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NEWSLETTER

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Client Portal

Exciting announcement! We're thrilled to unveil that we are working on an exclusive client log-in portal designed specifically for our valued customers. By registering, you'll gain free access to an exceptional array of financial insights, tax strategies, industry best practices, and a wealth of other invaluable resources, including:

- Tax guides and updates – these resources can help you understand the latest tax regulations, changes in tax rates, deduction limits, and any other relevant updates that may affect your tax obligations.

- Business Start-up Guides for our clients starting a new business – the portal provides guides that outline the steps and requirements for setting up a business in New Zealand. This includes information on business structures, registration processes, tax obligations, and other legal and financial consideration.

- Goods and Services Tax (GST) Information – GST is an important tax for businesses. The portal will provide information on how GST works, registration requirements, filing GST returns, and claiming input tax credits. Including details on common GST issues, exemptions, and rules for specific industries.

- Payroll and Employer Guides – provide resources to help our clients navigate payroll requirements, including information on calculating and filing payroll taxes, handling KiwiSaver contributions and compliance with employment laws and regulations.

- Inland Revenue Department (IRD) Resources – direct official resources provided by the Inland Revenue Department, such as tax guides, forms, calculators, and online services. This ensures you have access to accurate and up-to-date information from the tax authority itself.

- Budgeting and Financial Planning Tools – budgeting templates, financial planning guides, and calculators to help clients manage their personal or business finances effectively. These resources can assist with cash flow forecasting, goal setting, and financial decision-making.

- Industry-Specific Articles – articles or resources tailored to specific industries or professions. These can provide insights into industry-specific tax considerations, deductions, and compliance requirements, helping you navigate the unique aspects of your business.

- Record-Keeping Guidelines – best practices for record keeping. Provide guidelines on what documents to keep, how long to retain them, and any legal requirements for record retention. This can help you maintain accurate and compliant financial records.

- Tax Planning Strategies – articles and guides on tax planning strategies that can help our clients minimize their tax liabilities legally. This can include information on deductions, credits, tax incentives, and any recent changes to tax laws that provide opportunities for tax optimization.

Stay tuned for our email and social media updates. If you haven't liked our FB page, visit http://www.facebook.com/apexaccountancyltd/

Xero Hubdoc

Did you know that you can streamline document collection using Xero Hubdoc? It is a free document management and data extraction tool that integrates with the Xero accounting software. If you are a Xero user, it the best time to use Hubdoc to capture, upload or forward invoices, receipts, and bills to your Hubdoc account. This eliminates the need for manual data entry and reduces the risk of misplaced or lost documents.

Hubdoc uses advanced OCR (Optical Character Recognition) technology to extract key data from uploaded documents. It can automatically extract information such as vendor name, date, amount, and GST/HST details from receipts and invoices. This saves time and reduces the likelihood of manual data entry errors.

With Hubdoc, clients can quickly search and locate specific documents using keywords, vendor names, or amounts. This feature enables efficient document retrieval during audits, tax preparation, or general financial analysis, saving valuable time and effort.

It also has centralized document storage where all uploaded documents are securely stored in the cloud, creating a centralized and easily accessible repository. Clients can access their documents from anywhere, anytime, using any device with an internet connection. This eliminates the need for physical document storage and improves overall organization and document retrieval.

Overall, Xero Hubdoc offers clients a range of benefits, including time savings, improved accuracy, enhanced organization, and better financial insights. It streamlines the document management process, reduces manual data entry, and enhances the overall efficiency of financial operations.

Contact us if you need assistance in setting up your Xero Hubdoc account. Standard hourly rate for set-up and training would apply.

Special Reports on New Legislations

1. Build-to-rent exclusion from interest limitation rule

Section YA 1 and schedule 15 of the Income Tax Act 2007

The Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023 has introduced amendments that establish a perpetual exclusion from interest limitation rules for build-to-rent land that meets the asset class definition. This means that interest incurred for properties classified as build-to-rent land, as approved by Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development, will not be subject to the interest limitation rules.

“Build-to-rent land” definition

The definition of "build-to-rent land" has been added to the list of exceptions in schedule 15, specifying that the interest limitation rules will not apply to deny interest deductions for property that meets the asset class definition and has been approved as build-to-rent land.

