



Taking you to the **next** level



## IN THIS ISSUE:

▶ **End of Year Tax Planning**  
*Page 1*

▶ **Office Closures**  
*Page 1*

▶ **PIE Investments**  
*Page 2*

▶ **Tax Updates**  
*Page 2*

▶ **Covid-19 relief**  
*Page 3*

▶ **Key Tax Dates**  
*Page 4*

▶ **2022 Work Scheduling**  
*Page 4*

▶ **Cryptocurrency**  
*Page 5*

▶ **Incorporated Societies**  
*Page 5*

▶ **Xero Seminars**  
*Page 6*

▶ **Rental property seminars**  
*Page 6*

## End of Year Tax Planning For 31 March Balance Date Clients

With the 2022 financial year end approaching, now is a convenient time to remind you of a few tasks that are required on or before the 31st March as part of your tax compliance responsibilities.

### Things that need to be considered and actioned on or before 31 March:

- A review of all your Debtors. Please ensure you write off any bad debts dated 31 March or earlier from your ledger before year end.
- Issue all credit notes to customers if applicable so these adjustments are taken up in the correct financial year.
- Ensure all expenses are incurred before year end (invoices issued by suppliers) so that a deduction is allowed in that financial year.
- A review of annual leave entitlements. Remember that any leave paid within 63 days of your balance date can be claimable for tax purposes.

### Things that need to be actioned on 31 March:

- Ensure stock counts in your accounting system are accurate, that is trading stock, valued at cost price; also write off any obsolete stock.
- Determine the Work in Progress, valued at cost price. Work in Progress is work that has been performed but not yet invoiced (materials and labour should be included).
- Determine any raw materials held on hand. Raw material is unprocessed material used to produce goods not yet used.
- Record cash/ banking received but not yet deposited.
- Confirm Petty Cash and Till Floats.
- Count your livestock (if applicable).

## Office Closures

Our office will be closed for the **Easter Weekend** from 5pm Thursday 15<sup>th</sup> April and reopening 8.30am Tuesday 19<sup>th</sup> April 2022.

Also for **Anzac Day** on Monday 25<sup>th</sup> April 2022.

And our Staff Training Day on Thursday 28<sup>th</sup> April 2022.

We wish our clients a safe and enjoyable break over the upcoming long weekends.



## Portfolio Investment Entity (PIE) Investments

Do you know if you are on the right PIR rate when you have an investment in a PIE?

The PIR rate for NZ tax resident individuals is a prescribed rate based on two tests on your income in the last two years (not including the current years income levels). The prescribed rates are 10.5%, 17.5% and a maximum of 28%.

What happens when you are on the wrong amount?

For any taxpayer that has PIE investments, from the 2021 tax year we need to determine at year end if you have underpaid or overpaid tax and then make an adjustment accordingly. The problem gets resolved, however it is easier to get it right from the beginning. To change a PIR rate you need to contact the investment provider.

Your PIR rate is determined based on the lower rate from either of the last 2 years income (ie. 2020 and 2021 for the 2022 year).

Your taxable income	Your taxable income and your PIE income/loss	In either or each of the last 2 years	PIR Rate
<b>\$0 - \$14,000</b>	\$0 - \$48,000	Either year	10.5%
	\$48,000 - \$70,000	Either year	17.5%
<b>\$14,000 - \$48,000</b>	\$0 - \$70,000	Either year	17.5%
<b>\$48,000 or more</b>	Any Amount	Each year	28%
<b>Any amount</b>	\$70,000 or more	Each year	28%

## Tax Updates

Here is a snapshot of the latest updates. Apparently there are more than 100 policy and remedial changes expected to take effect on or before 1 April 2022 according to the IRD!

