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*Always give  
100% -  
Unless you're  
giving blood*

# DB CHARTERED ACCOUNTANTS LTD

In this newsletter we cover interest deductibility, mileage rates, IRD scams, cashflow, Trust tax returns/disclosures, Trust tax rate, working from home allowances, Audit Shield and the increase in the FBT and UOMI rates.

## INTEREST DEDUCTIBILITY – RESIDENTIAL RENTAL PROPERTY

As a reminder the deductibility of interest on residential rental properties is as follows:

### How much Interest can I claim?

The amount of interest you will be able to claim is dependent on when the property was purchased and if the property is a new build or an old build.

**Property Purchased before 27 March 2021** – Where residential property was purchased before 27 March 2021 (and not considered a new build) the percentage of interest deductible is:

2023 income year	75%
2024 income year	50%
2025 income year	25%
2026 income year	0%

**Property purchased after 27 March 2021** – Property purchased after this date, that are not considered to be new builds cannot deduct interest against rental income.

**New Builds** – Properties that received their Code Compliance Certificate (CCC) after 27 March 2020 are considered a new build. In this case the interest can be treated as a deduction against the rental income for 20 years from when the CCC was issued.

### What does this mean?

This means there will be a rise in non-deductible interest, resulting in an increase in profit (resulting in higher tax payable). Where we complete your tax calculations we will make the above adjustments.

## MOTOR VEHICLE KILOMETRE RATES

The rates for the 2022/2023 income year onwards have been set by IRD. These will be:

Tier One rate (up to 14,000 km per year) – 95 cents per kilometre.



Tier Two rate (over 14,000 km per year) – Petrol/Diesel 34 cents, Petrol Hybrid 20 cents, Electric 11 cents.

These rates can be used to calculate expense claims for the business use of a motor vehicle as well as reimbursing employees for the use of their private motor vehicle for business purposes.

## IRD SCAMS

IRD will not send you a link to their website in an email. IRD will not provide the amount of any refund due in an email. If you receive an email that you are not sure of, get in touch with us.

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## CASHFLOW – ARE YOU IN CONTROL?

Our comments below are from our April 2021 newsletter, and a reminder regarding maintaining good control over cashflow:



**Understand your Cashflow** - do you know how much in costs the business will be required to pay over the next 30, 60 and 90 days including payables, loans, GST, income tax. Are you confident you will have the funds when needed?

**Understand your Profits** - how much profit does your business generate per month? Is this enough to cover payables, loan and hire purchase payments? What parts of the business are most profitable (both as a \$ or %)? Can you invest more time into areas that provide improved profit?

**Accounts Receivable** – is there a system to ensure that invoices are paid on time? Depending on your business you may have terms that require payment within 7, 14 or 30 days. Ensure you have a system to follow up non-payment the next 1 or 2 days after payment is due. The squeaky wheel gets oiled. If you follow-up to get paid this will hopefully get your business to the top of the payments list.

**Owner Drawings** – if the monthly drawings/wages that owners are taking out of the business is higher than normal, are enough funds being set aside for tax?  
Are drawings within what the Company can afford to pay?

**Stock Control** - Stock on Hand is effectively cash not sitting in the bank. Are there good controls over stock purchases so that you are not over stocked? Unnecessary funds tied up in stock would otherwise be sitting in the bank account.

**Review the Information** – Do you have relevant information to assess your business on a regular basis to confirm if you are on track with expectations? While it's okay to be thinking "business is going okay" or "business seems to have slowed up" what are the facts?  
If you require assistance getting the relevant reports and information from your accounting system to check on progress, get in touch.

**Heed the Warning Signs** – there can be many signs that the cash flow situation is changing including; funds are not available to pay accounts payable on time, additional costs are being put onto a credit card, trouble meeting loan or any tax payments as they fall due. Taking action in the early stages can reduce problems further down the track.

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## TRUST TAX RETURNS – ADDITIONAL DISCLOSURES

If we complete a Trust income tax return on your behalf we are required to disclose in the income tax return details of any distribution, settlements or movements in beneficiary advance accounts. Additionally we are required to provide a summary of the financial position (Balance Sheet).

The only exception to having to provide this information is where the annual income is less than \$1,000 and the income is from interest and/or dividends.

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## TRUST TAX RATE

The government has announced an increase in the income tax rate for Trusts to 39% from 1 April 2024 (currently the Trust tax rate is 33%). This will bring the Trust income tax rate to the same rate as those individuals earning over \$180,000 per year. The IRD factsheet on this proposal suggests that Trustees are able to distribute "Beneficiary Income" to beneficiaries so that they pay tax at their marginal tax rate (which may be lower). We will provide more guidance on this once any legislation is finalised.

