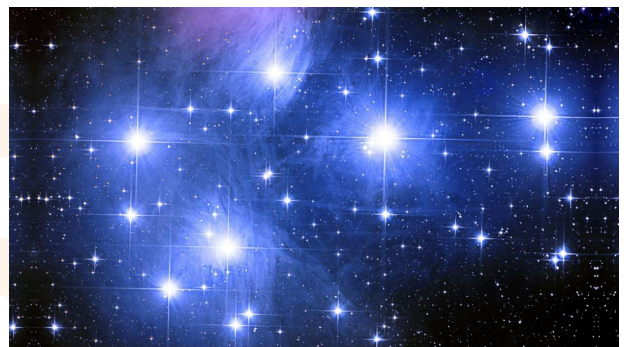
- Standard-cost for household services for boarding providers has increased from \$194/week to \$207/week. This means that if you have a boarder that pays below the standard-cost then there is no requirement to return income; if the boarding income exceeds \$207/week then you will need to declare that for tax purposes. However, expenses can offset that income by either actual household costs as a percentage or the flat standard-cost rate if you are unable to determine the actual cost.
- Standard-cost for household services for short-stay accommodation providers has increased from \$52/day to \$55/day for guests staying at an owned property or from \$47/day to \$50/day for guests staying at rented properties. This means that if you make a property available to the public for short-stay accommodation you can either claim as a deduction for income tax purposes the actual household costs as a percentage and based on nights occupied or the flat standard-cost rate if you are unable to determine the actual cost.
- Motor Vehicle mileage rates have increased. The tier 1 rate (for 14,000kms or less in a year) has increased from \$0.79/km to \$0.83/km; the tier 2 rates (for additional mileage over 14,000kms) has also increased for petrol or diesel vehicles from \$0.27/km to \$0.31/km; for petrol hybrid vehicles from \$0.16/km to \$0.18/km and then for electric vehicles it has increased from \$0.09/km to \$0.10/km.
- Use of Money Interest rates have increased from 7.00% to 7.28% pa effective from 9 May 2022. That is the rate of interest that the Inland Revenue Department will charge on unpaid or late paid taxes. The credit interest rate on overpayments has remained unchanged at 0%pa.
- Paid parental leave entitlements will increase on 1 July 2022 resulting in up to \$40 extra a week , or an additional \$1,040/year for those taking the full 26 weeks of parental leave. The minimum rate for self-employed persons will also increase to \$212/week which is equal to 10 hours at the minimum wage rate for an adult worker.

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## Matariki Public Holiday

The Matariki public holiday is the first to recognise Te Ao Maori. The rising of the star cluster known as Matariki signals the Maori New year and it will be a time for:

- Remembrance - honouring those we have lost since the last rising of Matariki
- Celebrating the present - gathering together to give thanks for what we have
- Looking to the future - looking forward to the promise of a new year.



Matariki is a standard national public holiday, and the normal public holiday rules will apply. The Matariki holiday will not always fall on the same date each year, just like Easter holidays. It will, however, always fall on a Friday.

Our office will be closed on Friday 24th June.

## Audit Shield

On 31 July 2022 all the current policies come up for renewal. As usual, you will be invited to participate in this for the year. Audit Shield is available to all clients and with the magnitude of tax changes over the last few years, changes within the IRD system itself and increased questioning from IRD and audit activity, we do strongly recommend it.



Audit Shield covers all professional fees incurred, ranging from a simple phone call enquiry from the IRD right through to a full tax audit and covers all tax return types filed within New Zealand. An invoice for professional fees could range from \$100 - \$10,000 depending on the complexity of the questions asked and the information required to respond to the IRD. We have historically been able to absorb these costs where minimal time is incurred, however, with the increased activity and a significant amount of our time now being spent to address the IRD questions we may need to charge for these responses in the future - this is where Audit Shield will come in handy!

As in previous years, the majority of Audit Shield claims were made up of GST Verification, Income Tax return disclosures and Client Risk Reviews. GST and Income Tax are the main interactions with the tax system since most business owners are both registered for GST and file Income Tax returns.

There continues to be direct notification or request of information by the IRD to you, the taxpayer. Our recommendation is that any query from the IRD is directed back to us at all times. That way we can communicate the correct response, potentially saving you time and money in the long run. This would be covered by Audit Shield (if accepted) when the initial contact occurs.

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## Team Focus



With the recent creation of our Special Services team, Alana has moved from her Client Services position to take up responsibility of our Trust management programme and has become a compliance support administrator. This is a specialised role and will make good use of her recently completed Diploma in Legal Executive Studies.

Alana's move left a gap within the administrative team and we happily welcome **Nicola Dooley** into that space. Nicola comes with a wealth of administration experience and her lovely Irish accent has us mesmerized. She will be our reception back-up so you may get to meet her at the front desk or speak with her when you phone in.

Outside the office Nicola enjoys staying active and spending time with her family and friends in Papamoa.

