

# HBT

## ACCOUNTANTS

BUSINESS ADVISORS & CHARTERED ACCOUNTANTS

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# IT'S APRIL!

Welcome to the April issue of our newsletter! With the arrival of a new financial year, we understand the demands it brings.

That's why we've curated this newsletter packed with essential dates, insightful tips, and informative articles. Take a moment to explore, and if you have any questions on a specific topic, don't hesitate to reach out!

## Key Dates

- 7 April 2024: Daylight Savings ends, don't forget to turn back those clocks!
- 8 April 2024: Payment Due Date for all Terminal Tax Payments relating to the 2023 Financial Year.
- 22 April 2024: PAYE Payments due for March pay period.
- 7 May 2024: GST filing and payment due for all standard filers for the period ending 31 March 2024.
- 7 May 2024: Final Provisional Tax Instalment covering the year ending 31 March 2024.



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## Tax Focus

It's a new financial year and we're set to see a few changes over the coming months. A few changes to be aware of are:

### Trust Tax Rates

We've covered this a bit in our recent posts but as we're now in April, the Trustee tax rate has now increased to 39%. This means any income retained in a Trust (rather than distributed to beneficiaries) will be taxed at the top rate of 39%.

If you're feeling concerned about your upcoming tax bills, it's a great idea to get in touch with us. For future tax planning, it could be worthwhile considering other options such as winding up your Trust or changing to a Company format moving forward.

### Increases to Working for Families Payments

Weekly payments are set to rise from \$136 to \$144 per week for the eldest child and from \$111 to \$117 per week for subsequent children. The Best Start Credit is increasing from \$69 to \$73 per week.

Families are also to receive up to a maximum of \$75 per week (receiving back up to 25% of their weekly fees) as part of the Family Boost Scheme. This scheme relates to fees incurred with a licensed ECE provider after taking into account the 20 hours free and MSD Childcare Subsidy.

### Interest Deductibility on Rentals

The new Government proposed interest deductibility on rentals will return. However, Landlords need to be mindful that the interest will not be 100% deductible right away.

For Properties that do not meet the "New Builds Exemption" you will be able to deduct 50% of your rental-related interest charges for the tax year ending 31 March 2024. This is the 2024 deductibility rate as per the previously instated phasing out regime. For the year from 1 April 2024 to 31 March 2025, 80% will be claimable and finally, for the year from 1 April 2025 to 31 March 2026, 100% will be claimable. From this point moving forwards, all interest will be deductible in your annual income tax return.

For the time being, it's best remain conservative when thinking about the tax on your rental income. For 2024 tax returns, the 50% deduction of interest will be quite tough for many Landlords. We, along with many of our clients, look forward to a return to 100% deductibility in rental returns.

### GST on Short Stay Accommodation

Long term residential rentals are not subject to GST. However, short term rentals such as hotels, motels and AirBnB, follow a different set of rules. Previously, the income earned from these sources was not subject to GST unless the annual proceeds exceed \$60,000.

Starting April 1, 2024, electronic marketplaces are mandated to collect and remit 15% GST on all services facilitated through their platforms. Here's what this entails for accommodation providers:

For those not registered for GST, the electronic marketplace will deduct 8.5% tax from transactions and issue it back as a credit. This credit roughly aligns with the GST that could be claimed if the provider were GST registered. This additional income must be reported in their tax returns.

For GST-registered individuals, transactions within the electronic marketplace are zero-rated for GST. This means that while GST is no longer payable on the rental income received from Airbnb, the amount received will be reduced, net of GST. Despite this, the income still needs to be reported in the GST return, with a corresponding deduction under the zero-rating provision.



# Xero - New Financial Year Refresh



The start of a new financial year is the perfect time to refresh yourself and your team with Xero.

Exploring the fundamental features of Xero and familiarizing yourself with their benefits is the key to a successful year ahead! See below for some of the sections of Xero we get asked about at this time of year.

## Financial Reports

We've talked about the reporting function in Xero before, but it's easy to forget to make use of it when you're focused on bank reconciliations and the day-to-day running of your business. There's a bunch of reports right at your fingertips - you can find them under the Accounting Menu. It's especially important to get the hang of using these reports at the beginning of a new financial year, as they're super helpful for budgeting and planning ahead.

