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## Tax calendar

**30 June 2024**

Last day to apply for annual FBT returns  
**28 July 2024**

3rd instalment 2024

Provisional Tax  
(June balance date)

**28 August 2024**

1st instalment 2025

Provisional Tax  
(March balance date)



# UNVEILING NZ'S BUSINESS METAMORPHOSIS

## Navigating transformation in the land of the long white cloud (Aotearoa)

**B**usiness transformation in New Zealand is a dynamic process influenced by a range of factors, including technological advancements, market trends, regulatory changes, and global economic shifts. Let's delve into the specifics:

### 1 Digital Transformation

Aotearoa has been actively embracing digital transformation across industries. The adoption of cloud computing, big data analytics, artificial intelligence, and Internet of Things (IoT) technologies has been steadily growing. According to a report by NZTech, digital technologies contributed approximately NZ\$6.6 billion to New Zealand's GDP in 2019, with significant potential for further growth.

### 2 Government Initiatives

The New Zealand government has been proactive in promoting business transformation through various initiatives. For instance, the Digital Economy Work Programme focuses on enhancing digital skills, improving digital infrastructure, and fostering innovation to drive economic growth. Additionally, initiatives like the Business Transformation Agenda aim to streamline government services and improve the ease of doing business. [www.mbie.govt.nz/business-and-employment/economic-development/digital-economy/digital-economy-work](http://www.mbie.govt.nz/business-and-employment/economic-development/digital-economy/digital-economy-work)

### 3 SMEs and Startups

Small and medium enterprises (SMEs) play a crucial role in driving business transformation in Aotearoa. The country has a vibrant startup ecosystem supported by organisations like Callaghan Innovation and New Zealand Trade and Enterprise (NZTE). These entities provide funding, mentorship, and networking opportunities to help startups scale and innovate.

[www.callaghaninnovation.govt.nz](http://www.callaghaninnovation.govt.nz), [www.nzte.govt.nz](http://www.nzte.govt.nz)

### 4 Sustainable Practices

With growing awareness of environmental issues, sustainability has become an integral part of business transformation efforts in Aotearoa. Companies are increasingly adopting sustainable practices, such as reducing carbon emissions, minimizing waste, and investing in renewable energy sources. The government's commitment to carbon neutrality by

2050 further reinforces this trend.

### 5 Industry Focus

Various sectors in New Zealand are undergoing significant transformation. For example, the agriculture sector is embracing precision farming techniques and agri-tech solutions to improve productivity and sustainability. The tourism industry is leveraging digital platforms and immersive experiences to enhance visitor engagement. Similarly, the healthcare sector is exploring telehealth services and digital health solutions to improve patient care and accessibility.

### 6 Challenges and Opportunities

While business transformation presents numerous opportunities, it also comes with challenges. These may include legacy systems, resistance to change, cybersecurity risks, and skill shortages. Addressing these challenges requires a holistic approach involving technology adoption, organisational change management, and strategic partnerships.

### 7 Impact of COVID-19

The COVID-19 pandemic has accelerated digital transformation efforts in Aotearoa. Remote work, e-commerce, and digital communication tools have become essential for business continuity. Companies have pivoted their strategies to adapt to changing consumer behaviour and market dynamics, highlighting the importance of agility and resilience in the face of disruptions.

### 8 Future Outlook

Business transformation in New Zealand is expected to continue at a rapid pace, driven by evolving customer expectations, technological innovation, and regulatory reforms. Organisations that embrace digitalisation, agility, and sustainability will be well-positioned to thrive in the increasingly competitive global landscape.

By considering these key factors, businesses in Aotearoa can develop strategic roadmaps for successful transformation initiatives, ensuring long-term growth and competitiveness in the global marketplace.

*Disclaimer: The following response was generated by ChatGPT, an AI language model developed by OpenAI with a little bit of help from us.*



# Invest in yourself

## The ultimate path to success

"The secret is not to find the meaning of life, but to use your life to make things that are meaningful."  
– James Clear

Amongst the myriad of opportunities and challenges, there exists one investment that reigns supreme: the investment in yourself. Beyond the stock markets and real estate ventures lies a realm of infinite potential waiting to be tapped – YOU!

Picture this: You are the CEO of your own life. Every decision you make, every action you take, how you see the world, your self-beliefs, and your fears, shape the trajectory of your journey. Investing in yourself is not merely an investment; it is a commitment to your own growth, a dedication to becoming your optimal self each day.

