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“Hard work beats talent when talent doesn’t work hard”

- Tim Notke

DB CHARTERED ACCOUNTANTS LTD

In this newsletter we cover tax updates that came into effect from 1 April 2024, the 2024 government budget updates, four ways to spend money, attaching invoices in accounting software's, and updates to the square metre and mileage rates.

TAX UPDATES FROM APRIL 2024

In our December 2023 Newsletter we discussed expected Tax Law changes. The legislation on these have now been passed.

From the 1 April 2024 the following changes came into effect:

Residential Rentals – Interest Deductibility

From the 2024/25 income year the amount of interest deductible on residential rental properties has been increased to 80% of interest incurred. This is irrespective of when the property was purchased.

In the 2025/26 income year this will increase to interest being fully deductible for all residential properties.

For the 2023/24 income year interest will be deductible at 50% (if property purchased prior to March 2021), 100% deductible if a new build.

Depreciation on Commercial Buildings

The government has removed depreciation on commercial buildings from the 2024/25 year onwards. This change will result in higher profits, and therefore an increase in tax payable.



Trust Tax rate – 39%

From the 1 April 2024 the tax rate for Trusts increased from 33% to 39%.

There will be minimal impact on Trusts that distribute annual income to beneficiaries. However in cases where the Trust retains income and profits in the trust, there will be increased tax payable at year end.

Trusts that earn \$10,000 or less in a tax year will continue to be taxed at 33%, Trusts that earn more than \$10,000 will need to be taxed at the new rate of 39%.

In cases where someone dies and their estate is still earning income whilst being wound up, the estate will be taxed at 33%. However the estate will only be taxed at 33% during the year of death and the following three years. Any income earned after those 3 years are finished will be taxed at 39%, as the estate will be treated as though the estate is a trust.

2024 GOVERNMENT BUDGET UPDATES

At the end of May the 2024 Government Budget was announced, this included changes to the personal income tax thresholds, eligibility for the independent earner credit and introducing Family Boost. The following changes come into effect from 31 July 2024.

Personal Income Tax thresholds:

In an effort to recognise wage growth the personal income tax thresholds have been increased. This is the first increase to the thresholds in over a decade.

The new tax thresholds for income 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%



Increasing the thresholds reduces the amount of income tax paid for people earning more than \$14,000 per year.

Independent Earner Tax Credit

The upper limit of the threshold for the independent earner tax credit has been increased from \$48,000 to \$70,000. Increasing the threshold will result in more people being eligible for the credit.

Individuals earning between \$24,000 and \$66,000 will receive the full tax credit. As income increases up to the limit of \$70,000 the entitlements will gradually reduce. The most you can receive is \$520 per year.

Depending on your income sources, the tax credit will either be received through your wages by providing your employer with the correct tax code or at the end of the financial year when your tax return has been filed.

Family Boost

The Family Boost is a newly introduced childcare payment that will be available to low – middle income families with children aged 5 and under. The payment is to assist families with costs of early childhood education.

Families can be reimbursed up to 25% of their early childhood education costs – up to a maximum of \$75 per week. This reimbursement is paid out quarterly – with the first payment being paid out in October (For the period 1 July – 30 September).

Families with income up to \$140,000 can receive up to the maximum reimbursement of \$975 per quarter. After \$140,000 the maximum payment gradually reduces, this can be seen in the table below:

Household Income	Maximum Weekly Rebate	Amount Reimbursed - Quarterly
Up to \$140,000	\$75	\$975
\$150,000	\$56.25	\$731.25
\$160,000	\$37.50	\$487.50
\$170,000	\$18.75	\$243.75

Registrations will open for Family Boost in MyIR from September. Then from 1 October you can apply to receive the reimbursement by uploading your early childhood education invoices to the IRD for the period.

WHAT ARE THE FOUR WAYS TO SPEND MONEY?

Milton Friedman suggested back in 1980 that there are only 4 ways to spend money.

1. Spending your own money on yourself

In this situation someone spending money has a strong incentive to spend wisely and aim to get full value for your money.

