



We'll help grow your  
business, in the right  
direction, & fast.

COUNT ON GROWTH 

**bizsolutions\_**

Your business, but better



## Greetings from CEO

Dear Valued Biz Clients,

As we wrap up the 2024/2025 financial year and look ahead to 2025/2026, I want to take a moment to sincerely thank you for your continued trust and support. It's been a year of challenge and resilience, and while we are still navigating through a period of economic turbulence, we're optimistic about the year ahead, with improving business confidence and a more positive economic outlook with moderate growth expected.



Reflecting on the past year, we've seen many businesses adapt, innovate, and overcome challenges — and it's been a privilege to support you on that journey. Your success is our success, and we're proud to have played a part in helping you navigate the complexities of an ever-changing economic landscape. Whether it's assisting with strategic planning, ensuring tax compliance, or providing timely advice, we remain committed to delivering practical solutions that make a real difference.

This letter contains important information to help you navigate the upcoming end-of-year (EOY) processes, including guidance for compiling your 2025 financial accounts and tax returns. We've also included key tax updates and other valuable insights to support your business planning and compliance. Staying informed is crucial as regulations and tax policies continue to evolve, and we're here to ensure you remain on track and well-prepared.

We truly appreciate the trust you place in us and value the relationships we've built. As always, if you have any questions or need assistance with your year-end processes or future planning, please don't hesitate to reach out.

We're here to help you succeed.

Wishing you a smooth and successful year-end, and a prosperous year ahead.

Warm regards,

**Jae Won**  
**Chief Executive Officer**

### The Biz Promise

At Biz Solutions, we listen attentively to your needs and act promptly on your instructions.

**"We guarantee satisfaction on a high level of service and technical competence"**

We are dedicated to delivering advice of the highest quality, drawing upon the expertise of specialists within our firm. Our goal is to provide you with swift and innovative accountancy, financial, and taxation solutions, tailored to meet both your personal and commercial requirements.

**We are a relationship-based firm, we invest in our people and cutting-edge technology, ensuring we stay ahead in the ever-evolving landscape of accountancy practice.**

As the go-to experts for financial and taxation matters, Biz Solutions is the first port of call for our clients to gain comprehensive and reliable solutions.

## 2025 year-end tax planning guide

To ensure you and your business are in the best possible tax health by 31 March, consider the following year-end tax planning strategies and compliance matters

Our guide focuses on the most important issues you should consider to best manage your tax exposure for the 2025 income year and covers upcoming tax changes that may affect your tax position in the 2026 and later income years

### Assets

- Claim depreciation from the first day of the month that the asset was acquired
- Expense assets acquired during the year which cost less than \$1,000
- Ensure assets that have been traded in are disposed of and the replacement asset is depreciated and recorded at its full cost
- Depreciate residential rental property chattels purchased during the year
- For the 2025 and future income years, the tax depreciation rate on commercial buildings reverts to 0%
- Consider if you wish to elect not to depreciate any new assets
- Review your fixed asset register. Ensure assets sold, stolen, scrapped or destroyed are removed from the asset register and the loss on disposal calculated
- If an upcoming asset sale is expected to result in depreciation recovery income, consider deferring the sale until after year-end
- Ensure deductible feasibility and R&D costs have been expensed

### Trading Stock

- Value closing stock at market selling value if this is lower than cost
- Perform a stock take at year-end to ensure an accurate closing stock figure
- Write-off any obsolete stock
- If trading stock is less than \$10,000, and turnover is less than \$1.3m, you can use the opening stock value as the closing stock figure (even if this is nil)

### Accruals and Provisions

- These are only tax deductible at year-end if the business is definitively committed to the expense at year-end and the amount can be reliably estimated
- Keep a record of employment provisions (e.g. holiday pay and bonuses) paid out within 63 days of year-end as that portion of the provision is deductible at year-end

### Cut-off

- Follow year-end cut-off procedures to ensure sales, stock, expenses etc. are accounted for in the correct year

### Repairs and Maintenance

- Review repairs and maintenance expenses for any capital items and reclassify these to the fixed asset account if appropriate
- Review fixed asset registers to ensure genuine R&M expenses have not been inadvertently capitalised to fixed assets
- A one-year warranty purchased with a fixed asset can be deducted as an expense rather than capitalised, providing the cost of the warranty can be separately identified
- Consider carrying out R&M work before year-end

### Bad Debts

- The debt must be physically written off the debtors' ledger before year-end to be deductible
- Retain documentation to support that the debts are not recoverable
- Claim the GST adjustment of any bad debt written off if you are on an invoice basis

### Legal Fees

- If total legal fees exceed \$10,000 for the year, review the nature of the legal fees to identify any of a capital nature (e.g., relating to the purchase of an asset or the structure of the business) as these are not tax deductible

