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Newsletter

Winter 2025

From the office

News from Accounting Online:

We are welcoming Celeste to our working team. Celeste has experience in all aspects of administration and bookkeeping and we are excited to have her onboard with us.
With her keen attention to detail and warm professionalism, Celeste is sure to be an asset to both our team and our clients. Her background ensures a smooth integration into our daily operations, and we look forward to the positive contribution she will make as part of the Accounting Online family.

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We are also pleased to announce two exciting new tools designed to improve your experience with Accounting Online.

1. We have introduced **CALENDLY** to streamline appointment scheduling. You can now click on the Calendly link and connect directly to our calendar—booking time for an office visit, a face-to-face catch up, or a phone call. This quick and convenient tool eliminates the need for back-and-forth emails to find a mutually suitable time. ***https://calendly.com/jeanette-accountingonline***

2. We are rolling out a **CLIENT PORTAL** to address growing concerns about sensitive documents being shared via email. With the new portal, you and our team can securely exchange documents and complete e-signatures where required. This platform provides a safer and more efficient way to share and sign important paperwork. We will be using this system going forward, and you will receive invitations as documents become available.

TAX

Using a company to circumvent paying trust tax at 39 percent.

Inland Revenue has released GA 24/01, which says setting up a company to hold income-earning assets – mainly to take advantage of lower tax rates – is generally not considered tax avoidance, unless it involves artificial or contrived features.

Let's say you inherit a large sum of money and decide to donate it to your family trust. Instead of putting it straight into the trust, you set up a company and have the trust own all its shares. The company would pay 28% tax on income earned from the money, compared to the trust's 39% tax rate. If that sounds good, there are still a few things to keep in mind:

- The money would count as a loan to the company unless it's used as share capital. If you later forgive the loan, the company would have to pay tax on it.
- If you want to access the income from the company, you'd need to pay a dividend before the end of the tax year. That dividend would be taxed at 39% in the trust, but the company's 28% tax already paid would count as a credit.
- You could minimise the 39% trust tax by distributing the dividends declared to beneficiaries with lower tax rates.
- You can't backdate dividends. If you realise after the tax year ends that you want to pay out a dividend, it's too late. You have to plan ahead.
- Setting up and running a company comes with extra admin costs.
- Depending on what kind of asset you're transferring, there might be tax complications.
- Be careful with Inland Revenue's mention of "artificial or contrived features". This isn't a DIY project.
- if you're thinking about using a company to hold income-earning assets for a trust, get professional advice.

There are other ways to manage the 39% tax on trusts:

- If you have children aged over 16, you can distribute trust income to them, which could help cover things like university costs. For children aged under 16, you can distribute up to $1000 per child before triggering trust tax rates.
- Adult beneficiaries with lower tax rates can also receive distributions to minimise overall tax.

Consider investing in Portfolio Investment Entities (PIEs), which are taxed at 28% with no extra tax owed. The bottom line? There are ways to reduce the 39% tax on trust income, but careful planning is essential.

Get expert advice before making any big moves

Two-step verification will become compulsory for all myIR users by 5 October 2025. Since 28 April 2025, this enhanced security measure has been introduced in stages.

By 28 July 2025, all individual taxpayers who file IR3 returns and who pay provisional tax will be required to use two-step verification.
By 25 August 2025, all individual tax payers who are registered for any of the following: pad, parental leave, working for family tax credits, child support and family boost will be required to use two-step verification.
By 5 October 2025 – all remaining tax payers.

TAX

Travel between home and work

In general, you can't claim tax deductions for travel between home and work.

However, there are some exceptions: Transporting essential work equipment – If your vehicle is necessary to carry bulky, valuable, sensitive, or otherwise impractical- to-carry work equipment that you use both at home and at work.

Itinerant workers – If your job (like a plumber or electrician) means you have to travel between different clients and you don't have a separate business base.

Emergency call-outs – If you're responsible for handling emergency calls before you even leave home and your work requires you to work from home part of the time. Therefore, since a doctor normally works in a medical practice and not from home, if he/she is called out at night, this exception does not apply.