What does it mean to invest in yourself? It means prioritizing your physical, mental, and emotional well-being. It means acquiring new knowledge, honing your skills, and expanding your horizons. It means setting audacious goals and relentlessly pursuing them, knowing that every step forward is a step closer to your dreams.

Investing in yourself is not always easy. It requires discipline, perseverance, and a willingness to step out of your comfort zone. But remember this: the greatest returns often come from the greatest investments. As you invest in yourself, you are laying the foundation for a future filled with success, fulfilment, and abundance.

Think of yourself as a garden. Just as a garden requires care, nourishment, and attention to flourish, so too do you.

Cultivate your mind with books, courses, and experiences that enrich your understanding of the world.

Cultivate your body with exercise, proper nutrition, and rest, knowing that a healthy body is the vessel through which you will achieve greatness.

Cultivate your spirit with moments of reflection, gratitude, and connection, for it is from within that true strength and resilience emerge.

Investing in yourself is not selfish; it is ESSENTIAL. When you show up as your optimal self, you inspire others to do the same. Your growth becomes a ripple effect - the impact on you, and other people you interact with in life becomes your ripple effect.

We urge you: to seize this moment. Take the leap of faith. Invest in yourself with unwavering conviction and watch as the world unfolds before you in ways you never thought possible. Remember, the journey of self-investment is not a sprint; it is a journey to enjoy along the way.

Pace yourself, stay focused, and never lose sight of the extraordinary individual you are destined to become.

In the end, the greatest investment you can ever make is in yourself. Let your investment in yourself be the catalyst for a life beyond your wildest dreams.

Source: [thementalfitnesscompany.com](http://thementalfitnesscompany.com)

"The secret to getting ahead is getting started."  
– Mark Twain



## Changes to personal income tax thresholds

**Threshold Increases:** Starting from 31 July 2024, the income tax thresholds will increase. This change aims to reduce income tax for people earning over \$14,000 per annum (The current thresholds have remained the same since 2010, except for a new top threshold introduced in 2021).

### New Thresholds:

- \$0 – \$15,600:** Tax rate of 10.5%
- \$15,601 – \$53,500:** Tax rate of 17.5%
- \$53,501 – \$78,100:** Tax rate of 30%
- \$78,101 – \$180,000:** Tax rate of 33%
- \$180,001 and above:** No change (tax rate of 39%)

These adjustments aim to align tax thresholds with wage growth and provide relief to taxpayers.

## COMPANY VEHICLES KEPT AT HOME BUT USED FOR BUSINESS

### – general rules – quick refresher

Certain commercial vehicles, as defined in publication IR409 ("work-related vehicles"), can be taken home by employees and the related travel not be considered a fringe benefit. You must give employees a letter explaining the restrictions. It is not sufficient just to include an appropriate clause in the employment contract. A draft of the letter is set out on page 9 of the above-mentioned publication.

Travel to and from work is exempt from FBT and travel which is incidental to business travel. Inland Revenue gives the example of passing a bank on the way home from work.

There is also a requirement for the employer to check at least once a quarter to ensure compliance.

Cars (ie not "work-related vehicles") are treated differently. There is no right for an employee to take the vehicle home and still be exempt from Fringe Benefit Tax, apart from Emergency calls, as defined.

In some cases, the business actually operates from home and therefore both cars and commercial vehicles travelling from there to clients/customers could still

be considered to be at work travel. Fringe Benefit Tax would not apply.

However, if an employee, who just works at home as a matter of convenience and from time to time uses the company car to get from home to an actual place of work, for example a general medical practitioner travelling to the health centre each day, use of their company car would be a fringe benefit.

It is rumoured Inland Revenue may be going to look at compliance with the fringe benefit tax rules, which apply to motor vehicles. There could be an issue with twin cab vehicles not being considered work-related. These vehicles seat 4 people and have a shorter cargo bed than a regular work-related vehicle.

Recommendation: inform clients of the need to comply and perhaps send those using work-related vehicles a sample letter to use.



### Disposal of trading stock at below Market Value

From 1 April 2024, it is proposed donations of trading stock to charities will be deemed to occur at cost price so there is no taxable profit on the donation. Normally, disposal of trading stock is deemed to occur at market value. For example, the owner of a business who takes stock for personal use.

