

Harvie Green Wyatt  
CHARTERED ACCOUNTANTS

## Newsletter

AUTUMN 2025

### 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.

### Don't make trusting home apps a leap of faith

The case of a woman who was left stranded because she couldn't access an app to open her car door highlights the pitfalls of trusting too much in technology.

Just like car apps, there are apps to operate business equipment and home appliances – often called smart home apps. They can usually be trusted to work, but their reliability depends on several factors.

Here's a few tips to help you work out if you should trust them to work properly:

#### **Manufacturer reputation**

Trusted brands – Apps from reputable appliance manufacturers (such as Samsung, LG, Philips etc) or smart home platforms (such as Google Home, Amazon Alexa) are generally reliable and secure.

Unknown brands – Be cautious about apps from lesser-known manufacturers or third-party developers.

#### **Connectivity**

Wifi stability – Many smart home apps rely on stable wifi. If your network is inconsistent, the app's performance might not work well.

The Cloud – Some apps rely on cloud services, meaning outages on the manufacturer's servers can disrupt functionality.

#### **App design and updates**

User-friendly interface – Well-designed apps with regular updates are more likely to work smoothly. Bug fixes – Frequent updates indicate the developer actively resolves issues.

## Partnership Announcement

**The Partners are pleased to announce that  
Sara Stanley  
will be joining them in partnership from 1  
April 2025.**

**Sara has been a long term member of the  
HGW team and we are delighted to have her  
join us as a partner**

## 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.

## 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 put someone out of work somewhere, but it also provides work in new areas.

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.

## IRD to call re myIR security update

Inland Revenue will be calling some customers to help them set up two-step verification (2SV) in myIR ahead of this becoming compulsory.

2SV is a form of multi-factor authentication (MFA) which adds a layer of security to a customer's myIR account. It is currently optional for myIR logons but will become compulsory for all myIR users in a phased roll out throughout the year, starting with the first group from 22 April 2025. IRD will be calling some customers between January 29 and April 18 in preparation for this.

IRD will be asking people to complete the process in their myIR account. Customers will need to go to the IR website ([ird.govt.nz](http://ird.govt.nz)) and click on the myIR login tile. Importantly we won't be asking people to click on a link to get there. We also won't be asking for

personal information such as credit card or bank account details and we won't be asking people to pay anything.

When 2SV is enabled, customers need to provide a unique security code to verify their identity when logging in to myIR. Customers logging in with RealME or a passkey will also be required to use 2SV.

2SV is only used for accessing myIR and is not used for other actions within myIR (e.g. resetting passwords).

Anyone who has already set up and enabled 2SV prior to it becoming compulsory won't have to change anything.

If a customer receives a call and is unsure whether it is from IR, then they can either request that the person send them a web message to their secure myIR account to verify that it is IR calling; or call IR back on 0800 775 247.

## 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.

## Schedular tax activity by IRD

The schedular tax regime falls under the PAYE rules and typically applies to require tax to be withheld from self-employed individuals if they perform certain types of work, such as modelling or shearing.

On its website, Inland Revenue have noted non-compliance has been identified within the horticulture industry in relation to contractors not meeting their tax obligations. This is likely to give rise to an increase in the use of prescribed rates where additional tax needs to be withheld from payments to such contractors.

Ordinarily, most payments to companies are not subject to schedular tax. However, payments to companies for the supply of labour in relation to cultivation contract work are subject to schedular tax. Inland Revenue has also identified non-compliance in this situation.

In practice, Inland Revenue are requiring businesses that have already made payments to



horticultural contracting companies without schedular tax being withheld, to require the applicable amounts to be paid to Inland Revenue.

From a commercial perspective, this is problematic because the company paying the tax to Inland Revenue then needs to revert back to the company that provided the services to seek a partial refund to reimburse it for the tax payment.

Understandably, this can be frustrating for both parties involved, particularly where the company that provided the services has effectively used the cash to pay their provisional tax.





## When errors are made

Tax compliance can be complex, between income tax, GST, PAYE there is often a lot to manage and get right. It is therefore inevitable that from time-to-time mistakes will happen. When these moments occur the question then becomes “what do we do?”.

The Inland Revenue requires taxpayers to make a correct assessment of their tax liability when a tax return is filed. If an error has given rise to an underpayment, taxpayers are obligated to submit a voluntary disclosure to Inland Revenue to have the tax return amended, thereby ensuring the assessment is correct.

To make a disclosure, details of the error need to be provided. Inland Revenue will then review the information and decide if they agree that an adjustment is required.