However, if the land no longer meets the asset class definition in the future, the build-to-rent exclusion will no longer prevent the interest limitation rules from applying to deny interest deductions for that rental property.

According to the new definition in section YA 1 of the Income Tax Act (ITA), build-to-rent land refers to land owned by an individual that meets the specified criteria in section CB 12(1)(a) to (e) or section CB 13(1)(a) and (b).

- The land must be part of a project consisting of 20 or more dwellings, and
- it should currently be used, available for use, or undergoing preparation or restoration as a rental property governed by the Residential Tenancies Act 1986 (RTA)

- Additionally, each residential tenancy must offer a fixed term of at least 10 years with a 56-day termination notice option,
- and the tenancy agreement must include a personalization policy aligned with sections 42, 42A, and 42B of the RTA.

If the land fails to meet these requirements at any time after initially meeting them, it will no longer qualify under the build-to-rent land definition.

Existing dwellings must meet definition by 1 July 2023

Existing build-to-rent assets have until 1 July 2023 to comply with the tenure and personalization policy requirements outlined in the definition of build-to-rent land. Although the policy aims to apply to both new and existing build-to-rent developments, it is unlikely that any existing developments have already offered 10-year tenancies to all tenants.

Effective date

These amendments come into effect on 1 October 2021, aligning with the introduction of the interest limitation rules.

For more information, visit https://www.taxpolicy.ird.govt.nz/publications/2023/2023-sr-build-to-rent.

2. Tax Relief for North Island flooding events

The Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023 has introduced changes that offer tax relief to employers who make welfare contributions to their employees in response to the North Island flooding events.

These changes allow exemptions for specific types of contributions, including:

- accommodation,
- miscellaneous fringe benefits when it's challenging for the employer to determine which employees received them,
- and the first $5,000 of monetary remuneration and fringe benefits where the employer can reasonably identify the recipients.

Additionally, the Act expands the definition of a "project of limited duration" to encompass projects involved in the recovery and reconstruction of the affected areas. This change extends certain benefits to employees working on these projects.

Effective date

The tax relief measures take effect immediately, applying to contributions made within an eight-week period from the start of the relevant North Island flooding event.

The revised definition of a "project of limited duration" is applicable when an employee begins work at a distant workplace within six months of the initial North Island flooding event.

Background

Before these changes, most payments and benefits provided by employers to employees were subject to income tax or fringe benefit tax, except for a few specific exemptions.

However, in response to the North Island flooding events, employers now have the ability to make ex-gratia welfare contributions to their affected employees in the form of cash or benefits without these contributions being subject to income tax or fringe benefit tax, similar to the measures implemented after the Canterbury earthquakes.

What is the North Island flooding event?

The term "North Island flooding events" now has a new definition in section YA 1 of the Income Tax Act 2007 (ITA). It refers to specific occurrences, which are as follows:

a) Cyclone Hale, which took place from January 8, 2023, to January 12, 2023, and affected one or more of the following districts:

(i) Coromandel,

(ii) Gisborne,

(iii) Northland,

(iv) Wairarapa,

(v) Wairoa.

b) Heavy rainfall that occurred from January 26, 2023, to February 3, 2023, and impacted one or more of the following regions:

(i) Auckland,

(ii) Bay of Plenty,

(iii) Northland,

(iv) Waikato.

c) Cyclone Gabrielle, which happened from February 12, 2023, to February 16, 2023, and affected one or more of the following regions or districts:

(i) Auckland,

(ii) Bay of Plenty,

(iii) Gisborne,

(iv) Hawke's Bay,

(v) Northland,

(vi) Tararua,

(vii) Waikato.

Income tax exemption

A new provision, section CZ 23B, has been added to the Income Tax Act 2007 (ITA). According to this section, income received by an employee from their employer, which may include accommodation benefits, is considered exempt income if the following conditions are met:

- The income is provided by the employer with the intention of alleviating the adverse effects of a North Island flooding event.
- Under normal circumstances, the income would be considered taxable income.
- The income is earned within the eight-week period beginning on the first day of the relevant North Island flooding event.
- The income is not given as a substitute for regular wages or salary and does not replace a PAYE income payment.
- The income is not contingent upon the seniority or position of the employee.
- If the employee has a personal or business relationship with the employer, the income is also made available to unrelated full-time employees.
- The employer acknowledges and treats the income as exempt income for the employee, adhering to the required tax treatment.