### Prepaid Expenses

- Some expenses paid in advance (e.g., rent, insurance, advertising, service contracts and subscriptions) can be tax deductible in the current year if not treated as a prepayment in the accounts and which don't exceed the thresholds set out in the Commissioner's Determination E12
- ACC levies are deductible when due and payable

### Donations

- Cash donations paid to donee organisations or registered Charities are deductible up to the level of net income. If the business is in a tax loss position, consider the owner making the donation and claiming the donation rebate

### Vehicle Expenses

- If a vehicle has not been used 100% for business purposes throughout the year:
  - o companies: consider if there is an FBT obligation

- o individuals and other entities: a logbook needs to be maintained for 3 months to support the business portion of the expenses. If a logbook has not been maintained, start one now

### Property

- The brightline rule for residential property changed from 1 July 2024. For property sold on or after 1 July 2024, the brightline rule only applies if the property is sold within 2 years of purchase and an exemption is not available. For property sold before 1 July 2024, the previous 5 or 10 year periods apply
- Interest on residential rental properties for the 2025 year is 80% deductible unless an exemption applies

### Shareholder Matters

- Consider whether a dividend or shareholder salary should be allocated, especially where an overdrawn shareholder current account would be subject to interest under FBT rules
- Dividends for the 2025 income year should be paid or credited before year-end. Check the company has sufficient imputation credits and consider bringing forward a tax payment if necessary
- Dividend withholding tax for dividends paid is due on the 20th of the month following payment of the dividend. If a dividend is being paid to a non-resident, non-resident withholding tax (NRWT) may need to be considered
- Review shareholding changes over the past year to determine if shareholder continuity has been maintained
- Consider whether any non-cash dividends have been deemed to have been paid, such as property made available for less than market value

### International Matters

- Interest deductibility may be impacted by the thin capitalisation rules if there is control by a non-resident
- Cross-border related party transactions need to be at an arm's length price or will be at risk of being restated by the IRD under the transfer pricing rules
- Ensure 20 April NRWT filing obligations are met in respect of payments of interest, dividends or royalties to non-residents during the year, including whether NRWT arises on an accruals or cash basis
- If insurance premiums have been paid to a non-resident during the year, consider if you have an obligation to pay tax on the premium as an agent of the non-resident insurer

### Income Tax

- The third instalment of 2025 provisional tax is due 7 May 2025 for March balance dates. For taxpayers with RIT of \$60,000 or greater, the payment should be based on actual results to 31 March to avoid interest being charged
- For the 2025 and future tax years, the trustee tax rate is now 39%

- If you have not yet filed your 2024 income tax return, ensure it is filed by 31 March 2025 otherwise late filing penalties will be charged, your extension of time to file your 2025 tax return may be lost, and the 4-year statute bar period will extend a year
- A loss offset subvention payment for the 2024 income year must be paid or credited by 31 March 2025

### Imputation Credit Account

- To avoid incurring 10% imputation penalty tax, review your imputation credit account before 31 March 2025 to ensure it does not have a debit balance. If it does, consider bringing forward a provisional tax or terminal tax payment

### GST

- Where assets are used for both business and private use, make your year-end GST apportionment adjustment in the 31 March GST return
- Ensure you have made any GST adjustments from the preparation of your 31 March 2024 financial statements
- If you have an asset that was not acquired/or used principally in your business, you have until 31 March 2025 to elect to take it out of the GST net

### System Considerations

- Ensure bank reconciliations are completed to year-end and that all bank and loan balances in the accounting system match the bank statements that will be provided to your accountant
- Confirm that the debtors and creditors balances are accurate
- Where possible, lock your system at the year-end to ensure no changes can be made once the final position has been determined

### Look-through Companies

- If you want your existing company to enter or exit the look-through company regime for the 2026 income year, the election notice needs to be filed by 31 March 2025. There are different rules for new companies or companies not previously required to file tax returns

Taking time to consider the above before you race into the new financial year will help ensure you maximise your tax deductions for 31 March 2025 and reduce your tax bill

Looking forward, now is a good time to set your goals for the 2025/2026 financial year. If you haven't yet done so, please contact your accountant so we can assist with preparing budgets and forecasts, which will give you a clear plan for the year ahead.

And to help ensure efficient and timely actions are taken to keep you on track to achieve your goals, consider having quarterly review meetings throughout the year to analyse trading results against budgets and revising forecasts if necessary.

Please get in touch to discuss what arrangements will best suit you and your business.

If you have any questions, please feel free to reach out to us!

