2024 Year End - Tax Planning Checklist

For year ending 31 March 2024

Below is a checklist of matters relevant to all business entities which you should consider, some of which may help you reduce the amount of tax you have to pay for 2024 financial year.

1. Trust Tax Rate Increase to 39% from 1 April 2024.

As part of your end-of-year tax planning checklist, it's crucial to be aware of the upcoming change in the trust tax rate, set to increase from 33% to 39% effective 1 April 2024 a $10,000 de minimis threshold for the trusts meaning that trusts with no more than $10,000 of net trustee income per year will continue to be taxed at 33%. This adjustment can significantly impact your tax liability, making it imperative to evaluate the timing of income distribution and consider potential restructuring options for your trust.

The 39% tax rate does not apply to estates (only in the year of death and the following three income years), disabled beneficiary trusts and energy consumer trusts and legacy superannuation funds.

If you would like to explore your options regarding any potential restructure of your business group or trust, please contact your respective accountant for further discussion.

2. Proposed change to the individual tax rates from 1 July 2024

We mentioned above National's Back Pocket Boost policy document. That policy, which is to be supported by both ACT and NZ First, will result in adjustments to the tax thresholds for individuals which will provide some welcome relief. Going forward, National will "assess the impact inflation has had on the average tax rates faced by income earners, with a view to making adjustments to tax thresholds that are affordable and responsible in light of the economic and fiscal conditions at the time".

The current and proposed tax rates are listed in the table below. An individual earning $78,100, will be better off by $1,042.50 p.a. or $20.05 per week. An individual earning $53,500 p.a. will be better off by $799.50 p.a. or $15.38 per week.

Current Tax Threshold		
Existing Threshold	**Proposed Threshold**	**Threshold Tax Rate**
$0 to $14,000	$0 to $15,600	10.5%
$14,001 to $48,000	$15,601 to $53,500	17.5%
$48,001 to $70,000	$53,501 to $78,100	30%
$70,000 to $180,000	$78,100 to $180,000	33%
>$180,000	>$180,000	39%

3. Minimum Wage Increase

The adult minimum wage will increase to $23.15 per hour effective from 1 April 2024. This represents a 2% increase from the current rate of $22.70 per hour. The starting-out and training minimum wage rate will increase to $18.52 per hour, remaining at 80% of the adult minimum wage.

4. May 2024 budget date announced

The Minister of Finance, Hon Nicola Willis, has announced that the 2024 Budget will be delivered on 30 May 2024. The Budget is expected to provide further information on the tax commitments made in the government's coalition agreement including its proposed tax cuts for individuals. The government's budget priorities will be set out in the release of its Budget Policy Statement on 27 March 2024.

5. Family Boost tax credits announced

The government have announced a new support pack available to the families with ongoing childcare cost. Effective from 1 July 2024, families earning up to $180,000 will receive a 25% rebate on their early childhood education expenses up to a maximum of $75 per week paid directly into their bank account every fortnight.

All families earning up to $180,000 with childcare costs are eligible. However, to ensure support goes to families who need it most, the maximum weekly rebate will gradually reduce for families earning over $140,000. Maximum weekly rebates for families earning $150,000, $160,000 and $170,000 are $56.25, $37.50, and $18.75, respectively.

The payments will be based on the amount of childcare costs actually spent by each family meaning that you will need to submit any invoices issued by your childcare service provider to the Inland Revenue. We expect this credit to be run similar to the current donation rebate process. Please ensure you maintain the correct names, addresses and payment date details with your childcare service provider to avoid any unexpected delays in getting paid the new FamilyBoost payments. The current free 20 hours ECE for children over 3 years old will remain.

6. Increase family tax credit

From 1 April 2024, the rate for family tax credit increases from a maximum $136 per week to a maximum $144 per week for the oldest child in a family, and from $111 to $117 per week for subsequent child. If you are receiving payments on weekly or fortnightly basis, the increased rate will automatically apply to your current payments. If you receive a lump sum payment, the increased rate will apply to the end of square up calculation along with your income tax liabilities.