For more information, visit https://www.taxpolicy.ird.govt.nz/publications/2023/2023-sr-flood-response

3. GST apportionment and adjustment rules

The Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Act 2023 has introduced modifications to the GST apportionment and adjustment rules, aiming to reduce the compliance burden on businesses and align them with current taxpayer practices.

Background

In order to prevent GST from becoming a burden on business operations, businesses have the ability to claim input tax deductions on purchases of goods and services used to make taxable supplies.

However, when an asset is utilized for both taxable supplies and non-taxable purposes, such as a van used for package delivery during the week and personal use on weekends, the taxpayer can only deduct a percentage of the total input tax based on their estimated taxable use. **This process is referred to as apportionment**, which ensures that GST is collected on the non-taxable use of the asset.

Once a business has claimed an input tax deduction based on their estimated taxable use, they are typically required to monitor the actual use of the asset over time. If the initial estimate is found to be inaccurate, they must make adjustments in their GST return at the end of each adjustment period (usually the tax year) to account for the difference in use.

The previous GST apportionment and adjustment rules were intricate and imposed significant compliance costs. These rules applied to all goods and services acquired by registered individuals, creating undue compliance burdens for low-value assets like computers, phones, and tools, which often had minimal private or exempt use.

Furthermore, the previous rules sometimes led to substantial and unexpected GST liabilities. For instance, if a registered person sold an asset (e.g., land or a dwelling) that had been partially used for taxable supplies (e.g., as a home office or workshop), the sale would be considered a taxable supply.

However, if a different ownership structure had been used, such as owning the asset through a separate company, partnership, or trust, the disposal would often not be treated as a taxable supply.

To address these issues, reforms have been implemented to reduce compliance costs for businesses, align the rules more closely with current taxpayer practices, and enhance fairness among various ownership structures.

Key features

The amendments have brought about significant changes as follows:

- A ***new principal purpose method*** has been introduced for goods and services acquired for $10,000 or less (excluding GST). This method, outlined in sections 20(3CB) and (3CC) of the Goods and Services Tax Act 1985 (GST Act), allows registered individuals to claim a full GST input tax deduction when the goods or services are acquired primarily for making taxable supplies. This eliminates the need for applying apportionment or adjustment rules.

  However, those who opt not to use the principal purpose method must continue to apply the general apportionment method for all purchases of $10,000 or less for a minimum of 24 months. Registered individuals who have agreed upon an alternative apportionment method with Inland Revenue should continue to apply that method.

- There are no subsequent adjustments required for goods or services acquired for $10,000 or less.

- The number of adjustment periods for monitoring the actual use percentage of assets and making annual adjustments has been reduced to ten years for land and two years for goods and services acquired between $10,000 and $20,000 (excluding GST).

- Sections 6(3)(e) and 91 now permit GST-registered individuals to elect a treatment where certain assets, such as dwellings, primarily used for private or exempt purposes are treated as having exclusively private or exempt use.

To qualify, the goods must not have been acquired or used with the principal purpose of making taxable supplies, and no GST deductions can be claimed for their cost or capital improvements. Upon subsequent sale or disposal of these goods, the registered individual can elect for the transaction to be excluded from their taxable activity.

- On the contrary, the disposal of an asset for which a registered individual previously claimed taxable use is deemed a taxable supply.

  Additionally, if the Commissioner of Inland Revenue determines that a registered individual has increased their non-taxable use of goods or services and applied the wash-up rule in section 21FB in anticipation of selling the goods or ceasing their taxable activity, the disposal of the relevant asset is considered a taxable supply.

- The wash-up rule in section 21FB can now be applied when there has been a permanent change in use and at the end of the adjustment period in which the change occurred.

- Amendments to sections 20(3E), (3EB), 21(4), and (4B) empower Inland Revenue to approve a broader range of practical apportionment methods for GST-registered businesses to apply.

  Inland Revenue can also publish acceptable alternative apportionment methods for specific GST-registered individuals and outline the circumstances in which they can be used.

- The special mixed-use asset rules for certain holiday houses, boats, and aircraft with private, taxable, and at least 62 days of vacant use during the owner's tax year will be repealed from April 1, 2024.

  Instead, GST input tax deductions and adjustments will be calculated using the general GST apportionment rules that apply to other assets.

