

TAX TALK



Prepare now for annual accounts

March 31 is approaching – tax balance date for most people. Get your house in order to minimise hassles and tax.

Bad debts

If someone owes you money and you don't think they'll pay, you need to write it off as a bad debt before your balance date. You can't decide later—it's against the rules. Check your debtors ledger, and if you've done everything reasonable to collect the money but it's still unpaid, write it off. Remove it from your ledger.

If you use a simple system, like keeping unpaid invoices, make it clear the debt was written off before balance date. For instance, write "Written off 20 February 2025" on the invoice, sign it, and scan it back into your records. You can still try to recover the debt later.

If you do get paid, treat it as income under a name like "bad debts recovered".

Stock-take

Organise your stock and get rid of anything you can't sell. If you still have it at balance date, include it in your stock-take at cost price.

If you want to value stock below cost, you'll need proof that its market value is lower. For example, show a competitor selling the same product for less, and keep a record.

Make sure you don't double count or miss anything. For instance, if you've paid for stock that hasn't turned up yet, include it in your stock numbers since you've already paid for it.

Logbooks for motor vehicles

If you need a logbook for your vehicle, remember it has to be updated every three years. At some point, Inland Revenue could want to see the log book, so it's better to stay compliant.

You need to track your travel for three months to calculate how much is for business versus personal use. We recommend recording both business and personal travel – it's easy to forget a trip, and anything unrecorded will default to personal use.

Take an odometer reading after work on the last day of your financial year and note it down. If you're running a limited liability company and were accounting for private vehicle use as a fringe benefit (usually 20 percent of the GST- inclusive cost), you don't need a logbook.

Maintenance of equipment

If you've got maintenance work planned and want to reduce your taxable income for the year, get it done before balance date.

Holiday pay

If you pay holiday pay within 63 days of the end of the financial year (by 2 June for March balance dates), you can claim it as an expense in the previous year. Just include it as a creditor on your list of bills owing at balance date.

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Keep a close eye on who owes you

In tough times, stay on top of your debts.

Keep a close watch on your debtors ledger.

Prevention is better than cure.

Don't offer credit unless it's absolutely necessary. If you do, make sure you check out new customers thoroughly:

- ask for references and get their permission to follow up
- request the business's financial statements
- check public records for any legal judgements against them
- look up their website and read customer reviews online.



If issues arise

Keep detailed records of every follow-up – date, time, and what the customer promised.

When speaking with a customer, get a firm commitment, even if it's to pay in instalments, and get specific dates and amounts.

Remind them of their promises each time: "On [date], you said . . . On [another date], you said. . ."

If they still don't pay, send a formal demand letter outlining the amount owed, a deadline for payment, and the consequences of not paying. Depending on the amount owed, consider hiring a lawyer or a debt collection agency.

Tip

If a business is going broke, those who have the best chance of being paid are the ones who are the quickest and most persistent.



A tale of two taxi drivers...

In 2012, I flew to Christchurch to present some marketing seminars for a client.

I caught a taxi from the airport to my hotel and another tax back to the airport two days later.

I had a different taxi driver for each ride and I asked each person 'how was business going?'

To my surprise I got two totally different answers.

The first taxi driver said business was terrible as fewer people were using taxis in Christchurch.

He also said the people he met were not very friendly. He was planning to leave Christchurch and move to another city as soon as he could.

The second taxi driver had a very different story.

He loved Christchurch and said he was run off his feet with business.

In fact he had a lot of regular repeat clients who used him every week.

He told me he had been driving taxis for four years and loved doing it.

Here are two people doing the identical work in the same city.

Beware the May 7 tax trap

Inland Revenue charges 10.88 percent interest on short paid tax where the year end tax figure exceeds \$60,000.

Clients often get caught when they get a surge in income.

For example, a medical practitioner might have had tax for the year ended 31 March 2024 of \$80,000. They pay provisional tax based on this figure, increased by 5 percent – \$84,000. But they became a partner during the year and they now get partnership income as well as their normal income.

Let's suppose the total tax for the year ending 31 March 2025 comes out at \$124,000. There's a \$40,000 shortfall (\$124,000-\$84,000) and this is subject to Use Of Money Interest charged at 10.88 percent.

Assuming the shortfall of tax is paid six months after 7 May 2025 the interest charge works out as follows: 10.88 percent on \$40,000 for six months = \$2176.

By the way, this extra \$2176 is tax-deductible (because it's interest) so don't forget to claim this when you put in your tax return.