### Employment Law changes

- The annual increase in the **minimum wage rates** will apply from 1 April 2022

Type of Wage	Old Rate/ Hour	New Rate/ Hour
<b>Adult (16 and over)</b>	\$20.00	\$21.20
<b>Starting-out &amp; Training</b>	\$16.00	\$16.96

### Work and Income payments

- Benefits and payments will increase from 1 April 2022 due to the annual general adjustment. Changes above the annual general adjustment apply to Childcare Assistance income thresholds, Orphan's Benefit and Unsupported Child's Benefit and Working for Families where Family Tax Credits increase by almost \$15/week for the eldest child and around \$13/week for subsequent children; Best Start increases by \$15/week; the abatement rate for Family Tax Credits and In Work Tax Credits increase from 25% to 27% and the Minimum Family Tax Credit threshold increases from \$31,096 to \$32,864.
- Also from 1 April 2022 an increase in Superannuation payments of \$52 per fortnight for a single person and \$80 per fortnight for a couple.
- The Government further announced on 14 March 2022 to provide relief for the cost of living. From 15 March 2022 for a 3 month period the petrol excise duty will be cut by 25c per litre and road user charges will also be reduced, along with a 50% cut in public transport fares.

Continued on Page 3

## Tax Updates (continued)

### Changes that we have already told you about and some that are already in effect without legislation

- o **Interest limitation** rules to phase out the ability to claim interest on loans for residential rental properties
- o Changes to the **Bright-line property** rules, affecting residential properties where the main home exemptions do not apply
- o Introduction of a **"New Build"** for residential property rules including interest limitation and Bright-line considerations
- o Additional **reporting requirements for Trusts** to improve transparency of Trusts financial positions

## COVID-19 relief measures - Update

Covid-19 continues to throw curveballs! There are a number of financial measures that may be available.

### Covid-19 Business Support Scheme

This payment opened 28 February 2022 with payments for a fortnightly period for 6 weeks, so closes 9 May 2022 - but it may be extended.

The payment is \$4,000 per business and \$400 per full time employee and has a maximum of \$24,000 per fortnight.

The criteria is a 40% drop in revenue in 7 consecutive days within the 6 weeks prior to the shift to phase 2 on 15 February, compared to 7 days after that date.

### Covid-19 Leave Support and Short Term Absence payments

These two payments that are currently available are for any Covid-19 traffic light colour. Both are applied for by the business for the purposes of helping businesses pay workers who can't work while they are self-isolating or because they need to self-isolate while waiting on a test result. Applications must be made within 8 weeks of the end of an isolation period.

The Leave Support is a weekly payment at a flat rate - \$600/worker who is working more than 20 hours or \$359/worker if less than 20 hours a week. This can be applied for weekly provided the criteria is met. The criteria is that they have Covid-19 or are considered a close contact (assuming under the new determinations this is now a house-hold contact rather than what we know as a close contact); and need to self isolate for at least 4 consecutive days, and can't work from home. Self isolation for 11 days or more will allow re-application of the payment. There is no revenue test, provided an employee or self-employed person is unable to work.

The Short-Term Absence payment is a one-off payment of \$359/worker and can only be paid once in a 30 day period. This is available for when workers are isolating while waiting on test results and can't work from home (either them or a dependent). A recent update disallows the payment for those taking a RAT test due to the results being quick and therefore no time required off work.

### Small Business Loan

This has been modified to include a "top up" loan of \$10,000 with a new repayment period of 5 years and interest free for the first 2 years.

If the Small Business Loan has already been applied for, a top up can be obtained. Alternatively if the Small Business Loan has been repaid, it may be able to be redrawn with the same conditions provided the criteria continues to be met; otherwise if it has never been applied for the modified amount will be \$20,000 plus \$1,800 per FTE employee.

Where interest applies, this is at 3% on the remaining balance from the 1st day of the 3rd year.

The criteria for this is being in business for 6 months, a 30% decline in actual revenue and the business must be viable.