# End of Year Tax Update

## 1. Economic Update

As we reflect on the financial landscape at the close of 2024, Treasury has released its Interim Financial Statements for the six months ending 31 December 2024. Here are the key highlights:

- (1) **Tax Revenue:** The Government collected \$59.9 billion in tax revenue, which was \$0.2 billion ahead of forecast. A notable contributor to this positive variance was **GST**, which exceeded expectations by \$0.3 billion, or 1.5%. This reflects ongoing consumption trends and signals resilience in certain sectors of the economy.
- (2) **Operating Balance:** The Government recorded an **operating deficit of \$3.5 billion** (before gains and losses, excluding ACC). This result was **\$0.4 billion better** than the forecasted deficit, showing some budgetary strength despite economic pressures.

As we move into the new year, these numbers offer a snapshot of fiscal health, signaling both opportunities and challenges ahead for businesses and taxpayers alike.

We will continue to monitor these developments closely and keep you informed of any significant shifts that may affect your tax planning and financial strategies in the year to come.

## 2. Act Now: Deadline for Opting Out of GST on Mixed-Use Assets (Airbnb)

A recent change in GST legislation gives taxpayers the option to **opt out of GST** on mixed-use assets, such as properties used for both personal and rental purposes (e.g., Airbnb). This opt-out option is available if you made only a partial GST claim on an asset that was not primarily acquired for taxable supplies.

If you do not opt out by **31 March 2025**, you may be required to pay GST on the entire sale proceeds of the asset when it is sold, potentially leading to significant tax liabilities.

If you own a mixed-use asset and are unsure whether this applies to you, it's important to act now and consult with us. We can help you determine the best course of action and ensure you avoid any unexpected GST costs in the future.

## 3. Tax Changes for Charities confirmed for Budget 2025

On 3 December 2024, **Hon. Nicola Willis**, Minister of Finance, confirmed that **"tweaks to the charities tax regime"** will be part of the agenda for **Budget 2025**. While the specific details are yet to be revealed, these adjustments are expected to impact how charitable organizations are taxed and could have significant implications for both charities and their donors.

As we head into the new year, we'll be keeping a close eye on these developments and will provide further updates as more information becomes available. This may present new opportunities or considerations for your tax planning if you are involved with or support charitable causes.

#### 4. Important Reminder: PAYE Tax Evasion Can Lead to Serious Consequences

A recent case serves as a stark reminder of the serious consequences for failing to pay PAYE taxes. An Auckland man was sentenced to just over two years in prison for tax evasion, having withheld PAYE from his employees' wages and not passed it on to Inland Revenue.

He was found guilty of 16 charges of tax evasion and 84 charges of failing to pay PAYE, amounting to over \$1.1 million in unpaid tax. The funds were instead used to purchase luxury vehicles, including a Bentley and a Porsche.

This case underscores the severe penalties that can arise from non-compliance. In New Zealand's self-assessment system, it's crucial to meet your tax obligations to avoid both financial and criminal penalties. If you are struggling with paying PAYE, it's important to act swiftly.

#### 5. IRD Update: Deducting Motor Vehicle Costs for Travel Between Home and Work

The IRD has clarified how motor vehicle expenses are treated for tax purposes. For self-employed taxpayers, partners in partnerships, and some close companies, deductions for motor vehicle expenses are limited to the "business proportion" of the expenditure. However, for most companies, vehicle expenses are governed by general tax rules, with specific rules for Fringe Benefit Tax (FBT) when employees use a company vehicle for travel between home and work.

As a general rule, travel between home and work is considered private use and not deductible. However, there are exceptions where such travel can be classified as a business journey, typically when the travel is essential for the work. Additionally, if the journey is partly for business and partly for personal use, the business portion may still be deductible, with minor personal use disregarded.

#### 6. IRD Update: Accommodation Provided to Employees – PAYE & GST

In a recent ruling (TDS 24/21, 20 November 2024), Inland Revenue clarified the tax treatment of accommodation provided to employees. The value of the accommodation for income tax purposes is based on the market rental value, adjusted for the portion used for work-related purposes. Similarly, for GST purposes, the value is the market rental price, reduced for work use.

If you provide accommodation to employees, it's important to assess the correct tax treatment. Feel free to contact us if you need assistance with PAYE or GST implications related to employee accommodation.

#### 7. IRD Update: Employee Share Scheme and Provisional Tax Liability

In a recent decision, Inland Revenue clarified the tax treatment of employee share schemes (TDS 24/24, 18 December 2024). When employees are granted shares under such schemes, the **market value** of the shares is taxable as income when the conditions for vesting are met. PAYE is deducted based on the taxable value of the vested awards.

However, share schemes can complicate provisional tax calculations if you choose not to deduct PAYE, as the value of shares received can impact tax liability. If your company operates a share scheme for employees, it's important to consider how this may affect provisional tax obligations.

Please contact us if you are involved in an employee share scheme, so we can ensure your provisional tax is calculated correctly and avoid any surprises.