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## WORKING FROM HOME ALLOWANCES

The IRD first introduced tax relief on allowances paid to employees who work from home during the March 2020 lockdown. The current determination EE004 applies to relevant payments made by employers from 1 April 2023.

This increases the following exempt allowances for employees from 1 April 2023:

- Working from home - \$20 per week (previously \$15 per week) and
- Use of personal telecommunications equipment and/or usage plans – \$7 per week (previously \$5 per week).

The below table summarises the payment options that can be treated as exempt income to the employee:

Payment for	Payment threshold	When can I use this option?
Furniture or equipment	Up to \$400 (safe harbour)	When the amount is paid for furniture and equipment. Extra \$400 can be paid for new telecommunications equipment.
	25% of cost	Item is used at least partly for Job
	75% of cost	Item is used mainly for job
	100 % of cost	Item is used exclusively for job
Telecommunication usage plan	Up to \$7 per week	Plan used for job
	25% of employee's costs	Plan partly used for job
	75% of employee's costs	Plan mainly used for job
	100% of employee's costs	Plan exclusively used for job
Other expenses	Up to \$20 per week	Reimbursement for other expenses when works from home.

IRD will continue to monitor the amount of variable expenditure typically incurred by employees and will periodically update the amounts in this determination as appropriate.

## JOKE

I got a job at a paperless office. Everything was great until I needed to use the bathroom.



## AUDIT SHIELD INSURANCE

Audit Shield is an insurance that covers the accounting costs that may be incurred as a result of IRD selecting one of our clients for an audit, enquiry, review or if IRD has any query on a return that has been lodged with IRD. Audit Shield provides a fixed cost solution to guard against these unplanned costs. It covers queries and review or audit of GST, FBT, income tax, PAYE and other taxes.

For clients who have previously selected this cover the latest invoices will be sent out in the next month. If you have not previously chosen to utilise Audit Shield and wish to do so please get in touch.

## BOOK REVIEW

### THE SHARESIES GUIDE TO INVESTING – THE ROADMAP TO FINANCIAL FREEDOM – B & L ROBERTS & S WILLIAMS (2023)



Sharesies is an online platform for buying NZ and international shares, either directly or through EFT's (exchange-traded funds)

This book outlines how to go about investing in shares, what to consider and how to establish an investment plan. It emphasizes that investing is a long-term prospect, the benefit of compound returns and that over time share markets will have gains as well as falls (although over the long term the share market has historically increased).

The book covers diversification and dollar cost averaging, and longer term strategies. Some of the terminology that is used for shares, companies and the share market are explained to help readers understand these terms and concepts. The book is part self-promotion (people can invest through Sharesies using minimal funds – a large amount of saving is not required) and part education. A worthwhile read for someone wanting to understand how shares as an investment can work.

## CHANGES TO FRINGE BENEFIT TAX & USE OF MONEY INTEREST RATES

### Use of Money Interest (UOMI)

From 9 May 2023 IRD has increased the Use of Money Interest (UOMI) Rate on underpaid tax to 10.39%.

The IRD charges UOMI to all tax payers who do not pay their provisional or terminal tax on time, until the required tax is paid.

Additionally, taxpayers with annual tax payable over \$60,000 will be charged UOMI from the 3<sup>rd</sup> provisional tax date (7 May for March balance dates & 28 June for May balance dates) until they have paid the annual tax due in full.

For provisional tax payers, when tax is overpaid, the IRD now applies a credit interest rate of 3.53%.

### FBT (Fringe Benefit Tax) Interest Rate

As from 1 April 2023 the FBT interest rate increased to 7.89%.

This rate applies to loans provided to employees, and where a company has advanced funds to shareholders or associated parties.

## IMPORTANT TAX DATES

<b>28 June 2023</b>	-Third instalment 2023 provisional tax due (May balance date)
<b>28 June 2023</b>	-2 Monthly GST Return due.
<b>20 July 2023</b>	-PAYE Payment due – Payday returns to be filed 2 days after pay day.
<b>20 August 2023</b>	-PAYE Payment due – Payday returns to be filed 2 days after pay day.
<b>28 August 2023</b>	-First instalment 2024 provisional tax due (March balance date)
<b>28 August 2023</b>	-2 Monthly GST Return due.



The first five days after the weekend are the hardest!



Thanks from the team at DB Chartered Accountants Ltd: David, Elaine, Emma, Gaylene, Karen, Kathryn, Katie, & Pam.

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

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