## Uploading Source Documents

Source documents can be uploaded to a specific transaction such as an asset purchase by locating the transaction and using the document icon to attach a file. However, where a document is not related to a single transaction alone, or may be related to year-end documentation for your Accountant, you can add these files separately to Xero.

This is easily done by heading to your Business name and selecting the drop-down arrow. In the menu that follows, select "files". From here you can upload document which will be stored in Xero for whenever you or your Accountant needs them! You can even create separate folders which helps to keep things organised when it comes to various reporting periods being uploaded. We highly recommend using this function as a tool to keep on top of year end documentation as the financial period progresses.

## Getting Sorted with ACC

Most of us have claimed ACC at some point in our lives, but when it comes to understanding options for cover, it can be overwhelming and frustrating.

For Business owners, you have two options of cover available - Standard Cover (also known as CoverPlus) and CoverPlus Extra (also known as CPX).

### Cover Plus:

This standard cover option provides compensation of up to 80% of your taxable income. This is based on the most recent filed return of your income. You'll be compensated weekly and these payments will start a week after your injury claim.

While this can be a good option of cover, for some it presents a risk. Depending on your level of income, 20% of income not covered can make a huge difference.

Typically, Business Owners have greater strains on their incomes, with regular repayments on personal debts as well as business obligations. This is where CPX comes in.

### Cover Plus Extra:

CPX gives you the option to be compensated for 100% percent of your income during the claim period. You agree on the level of cover needed (rather than basing this on your last filed return) and can apply for cover up to \$113,826.00. An added benefit of CPX is the predictability of the invoice amounts as these are based on your agreed level of cover rather than a filed return.

It's easy to apply for this through MyACC for Business. Invoices are received in the same form as those under CoverPlus and you usually receive confirmation of a successful application within 5 to 10 working days.



\*Terms & Conditions apply under CPX. If you think the additional cover may be right for you, get in touch with the ACC helpline on: 0800 222 776. As HBT is not a Financial Advisory Institution, we cannot offer you investment or financial advice regulated under the Financial Services Legislation Amendment Act 2013. We can refer you onto a Financial Specialist should you require further advice.

# Get End of Year Organised!

We get it, rounding up all that info for your accounts or returns can be a real hassle. By the time you're sorting through it, you're probably already planning for the next tax year! But hey, it's smart to get everything to us early.

Here's why:

### ■ Knowledge is Power!

We can start processing your information in April. The earlier you have your Accounts or Returns sorted, the sooner you can use this information to plan for the year ahead.

### ■ Tax

As a client with HBT, you're granted an extension of time for filing and payment of your tax. This means you have until the 7th of April the year following your 31 March balance date to pay any terminal (or final) tax you may have due. This shouldn't mean leaving your return to the last minute though. The more time you have, the less likely you are to run into issues in making tax payments due to cash flow restrictions. For some Taxpayers, Provisional Tax payments are made throughout the year in addition to Terminal payments. Getting your return filed early means you can adjust your cash flow accordingly.

### ■ Peace of Mind

Sorting your to-do list can be challenging, especially when it involves gathering information for your accountant before the deadline hits! Time seems to fly by, and it's easy to feel overwhelmed. That's why we advise submitting your documents early – one less worry on your plate!



# Changes to Minimum Wage

We've shared a couple of updates on the Minimum Wage changes over the last few months, and now that these changes are effective, it's essential to ensure that the rates in your pay run align with the new requirements. Don't forget to double-check! As a reminder:

- This year's adjustment reflects a 2% increase, bringing the minimum wage up from \$22.70 to \$23.15.
- Additionally, training and starting wages will rise to \$18.52 per hour, which equals 80% of the new minimum wage.

**If you're worried how the wage increase will affect your Business, the tips below can help to ease the strain:**

- Set up a budget. Include projections for all Business Income and Expenses and don't forget to incorporate tax and any payments to yourself as a Business Owner/Drawings.
- Based on your projections above, review your staffing requirements. Cut-backs may be necessary during quieter times of the year.
- Take a look at your current pricing. Has it kept up with inflation? An increase be in order not just to cover wages, but the increases to other operating expenses and inputs too.

## We are always looking for Feedback!

Your Feedback ensures we can continue to offer the very best service to all of our clients. Send us your Feedback via email:

[office@hbtaccountants.co.nz](mailto:office@hbtaccountants.co.nz)

Remember to like and follow us on Social Media to get the latest HBT updates:

