Harrison Gillespie CHARTERED ACCOUNTANTS

ACCELERATE

March • 2024

END OF YEAR - SPECIAL TAX ALERT

As we approach the end of the tax year and move into 2024-2025, let's make sure your finances are in the best possible shape.

This newsletter covers what you need to know to prepare for the end of the tax year.

You'll find an end-of-year checklist, discover important things you should be mindful of (which are sometimes missed), and a provisional tax reminder.

Your 12-point checklist to stay ahead on tax

1. **Contracts**
Have you invoiced retentions that don't need to be paid until next year? If they are payable this tax year, they will be classed as taxable income for 2023-24. Unsure? Talk to us as your tax adviser.

2. **Employee expenses and holiday pay**
Holiday pay, bonuses, redundancy payments, and long service leave owed to employees can be claimed this year if you have committed to them at year-end and pay them within 63 days of the balance date.
Also, ensure holiday pay has been calculated correctly to avoid time-consuming revisions once the tax year is over. Find more information **here** or visit the Employment NZ website.

3. **Credit notes**
Take stock of credit notes issued to customers after the balance date. You may be able to apply them to the current tax year and reduce your taxable income.

4. **Expenses**
Find out if you can prepay expenses before March 31 for items such as stationery, postage, and courier charges to claim deductions sooner.

5. **Debtors**
Before the end of March, review your debtors and make a list of any outstanding bad debts. Ensure your records show you've taken reasonable steps to recover bad debts. Bad debts written off before March 31 can often be claimed as a deduction.

7. **Tax losses (carryforward, offsets and subvention payments)**
Set to make a loss in the current financial year or have tax losses from prior years? Talk to us asap about carryforwards, loss offset elections and subvention payments.

8. **Discounts for prompt payment**
If you've offered prompt payment discounts over the tax year and maintain a discount reserve, this might be deductible. Make sure you keep clear records about any discounts.

9. **Repairs and maintenance**
Thinking about doing repairs or maintenance? Get it done before the year-end to ensure you get your deductions sooner. Consider software development and improvement costs as part of this.

10. **Dividends and imputation credits**
Review your dividend payments for the year by March 31. Imputation credit accounts mustn't have a debit at the year-end, or you could be hit with penalties.
Also, review deemed dividends (for example, overdrawn shareholder current accounts with no interest charged).

11. **Stock**
Dispose of obsolete stock by year-end or write it down to its net realisable value (the lesser of cost or market value).
If your stock is worth less than $10,000 and your turnover is less than $1.3 million for the year, you won't need to include stock movements for tax purposes.

12. **FBT**

Some common things businesses forget at tax time

Running a business is a demanding job, so it's no wonder owners lose track of crucial things at tax time, such as:

Deducting entertainment expenses

Dinner and lunch meetings with clients and customers are partially tax deductible. Keep your receipts and check in with us to see which meetings can be deducted.

Bear in mind that the treatment of meal expenses incurred by self-employed people differs from the meal allowances afforded to employees. We can clarify this for you.

Subscriptions and memberships

If keeping up with your industry via specialist magazines or newspapers helps you in your work, you may be eligible for a tax deduction on subscriptions.

Claiming home office space

If you work from home, you can claim a portion of your mortgage interest payments, rent, rates, utilities bills and insurance.

You'll need to provide information on how many square metres your home covers, and what percentage of that space is used for work. If you're a tradie who uses garage space, you can claim that, too.

Keeping records

When it comes to records and receipts, keep everything. You won't be able to claim any of the above if you don't have proof to back it up.

DON'T FORGET: Documents for your accountant

Remember to provide all the relevant documents we will need to put together your financial statements for the year.

Have you got these ready?

1. Information on shares/investments
2. Details on mixed-use holiday home income
3. Up-to-date vehicle logbooks
4. Information on cryptocurrency trades
5. Insurance documents
6. Up-to-date information on mortgage interest
7. Rates bills
8. Power bills
9. Repair and maintenance receipts
10. Phone bills

Interest deductibility on property investments is 60% this year

At the time of writing, the coalition government has agreed to speed up the return of interest deductibility for property investors, with the phased-in changes taking effect in the current financial year.

As a result, legislation is expected to be passed allowing to you to deduct 60% of your interest expenses on property investments in the year to 31 March 2024.

Deductibility will rise to 80% of interest costs in the 2024-2025 financial year, with a return to 100% deductibility in 2025-2026.

Have a chat with us to ensure you've accounted for 60% deductibility this tax year.

Your provisional tax explained

Your provisional tax equals your previous year's residual income tax plus 5%. However, provisional tax paid in the past may not reflect how your business has performed over the current financial year.

Your final income for this financial year will determine whether you've overpaid or underpaid provisional tax. Once you've filed your accounts, you might get a tax refund or have to pay more, depending on your 2023-2024 taxable income.

Underpaid tax can lead to use of money interest (UOMI) being charged by Inland Revenue, and UOMI has increased in recent years.

If you believe you're likely to underpay or overpay provisional tax based on your 2023-2024 income, contact us to discuss options including tax financing which may help with cashflow.

CONTACT OUR TEAM

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