## Key Tax Dates

Date	Taxes payable
7 April 2022	Terminal Tax – 2021 Year
7 April 2022	FBT - Income Year return and payment
20 April 2022	PAYE – Period ended 31 March 2022
7 May 2022 (Actually 9 May 2022)	2022 Provisional Tax - 3 <sup>rd</sup> Instalment
7 May 2022 (Actually 9 May 2022)	GST - Period Ended 31 March 2022
20 May 2022	PAYE – Period ended 30 April 2022
20 June 2022	PAYE – Period ended 31 May 2022
30 June 2022 – Suggest 10 June 2022	KiwiSaver minimum contribution of \$1,042.86 for maximum tax credits of \$521.43



**Terminal Tax notices** (Due 7 April 2022) - We will print and release these notices in the last week of March 2022.

**Provisional Tax review** - Prior to the 3<sup>rd</sup> instalment of Provisional Tax falling due, we are able to undertake a review of your last 12 months of trading to consider if your tax payment can, or should be, adjusted either upwards or downwards so it is more in line with what we expect the actual tax to be, especially if there is significant changes to the 2022 trading year. Once the GST return is completed for the February/March 2022 period we can obtain the appropriate information from your GST records. If you are scheduled for a Provisional Tax review, you will receive a reminder in early April. If you would like a review done and you do not receive a reminder then please contact us with urgency and prior to the Easter break.

With the Provisional Tax date coming up, it is a timely reminder to ensure that you pay your taxes on time and in full. By doing so, this will ensure that we reduce the exposure to possible Use of Money Interest being charged on your Residual Income Tax. The IRD are now very inflexible in this regard.



**Kiwisaver** - To be eligible for the full member tax credit of \$521.43 you have to contribute at least \$1,042.86 a year. The Government will contribute 50 cents for every dollar of member contribution annually. If you have not yet contributed the minimum amount we suggest that you arrange a voluntary contribution prior to the beginning of June 2022 to ensure time for your credits to be transferred to your KiwiSaver fund by the due date of 30 June 2022. Payments can be made in two ways: Either directly to your scheme provider or to IRD by choosing the "Pay Tax" option and including your IRD number, the tax type "KSS", and recording the period "0" (zero).

## 2022 Work Scheduling

We will soon be preparing our 2022 year work scheduling and will look to finalise that during April 2022, at which time we will let you know when your work is expected to be completed. If for some reason you wish for your work to be at a specific time, or if your work is urgent, please let us know and we will try our best to accommodate your request.

As part of our practice planning strategy, we are looking to grow our Accounting Specialist team for the 2022 year work, and then shuffle some work responsibilities internally. We are also working on developing a special projects team. This will generate additional capacity to be able to attend to projects and special tasks that may have been delayed due to time restraints. You may notice a change in team personnel and we are confident our service delivery will continue to meet your expectations. Please do let us know if you have any concerns here.

For those clients that maintain a paper copy of financial records, we expect your 2023 annual folders will be ready for collection after the Easter break. We continue to see a transition towards electronic record keeping. If this is something of interest then we ask that you contact your Accounting Specialist to assist you with this.

## Something New... Cryptocurrency

If you've been hearing words such as currency trading, bitcoin, tokens, exchanges, booklets, wallets and they sound foreign, don't worry - they did to us too when we were first made aware of the tax complications with such investments!

The hard part about Cryptocurrency is that it's unseen, there is nothing physical to show for the investments, just the initial cash out or in.



### So why do we need to know about this?

There will be tax payable on all Cryptocurrency gains. Depending on the frequency of cryptocurrency transactions we will need to disclose to the IRD any gains made on disposal or exchange of coins held. When there are a high frequency of transactions you may be classified as trading cryptocurrency where we will need to disclose to the IRD the gain or loss in value of your cryptocurrency assets at each balance date. This is very different to how we would treat shares so not the normal for most of you.

### What information do you need to keep?

You will need to keep a record of the number of coins, value and date of all coins purchased, exchanged or sold.

It is important that you give us the right information so that we can give you the right tax advice, and to do so we'll need the right paperwork! Cryptocurrency has been a hot topic with the IRD and we guess it's because the correct tax treatment has not been done.