If your accounts cannot be done by 7 May 2025, you could guess your income for the year and top up the third instalment of provisional tax. In the example above,

You would usually pay \$28,000 at 7 May 2025 but you could avoid the interest charge if you increased this to \$68,000.

Obviously, most people won't know how much to guess, but a best guess is probably going to be cheaper than doing nothing at all.

And one is not doing that well and the other person is having a great time.

It reminded me that it's not the work you do, or the clients you look after.

A lot of your success in business comes back to how you think about things.

And when you think smarter you can often achieve remarkable results.

Take Action: Could it be helpful to change some of your own thinking this month?

Source: <https://grahammcgregor.com>

WE CARE ABOUT YOUR BUSINESS

COURT CASES for your interest ...

Community detention for tax fraud

An Auckland man was sentenced to community detention for tax fraud after falsely claiming COVID relief money.

The man was charged with using a document to claim a pecuniary advantage and was sentenced in the Auckland District Court on 13 February this year.

In April 2020, the Government announced a new Small Business Cashflow Loan (SBCS) to support small businesses adversely affected by the COVID-19 pandemic. Applications opened from 12 May 2020.

There were a number of criteria to be eligible for the loan, including that the business must be viable and ongoing, and the loan must be used for the business and not given to the

shareholders or owners for personal use.

In July 2020 the man applied for a loan under another person's name which was paid into a bank account listing that person as the account holder. Immigration records showed the named person had left New Zealand seven years earlier and had not returned.

Inland Revenue's investigation found that the man had set up the other person's myIR account, filed an income tax under that person's name and then made the loan application. Enquiries established that the IP address used to file the income tax return and the loan application online was linked to the man's home.

He followed a similar process with a different man's name. That man left New Zealand in 2017 and had not returned. An associate in India was also involved in both cases.

The man benefitted financially from the \$23,600 paid out and used it for personal items and gambling.

The sentencing judge said the offending had many elements of greed to it and declined the defence lawyer's application for a discharge without conviction.

The man was sentenced to six months community detention - the maximum allowed - and the judge ordered reparation to be paid in full by 1 April 2025.

Crush death triggers on-farm traffic alert

WorkSafe New Zealand is calling on farmers to consider how vehicles move inside their barns and sheds, following a sentencing for an horrific death at one of South Canterbury's biggest agribusinesses.

A man was crushed to death by an hydraulic tailgate on a trailer at a farm near Temuka in March 2022. The 45-year-old had been standing at the back of a dark, narrow shed as a spotter while grass seed was being tipped off the trailer.

WorkSafe investigators found the farm had no specific plan in place for managing farm traffic indoors. In addition, workers should not have been permitted in such a restricted

space.

The farm has now been sentenced for its health and safety failings.

"Farmers are tempting fate if they think traffic only needs to be managed outdoors. Without a clear plan for how vehicles and people move around indoor barns and sheds, it's only a matter of time before something goes terribly wrong," says WorkSafe's area investigation manager, Steve Kelly.

"This is a good reminder to take a critical look at how tractors and other vehicles move around inside farm buildings. Clear separation of vehicles and pedestrians is the key component. Signage and designated safe areas are also simple and inexpensive ways

to boost safety – especially when compared to a conviction and a fine."

Following the fatality, the farm has introduced reversing cameras, closing alarms, and isolation valves to the back of its trailers.

Vehicles are a leading cause of death and injury on New Zealand farms, which is why agriculture is a priority sector under WorkSafe's new strategy.

Background:

The farm was sentenced at Timaru District Court on 13 February 2025.

A fine of \$247,500 was imposed, and reparations of \$201,477 were ordered

Make a guarantee mean it

When you give a guarantee on a product or service, make it mean something. Saying "we guarantee the highest quality" doesn't mean anything.