- Section 61B of the Tax Administration Act 1994 grants Inland Revenue the authority to prescribe information disclosure requirements for certain GST-registered individuals who acquire land, ships, or aircraft intended for use in making taxable supplies.

Effective date

Most of the changes will be effective for goods and services supplied or adjustment periods ***starting from April 1, 2023***. However, there are a few exceptions:

- The amendments allowing GST-registered businesses to treat certain goods with private or exempt use as non-taxable supplies will apply to supplies made on or after April 1, 2011. This retrospective application aligns with previous GST positions and prevents additional GST and compliance costs for affected businesses.
- Remedial amendments to the definitions of "actual deduction" and "percentage actual use" in sections 21FB and 21G of the GST Act, respectively, will have effect from June 30, 2014, which is the original introduction date of section 21FB.
- Changes to the asset value thresholds for determining the duration of post-acquisition adjustments will take effect on April 1, 2023.
- Amendments to sections 20(3E), (3EB), 21(4), and (4B) of the GST Act, allowing Inland Revenue to approve a wider range of apportionment methods

and publish approved methods, will come into effect on April 1, 2023.

- The repeal of the mixed-use asset rules in sections 20(3JB) and 20G of the GST Act will apply to the first adjustment period of a registered person beginning on or after April 1, 2024.

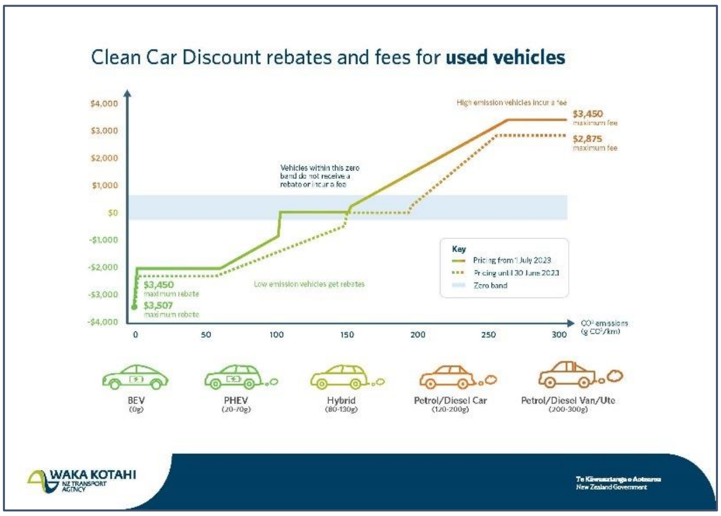
For more information, visit https://www.taxpolicy.ird.govt.nz/publications/2023/2023-sr-gst-apportionment-and-adjustment-rules.

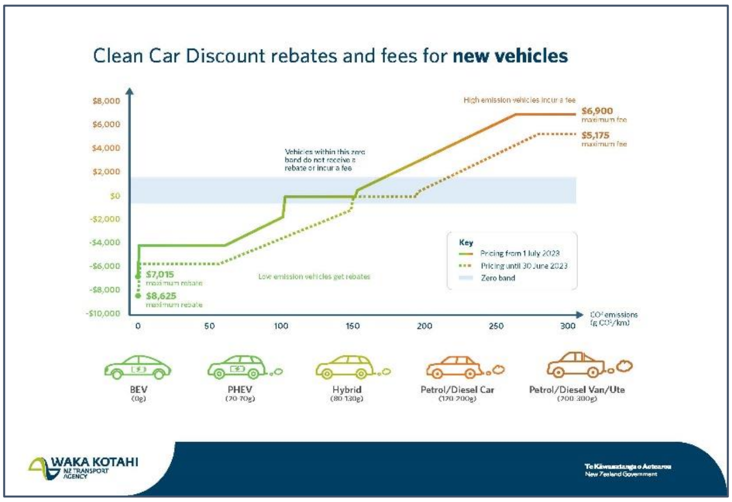
Land Transport (Clean Vehicles) Amendment bill

The Clean Car Discount program in New Zealand is set to undergo changes starting from July 1, 2023, in response to the growing popularity of zero and low emission vehicles. These modifications aim to maintain the scheme's financial sustainability while also pushing for a transition to a zero-emissions vehicle fleet.

