NEWSLETTER

December 2023

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"We can't change what life sends to us, we can only control the way we deal with it."

- Ruby Tui

DB CHARTERED ACCOUNTANTS LTD

In this newsletter we cover paying holiday pay, the tax rate for Trusts, expected tax law changes, strategic planning, Company dividends and the updated fringe benefit tax rate.

OFFICE CLOSED – CHRISTMAS BREAK

Our office will be closed for the Christmas break from Midday Thursday 21 December 2023 and will re-open on Wednesday 17 January 2023.

The October/November 2023 GST Returns are required to be paid and filed with the IRD by 15 January 2024.

If we complete GST Returns on your behalf please ensure that you <u>have your information to us by 16 December 2023</u> so we can prepare the return before the Christmas break.

PAYING HOLIDAY PAY

As summer approaches and more staff take their holidays it is a good time for a refresher on paying holiday pay.

Holiday pay gets paid out at the greater of ordinary weekly pay (OWP) or average weekly earnings (AWE).

OWP is calculated based on the previous 4 weeks pay and includes an employee's wage or salary, regular overtime, regular allowances, the cash value of board and lodgings and regular productivity/incentive based payments.

AWE is calculated based on the previous 12 months earnings and includes wages or salary, overtime, most allowances, holidays and leave payments.

When calculating OWP it is important to refer to the Employment New Zealand website "What is a regular payment for OWP?" to determine what might not be a regular part of an employees pay.

If your employee is working on a public holiday they must be paid a minimum of time and half for the hours worked. If the public holiday is a day that your employee would normally work they are also entitled to another paid day off.

Holiday and leave provisions in an employment agreement only apply if they are at least equal to the entitlements under the Holidays Act 2023.

If you have any questions when calculating holiday pay please get in touch.

TRUST TAX RATE

It is expected that the Trust income tax rate will increase to 39% from 1 April 2024. The change in the tax rate will therefore impact Trusts from the 2025 income year.

This means that investment income that may have previously been taxed at 33%, will now be taxed at 39%.

Where annual income is distributed to beneficiaries, the increase in the tax rate may have a minimal impact. However where income and profits are retained in the Trust, there will be an increase in tax to pay. When investment income has had tax deducted at source at 33% (for example interest and dividends received), there will be an additional 6% in tax to pay.

For example if a Trust has a term deposit of $500,000 paying 6% pa, annual interest received will be $30,000. Tax at 33% (normally deducted by the bank) will be $9,900.

At a 39% tax rate the Trust will then have a further 6% ($1,800) to pay.

Many banks offer PIE Term Deposit Funds. These funds can have similar interest rates, and the bank will arrange to pay the PIE tax of 28%, which is a final tax. This means that no top up of tax to 39% is required.

In the above scenario where the Trust receives $30,000 as interest it will be taxed in a PIE fund at 28% (tax paid of $8,400). When compared to paying $11,700 at a 39% tax rate, this is a $3,300 saving. This may be something to consider depending on the Trusts circumstances. Note that if the Trust has other loss making assets, the PIE income cannot be used to reduce taxable income (and therefore any overpaid PIE tax would not be refunded).

For some Trusts the use of a PIE fund may be a valid option when a term deposit next comes up for renewal. It can also be a suitable option for individuals where their personal income is over $180,000 (and subject to a 39% tax rate).

COALITION GOVERNMENT – EXPECTED TAX LAW CHANGES

So far the new government has suggested that its upcoming tax changes will include:

Increasing interest deductibility provisions for residential rental property investments – initial plans are to increase deductibility of interest to be 60% of interest costs in 2023/24, 80% in 2024/25, 100% in 2025/26

Tax cuts for individuals - the tax thresholds for individuals has not been changed for over a decade. The proposed threshold adjustments are:

Up to $15,600	10.50%
$15,601 – $53,500	17.50%
$53,501 - $78,100	30.00%
$78,101 - $180,000	33.00%
$180,001 & over	39.00%

Additional IRD Funding - increased funding for IRD tax audits to expand the IRD tax audit capacity, minimise tax losses due to insufficient IRD oversight, and to ensure integrity and fairness in the tax system.

Once legislation has been passed we will provide an update on actual changes made.

STRATEGIC PLANNING – THE KEY TO SUCCESS

Why Plan?

Everything that is important to us, we plan for – holidays, weddings, birthdays. By attaching a plan to something we cement it as being important in our own mind.