### Trustee Income to be taxed at 39%

The Trust tax rate will change to 39% for the 2024/25 income year.

Deceased estates will avoid the 39% rate in the year of death and the following 3 years. During that time they will continue to be taxed at 33%.

Special rules will also enable certain disabled beneficiary trusts to continue to be taxed at 33%.

Trustee net income of \$10,000 or less is to be taxed at 33%.

### Shareholding continuity and different classes of shares – watch your imputation credits and losses!

For imputation and losses purposes there is a minimum percentage of shares that must be maintained for a particular period. For imputation 66% must be maintained from the date an imputation credit arises to the date it is used. For losses carried forward 49% must be maintained from the beginning of the period the losses arose till the end of the period they are utilised, unless the business continuity test applies. For loss offsets or subvention payments a minimum of 66% common shareholding must be maintained. Where there are different classes of shares with different voting rights the continuity percentage is based on a weighted average calculation of four voting rights. These are, the right to vote on:

- declaration of dividends
- changes to the company's constitution
- any variation in the company's capital, or
- the appointment of company director

For example. There are 120 A and 120 B shares and the A shares have the right to vote on all four of the above and the B shares only have the right to vote on the declaration of a dividend. The B shares weighting is therefore only 25% compared to the A shares at 100%. The weighted average of the B shares is therefore 25 divided by 125 (100 + 25) being 20%. This means all the B shares could be sold without breaching the imputation continuity percentage.

### Minimum wage increase from 1 April

The Government has announced that the adult minimum wage will increase to \$23.15 per hour from 1 April 2024. The training and starting out minimum wages will increase to \$18.52 per hour.

Different wage thresholds may apply for employees on certain working visas.

# 90-day trial period

With effect from Saturday 23 December 2023, all employers in New Zealand, no matter their size, can use 90-day trial periods.

Prior to Saturday 23 December 2023, this has only applied to employers with 19 or fewer employees.

If employers are hiring people on certain work visas, they will also need to consider immigration requirements relating to the use of trial periods.



or 90 days, or another stated time period; and  
 – during the trial, the employer can dismiss the employee, and the employee can't bring a personal grievance or other legal proceedings about their dismissal.

### Rights and responsibilities

Employees on valid trial periods:

- have all minimum employment rights and responsibilities (for example,

in relation to health and safety, minimum pay, annual holidays, public holidays, sick and bereavement leave and equal pay), except bringing a personal grievance for unjustified dismissal

- must be treated the same as other employees who aren't on a trial period.

Even if an employee is on a trial period, they can still bring a personal grievance on grounds other than about their dismissal.

### Giving notice of dismissal

If the trial period isn't going well and the employer decides to dismiss the employee, they must give notice to the employee that they will be dismissed.

The employer doesn't have to give reasons for a dismissal during a trial period or give the employee a chance to comment before the dismissal. But it is good practice to tell the employee why they are being dismissed.

Source: [www.topflight.co.nz](http://www.topflight.co.nz)

### A valid trial period

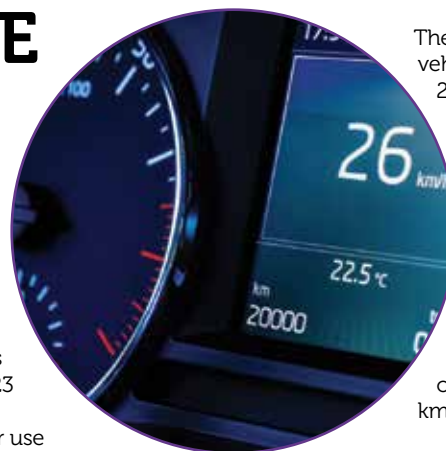
- must be agreed to in the employment agreement before the employee starts work, or the trial period is invalid
- must have a valid notice period in the employment contract
- can be used in any industry and for any job
- must be agreed by the employer and employee in good faith – an employee can't be forced into being employed on a trial period
- means that the employee can't bring a personal grievance for unjustified dismissal or other legal proceeding about their dismissal (as long as the employer has given the right amount of notice to the employee)
- must be in the employment agreement and must state that:
  - from the very start of their employment, the employee will be on a trial for a set period which isn't more than 90 days (but can be less). The exact time period must be stated, for example, it could be 30 days,

# MILAGE RATE

Every year, the Commissioner must decide how much businesses can claim for using their vehicles. They do this by looking back at the costs from the previous year, like from April 2023 to March 2024.