The adjustments include a reduction in rebate amounts and eligibility, as well as an increase in charges for high emission vehicles. Additionally, a special provision will be introduced to accommodate disability vehicles. It's important to note that the rebate purchase price cap, which requires vehicles to be below $80,000 including GST and on-road costs, remains unchanged in order to qualify for a rebate.

For further information, visit https://www.transport.govt.nz.





Consumer Price Index – March 2023 Quarter

The Consumer Price Index (CPI) is a measure that tracks changes in the average price level of a basket of goods and services commonly purchased by households over time. It is used to gauge inflation and the cost of living for consumers.

The CPI measures the price changes for a representative "basket" of goods and services, which typically includes items such as food, housing, transportation, healthcare, education, and various other goods and services. These items are weighted according to their relative importance in the average consumer's spending habits.

Annual change

For the 12 months to the March 2023 quarter, the CPI inflation rate was 6.7 percent.

- Food increased 11.3 percent, influenced by:
  - grocery food (up 12.3 percent)
    - fruit and vegetables (up 20.2 percent)
    - restaurant meals and ready-to-eat food (up 8.5 percent).
- Housing and household utilities increased 7.1 percent, influenced by:
  - home ownership (up 11.5 percent)
  - actual rentals for housing (up 4.3 percent)
  - property rates and related services (up 7.2 percent).
- Recreation and culture increased 6.9 percent, influenced by:
  - other recreational equipment and supplies (up 8.8 percent)
  - accommodation services (up 12.3 percent)
  - recreational and cultural services (up 3.4 percent).

For more information, visit https://www.stats.govt.nz/information-releases/consumers-price-index-march-2023-quarter

Understanding Inflation: The Impact on Your Finances and How to Cope

Inflation is a pervasive economic phenomenon that affects individuals, businesses, and entire economies. It is a topic that often makes headlines, sparks debates, and demands attention from policymakers and consumers alike. But what exactly is inflation, and why does it matter to you and your financial well-being?

In simple terms, inflation refers to the sustained increase in the general price level of goods and services over time. When inflation occurs, the purchasing power of money decreases, meaning that you need more money to buy the same amount of goods or services. It erodes the value of your hard-earned dollars, impacting your savings, investments, and day-to-day expenses.

Here are some tips that can help navigate and mitigate the effects of inflation:

- Monitor Expenses and Adjust Budget – closely track expenses and identify areas where you can cut back or make cost-effective choices. By having a clear understanding of your spending patterns, you can make informed decisions and allocate their resources wisely.
- Explore Inflation-Indexed Investments – investment options that provide protection against inflation. In New Zealand, they can consider investing in inflation-indexed bonds or funds that are specifically designed to adjust their returns based on changes in the Consumer Price Index (CPI). These investments can help preserve their

purchasing power over the long term. One example is the New Zealand Government Inflation-Indexed Bonds (IIBs). These bonds are issued by the New Zealand government and are designed to protect investors against inflation.

- Consider Property Investments – Real estate has historically been a popular inflation hedge. You can explore property investments, such as rental properties or real estate investment trusts (REITs), which have the potential to appreciate in value and generate rental income that tends to rise with inflation.

- Review and Adjust Debt – Rising inflation often leads to higher interest rates. You should review your existing debts, such as mortgages or loans, and assess the impact of potential interest rate increases. Consider refinancing options or negotiating with lenders to secure lower fixed interest rates and reduce the burden of increasing debt payments.

- Diversify Investment Portfolio – diversify investment portfolio across various asset classes, such as stocks, bonds, commodities, and international investments. A diversified portfolio can help spread risk and potentially provide opportunities for growth and protection against inflationary pressures.

- Maximize Retirement Savings – Inflation can erode the purchasing power of retirement savings over time. Contribute regularly to retirement accounts, such as KiwiSaver, and consider increasing contributions as income allows. Investing in growth-oriented funds within these accounts can help combat inflation and potentially generate higher returns over the long term.

It is important to consider individual circumstances and risk tolerance when implementing these tips. You should seek professional advice and conduct thorough research before making any investment or financial decisions.

Understanding the Role and Responsibilities of a Company Director

Being a director of a registered company comes with certain responsibilities and obligations outlined in the Companies Act 1993. This article explains what it means to be a director and the key aspects of the role.

What is a director?