7. Mandated GST for the platform service announced (the App tax)

From 1 April 2024, the new GST rules around the platform services apply to the listed services which include short-term accommodation (AirBnB type of accommodation), ride-sharing or ride-hailing services (Uber) and delivery services (Uber Eats). If you are running a business through a platform such as AirBnB and Uber, the 15% GST is now mandated and added on top of the end price to the end users.

If you are not GST registered, the GST will be collected at the platform level and you will be passed on the 8.5% credits on top of your earnings. You do not have to file any GST return on your own although your income tax expense deduction may be reduced by the amount of GST credits allowed.

If you are GST registered already, the GST will be still paid to the IRD at the platform level, and you will not receive the 8.5% credits, but you can claim GST input claim through your own GST return with no GST to pay on income (any income earned will be treated as zero-rated supplies meaning that it is income with nil GST to pay).

If you would like to know more about your obligations and any potential opportunity to make your business structure more beneficial to you, please connect with your accountant today.

8. Important dates for tax planning

Please note the following filing and payment dates falling due over the coming months if you have a 31 March balance date and are linked to a Tax Agent. If you are unsure as to your tax filing or payment obligations, please feel free to contact us.

8 April 2024 Terminal tax payment for 2023 income tax due (including any terminal student loan)

7 May 2024 Final 2024 Provisional tax instalment due (including student loan interim repayment)

28 Aug 2024 First 2025 Provisional tax instalments due (including student loan interim repayment)

15 Jan 2025 Second 2025 Provisional tax instalments due (including student loan interim repayment)

7 April 2025 Terminal tax payment for 2024 income tax due (including any terminal student loan)

7 May 2025 Final 2025 Provisional tax instalments due (including student loan interim repayment)

9. Bright Line Test – Proposed reinstatement of 2-year bright line period

In terms of the bright-line rule, ACT and NZ First have agreed to support National's desire to reduce the bright-line period to two years with effect from 1 July 2024. This means the sale of residential land on or after 1 July 2024 will not be subject to the bright-line rules if its bright-line acquisition date was prior to 1 July 2022.

Neither of these proposals are yet law. While there is clear intent on the part of the coalition to make these changes, we recommend clients do not act on these policies until the law is passed.

We will keep you updated as the legislation becomes cleared and officially announced by the government. Before any changes, all the existing rules will apply. We recommend that you wait until 1 July 2024 for any property sale & purchase.

10. Reinstated interest deductions

The government have announced they will phase back in, the ability to claim interest deductions on residential rental property investment.

Effective from 1 April 2024, 80% of interest incurred on residential investment properties will be deductible, moving to 100% from 1 April 2025. The restrictions on interest deductibility for residential investment properties remain in place for the year ended 31 March 2024 and 50% disallowed interest deduction adjustment will apply for the year.

If your property was acquired prior to 27 March 2021, 50% interest will remain deductible and 0% for properties acquired after 27 March 2021.

11. Tax depreciation of commercial buildings

The not-so-good news is that the on-again, off-again deduction for depreciation on commercial buildings is off again. It is not clear when this change is proposed to take effect and no legislation has been sighted at this point, however, we expect it will take effect from the beginning of the 2025 income year.

12. Bad Debts

In order to claim a tax deduction for trade related bad debts, the debt must be physically written off in the accounting records before balance date. If a debt is 'bad' there must be no reasonable expectation of recovery. However, this does not mean taxpayers can no longer pursue recovery of that debt. You will need to let us know if you and the debtor are associated.

13. Donations

Companies are entitled to a deduction for donations made to approved donee/charitable organisations only limited by the amount of company's net income for the year. If you made a donation as a natural person, you will be entitled to 33% donation rebate. Please, send us copies of donation receipts for the rebate claims.

14. Fixed Assets

Assets purchased for less than $1,000 can be expensed. Depreciation can be claimed from the first day of the month of purchase. However, if fixed asset is sold during the year, depreciation is disallowed for the full year regardless of when the asset was disposed. To maximise the depreciation expense and minimise tax from depreciation recovery, please consider deferring the sale until after 31 March.

You should conduct a review over the fixed asset register in the prior year financial statements and ensure all assets listed in the register are up to date.