Home as a workplace – If your home is your main workplace or base of operations, travel from home to another workplace is deductible – provided you are working on the same issue before and after the trip.

Just doing some work at home isn't enough; you need to have ongoing work-related tasks.

What about stops along the way? If you make a small detour, like stopping at a shop that's directly on your route or very close by, it's considered incidental, so your trip is still deductible. But if the stop is more significant, then you have made two journeys, one of which is business and the other is private.

What counts as incidental?

If your detour adds less than 5% to your total journey OR is no more than 2km extra, it's still considered incidental. The smaller of these two numbers applies.

What's **NOT** deductible?

- Taking an electric vehicle home to charge.
- Taking a vehicle home for security reasons.

Refurbishing an asset recently acquired

If you buy something like a rental property or a piece of machinery and it needs repairs, you can't just claim those costs as an expense.

Instead, they may have to be added to the asset's purchase price.

Here's an example:
You buy a building, and during your pre-purchase inspection, everything looks fine. A year later, you discover the roof is leaking and some floor joists are rotten.

These issues weren't obvious at the time of purchase and didn't affect the sale price, so fixing them is tax deductible.

However, if the need for the work was apparent at purchase and reflected in a reduced price the expenses must be added to the cost. Also, if the building was usable to earn some sort of income but wasn't able to be used for the intended purpose, you must add the refurbishment expenses to the cost.

The same goes for an existing business buying a car or piece of machinery that can't be used until the work is completed.

Those costs aren't deductible as expenses; they're considered part of what you paid for the asset which may qualify for depreciation.

Investment boost: Tax deduction for new assets

You can now claim 20% deduction for the costs of new (or new to New Zealand) business assets that you bought – or finished constructing – on or after 22 May 2025.

"Bringing new technology, tools and equipment into business bolsters productivity, which raises income and fuels ongoing reinvestment. This is how we build resilience – for individual firms and the wider economy alike," says Minister for Small Business and Manufacturing, Chris Penk.

2025 Home Office Rates

If you claim Home Office Expenses, you have the options to simplify things using the published rates. This is entirely optional – you can still use portions of actual Expenses.

Expect 2026 to be higher.
If it's not published in time for your returns (GST and Tax), you can still use the 2025 rates.

TAX YEAR	PER SQUARE METRE RATES
2024-2025	$55.60

ACC

ACC Invoicing and levy changes

Invoicing begins in July for employers and shareholder-employees, and September for self-employed.
Please check your account and policy information in **MyACC for Business** to ensure your levy invoice is correct.

Levy Changes for Businesses
ACC are implementing some changes to levies to ensure sustainability, improve fairness, and respond to feedback. As a result, you may see a difference in how they calculate your invoice.

The first of these changes came into effect from 1 April 2025. Some of the key changes are: -

- An increase in the average levy rate
- Minimum and maximum liable earnings levels.
- A new levy classification if you operate in the sports sector or run a home improvement store.
- Interest charges will apply to all instalment plans (from 2026)
- Business outside Experience Rating will no longer subsidise those in the program (from 2026).
- The No Claims Discount ends (from 2026).

XERO

Making payroll more flexible for small businesses

The payroll changes will allow you to add individual employees into Xero payroll on any business plan.

- On the **Ignite** Plan, which currently doesn't include payroll, you'll be able to add payroll for **NZ$4** per person/per month.
- On the **Grow** Plan, which currently includes payroll for just one person, you'll be able to add additional employees for **NZ$4** per person/per month.
- On the **Comprehensive** Plan, which currently includes payroll for up to five people, you'll be able to add additional employees for $**NZ4** per person/per month.
- The Ultimate Plan isn't changing. Payroll for 10 people is included. You'll still be able to add employees for $**NZ1** per person/per month.

PRICING CHANGES COMING 1 SEPTEMBER 2025

From 1 September 2025, the price of Xero Grow, Comprehensive and Ultimate plans will increase.

Ignite

- **New: $35/mo + GST**

Grow

- **New: $83/mo + GST**

Comprehensive

- **New: $110/mo + GST**

Ultimate

- **New: $125/mo + GST**