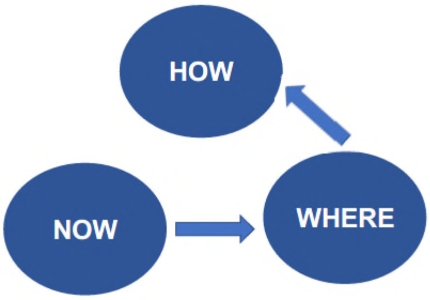
Strategic planning is a vital component to any successful business or organisation and provides a chance to step back and set a plan for the future.

Planning allows us to identify the true goals and objectives that we want to achieve as well as efficiently allocate the right resources in the right areas.

Strategic planning provides a greater understanding of your business, provides order and direction to what we are doing and reduces uncertainty

A brief overview of the 5 steps we use when we facilitate strategic planning with clients includes:

1. Establish and understand – what is the current state of the business?
2. 'X' years out – Where do we want to be in 2, 3, 5 years' time?
3. Define what you want to achieve – What will we be doing? How big will we be? Where will we be? Set SMART goals
4. Determine who will be accountable and who will be responsible for implementing goals
5. Review – set KPI's (Key Performance Indicators) to track and monitor progress



Using the above methodology, strategic planning can be an engaging and straight forward process. If you want assistance to set the direction of your business, please get in touch to discuss how we can lead a strategic planning session for you.

JOKE

An elderly man, while reversing his car, hits an expensive sports car behind him. Enraged, the driver of the sports car and his bodyguard hop out of the car and confront the old man. "Look what you did to my car," he yells. "You're going to give me $10,000 right now or my bodyguard is going to beat you to a pulp!"

"Oh my," says the petrified old man, "I don't have that kind of money. Let me call my son, he trains dolphins and he'll know what to do."

"Dolphins??" the other driver shouts while rolling his eyes.

The old man pulls out his mobile phone and dials, and just as the son answers, the irate man snatches the phone away from the old man. "So, YOU'RE a dolphin trainer, huh? Well, your old man here just rear-ended my Ferrari and I need ten grand right now or my bodyguard and I will beat you AND your old man to a pulp."

"I'll be there in ten minutes," says the voice calmly on the other end.

Exactly ten minutes later a jeep pulls up and a guy hops out and proceeds to single-handedly beat the living daylights of both the bully and his bodyguard, leaving them in a heap on the side of the road. When he's finished, he walks over to his father and says: "For the last time, Dad - I train Navy Seals, not dolphins."

BOOK REVIEW

STRAIGHT UP – RUBY TUI (2023)

This book covers Ruby's story prior to the NZ Women's Rugby World Cup triumph in November 2022.

Ruby tells how she first got involved in rugby, the experiences encountered growing up including family, exposure to the drug scene, healthy and unhealthy personal and family relationships.

Through all that Ruby had a commitment to be the best at what she did. Ruby provides lessons from what she has learnt, the values that she has stuck by to get her to where she is today and provides guidance to others who may be going through a challenging time.

IS IT TIME TO DECLARE A COMPANY DIVIDEND?

If your company has built up retained earnings over a period of time it is often useful to declare a dividend so that any Dividend RWT (Resident With-holding Tax) obligations can be kept up to date. RWT is the additional tax cost to make up the difference between tax paid at 28% by the company and the 33% rate required when declaring a dividend.

Declaring dividends and paying RWT on a regular basis spreads this cost over a period of time. Our March 2022 newsletter has more information on this calculation.

CHANGES TO FRINGE BENEFIT TAX RATE

FBT (Fringe Benefit Tax) Interest Rate

As from 1 October 2023 the FBT interest rate increased to 8.41%.

IMPORTANT TAX DATES

15 January 2024 - Provisional Tax Due (2nd instalment).
15 January 2024 - October/November GST Return due.
20 January 2024 - December 2023 PAYE payment due.
7 February 2024 - 2023 Terminal Tax due (if no extension of time with IRD)
28 February 2024 – December/January 2023 GST Return due and Provisional Tax due for GST Ratio option taxpayers.
31 March 2024 - Final day for Ratio option Provisional Tax applications.
7 April 2024 - Final date for 2023 Terminal Tax due.

JOKE

Why did the scarecrow get a big Christmas bonus? He was outstanding in his field!

Merry Christmas

Thank you for your support over the past year from the team at DB Chartered Accountants Ltd: David, Emma, Elaine, Gaylene, Karen, Kathryn, Katie, & Pam.

If you would like to discuss anything mentioned in our newsletter please contact us at:

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