15. Prepaid Expenditure

The Income Tax Act applies the principles of accrual accounting to the unexpired portion of deductible expenditure at the end of an income year. The effect is to defer the deduction of any unexpired amounts to the following income year.
Some expenses can be prepaid regardless of the amount or period being prepaid, for example:

Stationery,

Subscriptions for papers or journals,

Vehicle registration and road user charges,

Postage and courier charges,

Rates,

Audit and Accounting fees,

Other expenses can be paid in advance only up to a certain limit, for example:

	Max Amount $	Max No of Months
Rent (if prepayment more than one month)	26,000	6
Rent (if prepayment less than one month)	Any amount	1
Rent or bailment of livestock	26,000	6
Consumables	58,000	N/A
Insurance (where each premium is no more than $12,000)	N/A	12
Professional or Trade Association subscriptions (where each subscription is no more than $6,000)	N/A	12
Accommodation or travel	14,000	6
Advertising	14,000	6
Other periodic charges	14,000	12
Other services	14,000	6

The legislation regarding allowable prepayments is complex and we recommend clients discuss with us any plans for prepaying expenses prior to committing to any expense.

Prepaid expenditure on items other than those covered above is only tax deductible to the extent the services have been performed or goods provided. Therefore, a payment for repairs made before balance date will generally not be tax deductible unless the repairs have actually been carried out.

16. Repairs & Maintenance

Generally, no deductions are allowed for a repairs and maintenance reserve. It may be worthwhile undertaking repairs and maintenance prior to 31 March 2024 to obtain a full deduction. Deciding on the nature of the expenses (revenue or capital) is often a difficult decision. Please contact us if you require any assistance in this area.

One year warranty purchased with a fixed asset can be deducted as an expense rather than capitalised. However, if you purchased a warranty that is longer than a year, this will need to be capitalised.

17. Trading Stock

The closing stock value affects the profit or loss of the business. Higher closing stock values result in higher profits whereas lower closing stock value results in lower profits, thus affecting the taxation figure as well. The closing stock value must be true and fair as per IRD's requirements.

For businesses with turnover of less than $1.3m, you can value closing stock the same as opening stock if closing stock can reasonably be estimated at less than $10,000. You may be able to use the market value for the closing stock if this is lower than cost. Please, also ensure you take into account for any obsolete stock or stock that is stolen or disposed of for any reason.

18. Shareholding Continuity

Any change in shareholding during the financial year has implications on one or more areas for taxation purposes. These include Imputation credit accounts, losses to carry forward, Qualifying company/Look Through Company status, loss attributions, shareholder salaries, etc.

Shareholding continuity must be maintained in relation to the carry forward and grouping of losses. 49% continuity must be maintained in the loss company from the time the loss is incurred until the time the loss is utilised. The loss, however, can be carried forward if the main business activity is the essentially the same although the shareholder continuity is breached under the new business continuity test.

For grouping, commonality of 66% is required. That is, the same group of persons must own 66% in both companies at all times during the continuity period.

To rely on the wholly owned group exemptions, 100% common shareholding must be maintained throughout the year.

In order to retain the company ICA balance, 66% shareholding continuity must be maintained throughout the year.

Please consult with one of our accountants first if you intend to and/or are expecting any change in shareholding in the company.

19. Subvention Payments & Loss Offsets

You should ensure that any prior year group loss offsets and subvention payments are completed and lodged with the IRD prior to year-end. Loss offsets and subvention payments relating to the year ending 31 March 2024 are due on or before 31 March 2025.

20. Look Through Companies (LTC)

If you wish to elect the company to be LTC, you need to elect by 31 March 2024 to become effective from 01 April 2024. Any new companies (including shelf companies if non-active declaration filed) have exceptions whereby they have until the first tax return due date to be filed to make the election. There are various reasons as to why you would want to elect company to be LTC (i.e. if you are planning on restructuring company assets for asset protection purposes etc.). However, there are other factors to consider as well such as LTC entry cost arising from not having enough imputation credits for retained earnings and existing associated person gains.

The benefits of having LTC are now limited for rental property investors for rental losses being ring-fenced and not able to offset income from other sources.