A director is an individual who is elected or appointed to manage a company's business and affairs. Every registered company must have at least one director, and their information is recorded on the Companies Register. Developing strong director skills is essential for effective company management, goal achievement, and maintaining a positive reputation.

Your role as a director

As a director, your duties may include:

- making decisions and implementing policies,
- filing statutory documents,
- convening meetings (including an annual meeting of shareholders)
- maintaining records,
- and entering into contracts on behalf of the company.
- Additional duties and responsibilities might be outlined in the company's constitution, if applicable.

Your obligations as a director

In fulfilling your role, you must always act honestly and in the best interests of the company, exercising reasonable care. It is important to avoid actions or agreements that could breach the Companies Act 1993, other legislation, or the company's constitution.

Part 8 of the Companies Act details the following aspects of directorship:

- who is ineligible to be a director,
- various director duties,
- the exercise of director rights and powers,
- and the expected minimum standards of behaviour for directors.

These standards include:

- acting in good faith and in the best interests of the company,
- using your power for proper purposes,
- avoiding actions that pose a substantial risk of serious loss to the company's creditors,
- exercising the diligence and skill expected of a reasonable director,
- ensuring the company's ability to pay its debts and maintain positive assets,
- and complying with the Companies Act.

Company meetings

Directors are responsible for calling company meetings as required by the Companies Act and the company's constitution, if applicable. This includes convening an annual meeting of shareholders.

Filing obligations

Meeting the company's filing obligations with the Companies Office is also a director's responsibility. This involves reporting relevant information and documents as required.

Accounting and company records

All New Zealand companies must maintain certain records, including:

- the constitution (if applicable),
- minutes of shareholder and director meetings from the past seven years,
- a director interests register,
- certificates given by directors,
- communications to shareholders over the past seven years,
- the share register,
- and accounting records.

Your financial responsibilities

Directors have a financial responsibility to avoid creating a substantial risk of serious loss to the company's creditors. Reckless trading, which can expose directors to personal liability and prosecution, must be avoided.

Seeking professional advice from a solicitor or accountant can help address any financial difficulties and minimize the impact on shareholders, creditors, employees, and other stakeholders with a financial interest in the company.

Voluntary administration, receivership and liquidation

If a company is unable to meet its financial obligations, it may undergo voluntary administration, receivership, or liquidation, which limits the director's powers.

Understanding these roles and responsibilities is crucial for anyone serving as a company director.

For more information, visit https://companies-register.companiesoffice.govt.nz/help-centre/company-directors

Streamlining Tax Payments: Electronic Solutions for the Payment Process

Did you know that you have the option to settle your tax obligations conveniently through your bank's internet banking website or app? Instead of traditional methods, you can utilize your bank's digital platform to make secure and efficient tax payments.

When making payments for specific purposes such as:

- arrangements (ARR)
- cost of living payment (COL)
- KiwiSaver voluntary contributions (KSS)
- legal decisions (LGL)
- child support liable parents (NCP)
- rulings and determinations (RUL)

- small business cash loans (SBC)
- fees for New Zealand foreign trusts (FTR)

there is **no need to include the time period in the payee code.**

Use the following details when making a direct credit payment:

Detail	What to include
Particulars	Your IRD number. If you have an 8-digit IRD number, put a 0 at the beginning.
Payee code	Account and (space) time period (DDMMYYYY). For example: ▪ INC 31032016
Reference	Leave blank.

Particulars – Input your 9-digit IRD number, put 0 at the beginning if you have an 8-digit IRD number.

Payee code – The account and period you are paying for. For example:

GST 31032023

INC 31032023

DED 31032023

Note:

GST – Payment for GST for the period 31 March 2023;

INC – Payment for Income Tax for the period 31 March 2023;

DED – Payment for PAYE and other employee/er deductions for the period 31 March 2023.

Bank Account Details:

Inland Revenue Department

03-0049-0001100-27

Further details of electronic payments are available here https://www.ird.govt.nz/managing-my-tax/make-a-payment

We value your partnership and trust in our services, and we're committed to continuously providing you with the best solutions for your business needs. As we conclude this newsletter, we encourage you to stay connected with us for the latest updates, industry insights, and upcoming events.

Our dedicated team is always here to assist you and ensure your success. Thank you for being a valued client, and we look forward to serving you with excellence in the days ahead. Wishing you continued growth and prosperity!

- Apex Accountancy Limited