## 8. Key Tax Updates: What You Need to Know

Several important tax changes may impact your financial position this year. Here's a breakdown of the key updates:

- (1) **Increased Trust Tax Rate to 39%:** The tax rate for trusts has increased, which means trustees need to carefully consider the timing of any income distributions. It's crucial to review the purpose and provisions of the trust deed to understand the full tax implications. If you're planning distributions or managing a trust, we recommend discussing the best approach to optimize tax outcomes.
- (2) **Commercial Building Depreciation:** While the general depreciation for commercial buildings has been removed, businesses should assess whether specific fit-out components, such as flooring, lighting, and air-conditioning, remain depreciable. There may still be opportunities for depreciation claims on these components, so it's important to ensure your business is making the most of these potential deductions.
- (3) **Residential Rental Interest Deductibility at 80% for 2025 Financial Year:** Recent tax updates have improved the deductibility of interest expenses for residential rental properties. However, there are still limits on tax deductions due to residential ring-fencing rules, which may impact your ability to offset rental losses. Full interest deductibility will come into effect from the 2026 financial year, but the ring-fencing rules will still apply. It's essential to factor these changes into your tax planning and consider the potential impacts on your property portfolio.

## 9. Important Update: Minimum Wage Rates Are Rising

The minimum wage rates are increasing, and it's important for employers to update employee pay rates accordingly. Here's the breakdown of the new rates:

- (1) **Adult Minimum Wage:** Increased from \$23.15 to **\$23.50 per hour**
- (2) **Starting-Out Wage:** Increased from \$18.52 to **\$18.80 per hour**
- (3) **Training Wage:** Increased from \$18.52 to **\$18.80 per hour**

## 10. Important Update: ACC Earners' Levy Changes

The ACC earners' levy rate will increase slightly from 1.60% to 1.67%, with the income threshold also rising from \$142,283 to \$152,790. This change will affect the amount deducted from your employees' wages for ACC coverage.

It's important to note that this increase will result in a small decrease in the take-home pay for all employees who are affected by the change. If you have any questions or need further clarification on how this will impact your payroll, feel free to reach out to us.

## Your Trusted Advisors at Biz Solutions

### **Atesh Bhej, CA.CPP, Founder – Biz m&a**

A seasoned Chartered Accountant (CA) with more than 25 years' experience, founder of biz group, including biz solutions, mortgages, capital, investments, properties, and development companies. The group services more than 3,000 clients annually in most money matters, taxation, compliance, financing, advisory and most things business related.

### **Jae Won, CA.CPP. CEO | Director – Biz Solutions**

Jae was appointed as Director in August 2020 after 3 years of working as an Associate with the firm. Jae is a compliance guru who navigates the complexities of business and share valuations. Jae has more than 20 years of New Zealand Chartered Accountancy practice experience and has a wealth of knowledge on accounting and taxation compliance issues for small to medium business, as well as various business advisory services.

### **Pritesh Nand, CA.CPP, Managing Partner – Biz Mortgages**

Pritesh has been with Biz Solutions for over two decades and progressed through the ranks and became a Director in 2013. Pritesh has recently stepped up to the challenge and became the head of the mortgage division within the group. Seamlessly handling financing for both residential and commercial properties. He has formed important strategic alliances with professionals such as solicitors, bankers, and insurance brokers.

### **Jonathon Smith, CPA, Head of Consulting Services – Biz Solutions**

Jonathon became a valued member of Biz Solutions in November 2014. Jonathon is the head of our Consulting department with a specific focus on taxation who demonstrates a commitment to enhancing his understanding and expertise in the complex field. Notably, his amiable personality fosters positive relationships with both clients and colleagues, often engaging in extensive and meaningful conversations that provide alternative perspectives on various matters.

### **David Chung, CA. Head of Compliance & Taxation – Biz Solutions**

David is a master in tax compliance and property accounting who completed his qualifications with double majors in accounting and finance along with two certificates of merits in Financial Accounting and Taxation. David has years of experience and is our inhouse specialist for all things Trusts.

### **Eugene Coe, CA.CPP, Senior Consulting Manager – Biz Solutions**

Eugene is our Sales Strategist who brings extensive experience in business restructuring, insolvency, and debt management. Eugene has almost two decades of accountancy experience, the majority of which has been with medium to large-sized Chartered Accountancy firms.

### **Jacob Park, CA, Consulting Manager – Biz Solutions**

Jacob is our all-rounder chartered accountant and business consultant, bringing vast experience in accounting and taxation advice, business performance improvement, business valuation, due diligence projects, Xero implementation, cash flow forecasting, and management consulting.

### **Taylor Muller, Office Manager**

Taylor is a young and vibrant Office and Admin superstar. She manages a wide range of admin duties and runs the office effortlessly.

COUNT ON GROWTH 

**bizsolutions\_**

[www.bizgroup.co.nz](http://www.bizgroup.co.nz)