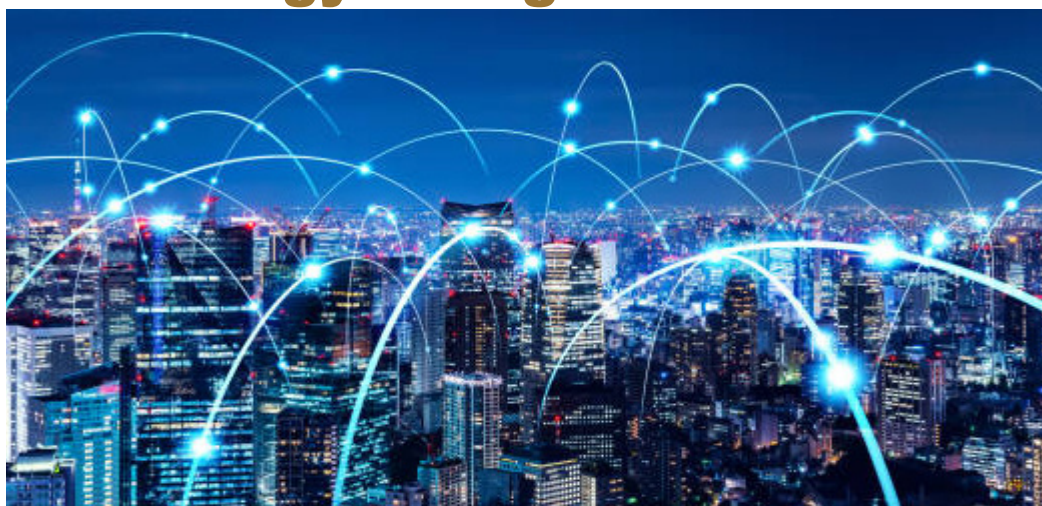
We noticed an advertisement recently on the wall at Mitre10 saying: "We will replace any plant you buy from us if it fails to thrive. Just return it within 12 months with proof of purchase." This is a clear guarantee. Take back your receipt and the dead plant and they'll replace it.

Mitre10 might get a customer or two who don't take care of a plant, but the risk is a small price to pay for honouring a real guarantee.

KiwiSaver can start earlier

The Budget proposes to allow people under the age of 16 to be enrolled in KiwiSaver if one of their guardians contracts directly with the provider in the name of the young person. This is expected to come into effect from 1 July 2025.

Expect 2025 to bring more technology changes



After the emergence of AI as a viable business tool in 2024, companies in 2025 can expect even more groundbreaking advancements in technology.

These advancements are reshaping industries and redefining how work is done. Small businesses can't afford to be left behind.

Leading authorities in artificial intelligence (AI) and machine learning (ML) say these innovations will allow customer experiences to be more personalised, automation to be enhanced, and analytics to become more predictive. Generative AI will expand its applications, from creating content to designing products, giving businesses new tools to boost efficiency and creativity.

Will it mean the loss of jobs?

Yes and no. All technology does someone out of work somewhere, but it also provides work in new areas.

Double-check your work the smart way

When double-checking your work, use a different method than the one you used to calculate the figures in the first place. For example, back in the day before advanced computing, you might have added up figures from a bank statement to prepare a GST return. To check it, you'd work backward – compare the totals on your adding machine tape back to the bank statements.

Use common sense, too. Does the number look reasonable? Is it close to what you'd expect? Sometimes, you just need a rough idea to know your total is likely to be accurate. For instance, if you have a column of numbers ranging from \$1 to \$5000, you can estimate like this:

- if it's \$500 or less, count it as \$0
- between \$500 and \$1499, count it as \$1000
- from \$1500 to \$2499, count it as \$2000, and so on.

With this method, you can quickly get a rough total in your head without needing an adding machine.



Adaptability in the workforce is key, and employers should encourage it.

The Internet of Things (IoT) devices will likely become more prominent, offering deeper insights into operational efficiencies, supply chain management and customer behaviour.

While most people's eyes glaze over at the concept of quantum computing (look it up), it's likely to advance further to solve complex problems in industries such as finance, healthcare and logistics.

Blockchain technology will probably evolve beyond cryptocurrencies, becoming pivotal in secure transactions, supply chain transparency and management of people's identity.

As we become more reliant on technology, cybersecurity will become a top priority, especially for businesses. Zero-trust architectures and AI-driven threat detection systems will be crucial for safeguarding data and infrastructure. How can small businesses keep up? The trick is to be informed. Think about what happens in your business, especially the time-consuming tasks.

See if there's a new tool to do the job better, whether it's customer relations software for a restaurant or technology that will detect water leaks better for a plumber.

Whatever your business, there are almost always better ways of doing what you do now. Find out what they are, and make sure your business is operating as efficiently as it can.

Important: This is not advice. Clients should not act solely on the basis of the material contained in the Tax Talk Newsletter. Items herein are general comments only and do not constitute nor convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Tax Talk Newsletter is issued as a helpful guide to our clients and for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval.

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