2. Spending your own money on someone else.

This might include buying a gift for someone. In this scenario you are still careful about spending too much and want to achieve full value “from the other persons point of view”



3. Spending someone else's money on yourself.

Here you still want to get good value for the money, but have little incentive to economise or save money. A situation here might be a business lunch paid for by the business.

4. Spending someone else's money on someone else.

Often this may mean that someone is not concerned about how much it costs, and not necessarily concerned about value for money. An example here would be a Government department employee spending taxpayer's money or a council employee spending ratepayer's funds.

ATTACHING INVOICES IN ACCOUNTING SOFTWARE

Did you know that many accounting software will allow you to attach invoices/documents directly to payments made? This is a helpful way for you to keep track of your invoices.

Additionally if you use an accounting software that you have given us access to such as Xero or MYOB, attaching your invoices to your payments allows us to download the invoices when we complete your year-end financial accounts. This means we don't have to request these from you at the end of the financial year.

- In Xero you can attach files by clicking the PDF symbol in the top right corner.
- In MYOB you can attach files by clicking 'attach files' in the bottom left corner.

Alternatively you can email your invoices to your accounting software. Software's such as Xero and MYOB will give you a unique email address to send your invoices to. This will go into your software's in tray where you will then need to assign it to an existing transaction or create a new transaction.

Xero - To find your unique email address go to your 'Bills to pay' screen, from there select 'Automate bill entry' in the top right corner. Your unique email address will appear with a button with the option to copy the address.

MYOB - To find your unique email address select 'Uploads' from the navigation bar on the left. From the 'Uploads' screen, select 'More ways to upload' from the top right corner. Your unique email address will appear with a button with the option to copy the address.

JOKE – A TEACHER & A STUDENT ARE CHATTING

Teacher: Have you done your homework, Tim?

Tim: Yes, teacher. I've completed it and posted it on Facebook. I've tagged you, so please check, like and comment.

Teacher: Excellent. I've also posted your grades on Facebook, and tagged your Mum. Remind her to check, like and comment for me.



BOOK REVIEW

THE ART OF WINNING – DAN CARTER (2023)

Following his retirement from professional rugby, Dan Carter has written a book to share his views on Leadership, Purpose and Potential. Through the various stages of his career, from Super Rugby, the All Blacks, World Cup matches, injury, rehab, Dan provides his 10 lessons and thoughts on how to achieve success.



Topics covered include purpose, humility (no person is bigger than the team), culture, managing pressure, resilience (how to take those steps back to peak performance), managing change and sacrifice (do what's right when no-one is looking).

Throughout the book Dan relates these lessons back to his own situations, at different times in his career, to provide the reader with relevant examples of how he implemented these lessons and what he has learnt from different situations.

CHANGES TO THE SQUARE METRE & MILEAGE RATES

Square Metre Rate for Home Office claims:

The square metre rate for the 2024 income year is \$53.10 per sq. metre

This rate can be used to claim deductions for business use of private residence. The rate covers the costs of power, gas, insurance, phone and internet.

Alternatively you can claim home office costs based on the area of the home office/storage as a percentage of the total home area.

Mileage rate:

The rates for the 2023/2024 income year onwards have been set by IRD. These will be:

Tier One rate (up to 14,000 km per year) – \$1.04 per kilometre.

Tier Two rate (over 14,000 km per year) – Petrol/Diesel 35 cents, Petrol Hybrid 21 cents, Electric 12 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.

IMPORTANT TAX DATES

20 June 2024	-PAYE Payment due – Payday returns to be filed 2 days after pay day.
1 July 2024	- Third Instalment 2024 Provisional tax due (May balance date)
1 July 2024	- 2 Monthly GST Return Due
22 July 2024	-PAYE Payment due – Payday returns to be filed 2 days after pay day.
29 July 2024	- Third Instalment 2024 Provisional tax due (June balance date)
20 August 2024	-PAYE Payment due – Payday returns to be filed 2 days after pay day.
28 August 2024	-First instalment 2025 provisional tax due (March balance date)
28 August 2024	-2 Monthly GST Return due.



Have you heard about the guy that stole the calendar?

He got 12 months.



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

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

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