Watch this space as it could well be an audit target!

## Incorporated Societies

If you are involved with an Incorporated Society, it may be worth knowing that the Government is in the process of updating the legislation which will apply to all Incorporated Societies operating in NZ. We are currently working with legislation that dates back to 1908. The aim of implementing a more modern version will make societies more robust, will help societies govern themselves and a mechanism to provide societies and their members with constructive options when things go wrong. The bill is currently at the 3rd reading before Royal Assent is given.

The key changes include:

- Reregistration - Every society will need to reregister under the Bill within a specified transition period, which may require some societies to amend their current Constitution to comply with the new legislation prior to the date they reregister.
- Consent - Every person will need to consent to become a member of a society, which may require a review of the current membership application processes Societies have in place now.
- Membership Minimum - This will require a minimum of 10 members to either start a society or remain a society; a change from 15 members.
- Officer duties - This introduces duties that officers owe to a society (and not the members) which include duties such as acting in good faith, acting in the best interests of the society and the duty of care and diligence to name a few.
- Financial Reporting - Specific reporting standards will be required with a minimum standard applying to all societies along with the requirement to file the statements. Those that are considered large will also need to have the statements audited.
- Dispute Resolution - The requirement to have procedures for resolving disputes and other grievances in the Constitution, which must align to the legislation.
- Amalgamation - This provides a simplified amalgamation regime which should empower societies to join without the implications of the transition of members or the transfer of assets etc.
- Enforcement - This introduces new civil law enforcement provisions for when there is a breach of a Constitution or officer duties.
- Offences - This introduces 7 criminal offences which supplement the Crime Act covering for events such as dishonesty, false or misleading statements, fraudulent behaviour, improper use of "Incorporated" or "Manatapu" as well as lessor serious matters. Some of these offences attract a fine of up to \$200,000 and imprisonment of up to 5 years.

Our suggestion is that once legislated, you need to understand the changes to determine how it affects your current Society Constitution. It will likely result in all Constitutions being reviewed and most likely modified, which is not necessarily a bad thing, especially as some current Constitutions are extremely old and have not been maintained for changes in general practice and governance.



## Xero



Are you interested in moving to a cloud-based product for the 2023 financial year?

Xero is an online based accounting software that allows you access from work, from home or on the go - putting you in control! Using Xero you will know at any point in time your financial position and as your accountant we can provide valuable real-time advice right when you need it.

If you are interested in attending an upcoming client seminar or require further information about Xero please talk to your Accounting Specialist.

### Upcoming Xero client seminars

**Xero Basics** - We have free client training seminars scheduled for 14 April; 12 May and 9 June 2022 starting at 3.30pm

**Xero Advanced** - There are 2 dates to choose from: 12 April or 3 May 2022 starting at 3.30pm

Please register your interest for any Xero event as soon as possible as numbers will be limited. To register your attendance please either phone the office on 07 573 8446 or email [admin@bennettsproactive.co.nz](mailto:admin@bennettsproactive.co.nz)

## Residential Rental Properties



Do you want to understand the changes that are coming into play for residential properties?

The presentation below will cover the changes around the Brightline rules which have recently been extended to cover a 10 year period with changes around the main home exclusions and the introduction of a new build classification. It will also cover the introduction of the Interest Deductibility and how those rules will play out both for new purchases and existing rental properties.

Our suggestion is that if a rental property is part of your investment portfolio, or could be, then you need to have an understanding of the rules so you don't get tripped up!

### Upcoming Residential Rental Property seminars

**Changes to Brightline rules and Interest Deductibility** - Two to choose from

3.30pm on 21 April 2022 or

9.00am on 27 April 2022.

If demand requires, we will look to add more client seminar dates.

These are free client seminars.

Numbers will be limited so please register your attendance either by phoning the office on 07 573 8446 or emailing [admin@bennettsproactive.co.nz](mailto:admin@bennettsproactive.co.nz)