21. Transitional Resident Exemption

This rule applies to individuals who are becoming new residents or residents returning to NZ after 10 years absence from 01 April 2006 for those arriving on/after that date. It allows exemption on all foreign sourced income from tax other than employment and services income derived while NZ resident for 48-month period. There are times when you are better off to elect out of this exemption (i.e. if offshore losses exist with NZ income) so it is prudent to discuss this with us should you fall under this exemption.

22. Company Advances

If you have a company and the company has advanced the funds that result in an overdrawn shareholder current account, loan to associated entities (where not 100% commonly owned), associated trust, staff, shareholder-employee/associated person, shareholder then it may trigger tax implications. There are ways to deal with any potential tax implications (salary, dividend or restructuring debt) which can be discussed.

23. Imputation Credit Account (ICA)

Please check your imputation credit balance to ensure that it is either a nil or credit balance at year end. If the ICA is in debit balance this will create a 10% imputation penalty which is not treated as a “tax payment” for income tax purposes.

24. Dividend Resident Withholding Tax (DWT)

If dividends declared and /or paid during the year have been imputed at 28% the DWT return and a payment of 5% will need to be filed and paid to IRD by 20th April 2024. Therefore, please advise us if the dividend has been declared and imputed at 28% and forward us dividend statement in order to fully impute the dividends.

25. Accruals

Make a list of all expenses that you owe at balance date i.e. 31 March 2024. These can be claimed as a deduction in the 31 March 2024 income tax return.

26. Home Office Expense

If you have an office in your home, you may be able to claim a portion of all expenses that relate to all your home expenses. The details of expenses that may be claimed are noted in the enclosed questionnaire or please contact one of our accountants for an excel template that you can use to summarise your home office expenses.

27. Legal Expenses

For the 2010 income year and beyond, legal expenses incurred when buying capital assets used to derive taxable income are tax deductible, provided total legal expenses for an income year are equal to or less than $10,000.

28. Business Expenses Paid Personally

All business expenses which have been paid personally and did not go through the business books or bank account can still be claimed as a business expense for taxation purposes. Please provide lists of such expenses.

29. Fringe Benefit Tax (FBT)

If certain benefits (e.g. motor vehicle) are enjoyed or received by employees as a result of their employment the benefits are liable for FBT. Employers pay tax on benefits provided to employees or shareholder-employees. For motor vehicles however we have new vehicle ownership structure mechanisms available to minimise this FBT exposure. Please contact us for further information on this matter.

Close companies can elect to calculate the deduction for the business use proportion of vehicle expenses as an alternative to FBT. The requirements to use this option are:

(1) Employer is a close company
(2) Only fringe benefits provided to all employees are 1 or 2 vehicles to shareholder employees
(3) Vehicle is acquired or first used for business use on or after 1 April 2017
(4) Company gives notice to IRD of election by the income tax return due date for the relevant income tax year

30. Land Sales – Zero-rating Transactions

The GST registered vendor is to charge GST at the rate of 0% on any supply that involves land or in which land is a component to a registered person who acquires the goods with the intention of using them for making taxable supplies.

31. Research and Development

(A) Research and Development Loss Tax Credit

The research and development (R&D) loss tax credit is a refund of R&D business losses. The credit can only be for eligible R&D business expenditure up to 28% of your tax losses from R&D activity companies who are a tax resident of New Zealand dates on or after 1 April 2015.

Generally, you carry forward tax losses to the next income year, however the R&D loss credits are not carried forward but rather cashed out. These losses must then be repaid when the business begins to make a profit or owes repayment tax following a loss recovery event.

(B) Research and Development Tax Incentive

The research and development (R&D) tax incentive operates as a tax credit, rewarding businesses and individuals who perform R&D activities. This is different to the R&D loss tax credit.

Key features of this incentive include:

15% tax credit available from the beginning of business (2020 tax year)

minimum eligible R&D expenditure of $50,000 a year

maximum eligible R&D expenditure of $120 million a year

definition of R&D to span more sectors

limited form of refunds in the first year

In order to take advantage of this, you must be eligible in all three of the following criteria:

eligible R&D activities

eligible R&D entities

If you wish to discuss about any listed above or have queries regarding this checklist, please feel free to contact your accountant for assistance.

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