Businesses can either use these set rates or keep track of their actual vehicle expenses to claim back money for using their vehicles for work.

Employers can also use these rates to pay back employees for using their own cars for work. But it's important to know that these rates are based on past costs and might not match exactly what people spend every day.



The rates for claiming vehicle expenses for the 2023/2024 year are listed below. The first-tier rates are higher this year because of increases in fuel, insurance, and interest rates. The Tier two rate is for running costs only. Use the Tier two rate for the business portion of any travel over 14,000 kms in a year.

Vehicle Type	Tier One Rate	Tier Two Rate
Petrol or Diesel	\$1.04	35 cents
Petrol Hybrid	\$1.04	21 cents
Electric	\$1.04	12 cents

# Bright line test on property held briefly

Residential rental property owners will know they could be subject to tax on any gain on sale if they've owned the property for only a short period of time.

The name for this short period is "the bright line test".

There were three bright line tests – for two years, five years and 10 years. Effective from 1 July 2024 it is proposed to replace the three bright line tests with just one test.

It will be for a two-year period regardless of whether the property was bought before or after 1 July 2024.

Note the start of the bright line test is from the date of settlement on purchase. It is not from the date of signing the sale and purchase agreement, unless it is a purchase off the plan in which case it is the date the agreement is signed. This has always been the case. The bright line period ends at the time of signing a sale and purchase agreement for the sale of property.

## Main home exclusion

Here are some points to remember:

- Where the bright line end date is after 1 July 2024 the main home exclusion will be based on the predominant use of the land.
- The land must be used most of the time as the main home.
- The exception is for a new build. When determining the predominant use, you ignore the period under construction.



## Interest deductions on residential rentals

There have been significant changes to the tax deductibility of interest paid to buy residential rental property.

Previously, subject to certain transitional rules, the interest on money borrowed to buy property where the sale and purchase agreement was dated after the 27 March 2021 was not tax deductible.

Limits were imposed on property bought before this date.

The current situation is:

Year ended 31 March 2024 – 50% of interest is claimable on property where the sale and purchase agreement was dated on or before the 27 March 2021.

Year ending 31 March 2025 – the cut-off date is dropped, and interest deduction is partially allowed for all borrowing. The claim is limited to 80% of the interest incurred.

Year ending 31 March 2026 onwards – full tax deductibility of interest is restored.

# Knowing your numbers

In these crazy times of change and uncertainty, it's more important than ever to have a handle on the vital signs of your business – you know, the numbers that keep the engine running smoothly.

Businesses can hit a rough patch just because they're not keeping tabs on those key numbers. Not knowing where your leads are coming from, how well you're turning them into customers, or the value those customers bring, can lead to chaos and a shaky future.

On the flip side, those who stay on top of their numbers are the ones who can spot trends on the horizon and pivot like pros. They're not just surviving; they're thriving.

So, what's important for a small business?

You should watch your balance sheet ratios – that's the equity you have in the business. In tougher times, like right now, you should have more equity in your business than in good times. Take the example of a property investor who can rely on increasing property values when times are good. A 20% equity works fine. But when times change you need more, otherwise there's too

much borrowed money and too much interest to pay.

Keep an eye on your KPIs – that's your key performance indicators. These are things like:

**Revenue growth.** This measures the increase in revenue over a period of time. It indicates the business's overall financial performance.

**Profit margin.** It shows the percentage of revenue remaining after all expenses are deducted, reflecting the efficiency of operations.

**New customer cost.** Knowing what it costs to get a new customer gives you a good idea of how effective your marketing and sales are.

**Customer lifetime value (CLV).** This estimates the total revenue a business can expect from a single customer over their lifetime, guiding decisions on customer retention and loyalty programs.

So, keep your eyes on the prize, stay agile, and remember that with the right insights, your business can not only weather the storm but come out stronger on the other side!

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Carl Cachopa – RSM NZ  
Paul Dickey – Vazey Child  
Karen Draper – Wallace Diack

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## Changes in Particulars

Please remember to let us know of any changes in:

- Physical address • E-mail address • Phone and/or fax numbers
- Shareholdings • Directorships • Trustees

Or anything else that may be relevant.

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