Where an adjustment is required that gives rise to an increase in the amount of tax payable, Inland Revenue will consider whether a shortfall penalty should be charged. Shortfall penalties also apply if the adjustment reduces the amount of a tax loss.

There are five different categories of penalty which can apply. These penalties range from 20% for taking an unacceptable tax position or exercising a lack of reasonable care, right up to 150% for tax evasion.

The nature of the error and the facts surrounding how it occurred determine what type of penalty

should apply. There are various concessionary provisions which can apply to reduce a shortfall penalty. For example, if a voluntary disclosure is made prior to being notified of an audit or investigation a shortfall penalty can be reduced by 75% or even 100% in certain scenarios.

Where the taxpayer has already been notified of an audit or investigation shortfall penalties are only able to be reduced by 40%.

Some taxpayers will choose not to make a disclosure. This comes with the risk that Inland Revenue may themselves identify the error and if it becomes clear the taxpayer knew about the error and chose not to disclose it, the shortfall penalty implications could be worse. In addition, the perception on Inland Revenue's part that the taxpayer is ‘non-compliant’ could give rise to increased scrutiny in the future. The reduction in shortfall penalties for making a voluntary disclosure provides a material benefit to do so and should be the default option. Inland Revenue practice in the context of a voluntary disclosure is also typically a positive experience, given the circumstances.

Therefore, if a “what do we do” moment does occur, making a disclosure may come with some short-term pain, but be better in the long run.

## Ace Payroll To Cease

MYOB have advised that their payroll program ACE Payroll will only be supported through to 31 March 2026.

If you are currently using ACE Payroll you will need to transition to a new payroll package provider before that date.

Harvie Green Wyatt has started transitioning clients that we already prepare payroll for.

If we currently prepare your payroll, we will undertake the conversion process for you.

What package do you move to?

There are now a large number of payroll package suppliers to choose from. Talk to your Harvie Green Wyatt Advisor or to our dedicated payroll team to identify the best option for you and your business.



## BRIEFS

### **Bitcoin profits taxable**

Just a reminder – if you make a profit out of investing in a crypto currency, that profit is taxable income. Inland Revenue's rationale is that the only reason you could possibly have for investing in a crypto currency is to make a profit. There's generally no other form of income. Unlike a rental property, you don't get a combination of income and capital gain.

However, some crypto currencies are paying a return on crypto held in the form of more crypto. In those cases there is an argument that it is purchased for that purpose not sale.

### **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.

### **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.

## When is a motor vehicle subject to Fringe Benefit Tax?

A common complaint about Fringe Benefit Tax (FBT) is that it is too complex, particularly when it comes to motor vehicles, which becomes a point of frustration given it is one of the most commonly provided benefits. This is borne out by how common it is for mistakes to be identified during an Inland Revenue investigation or due diligence process.

One of the most common mistakes arises from not properly understanding the circumstances in which the provision of a vehicle to an employee for private use is subject to FBT.

There are three broad classifications of motor vehicle under the FBT regime.

**Private Use Vehicle:** As akin to a catch-all, if a motor vehicle is made available to an employee for private use it is likely to be subject to FBT, unless a specific exemption applies, such as the work-related vehicle exemption (discussed below).

Private use includes the use, or availability for use of the vehicle

outside of business purposes. It is important to note that home to work travel is specifically defined as private use. Hence, even if private use is prohibited, but an employee uses the vehicle to drive to work, FBT could still apply.

**Work-Related Vehicle:** Not all vehicles provided to employees attract FBT. A vehicle may qualify as a work-related vehicle if it meets four criteria, being:

- sign written,
- not be designed principally to carry passengers (e.g. a ute),
- required to be stored at an employee's home as a condition of employment, and
- not be available on a particular day for private use, unless it is incidental to business use.

If a vehicle meets the criteria on a particular day, it is not subject to FBT on that day.

The key difference between the private use vehicle and work-related vehicle is that travel between home and work may be treated as exempt if the motor

vehicle qualifies as a work-related vehicle. Supporting documentation and spot checks are essential to ensure the work-related vehicle exemption applies.

**Pool Vehicle:** A pool vehicle is another category that can be exempt from FBT. Pool vehicles are shared among employees for business use and should not be used for private purposes. These vehicles are kept on the business premises when not in use and must be available for multiple employees, i.e., not taken home by an employee.

Understanding the FBT implications of providing motor vehicles to employees is essential for compliance. Complexity can arise in specific situations, such as when an employee's home 'might' qualify as a place of work and therefore travel between home and work itself is 'on work' and not subject to FBT.

Given the complexity it is not a surprise that mistakes in this area occur - which begs the question as to whether the rules are fit for purpose.

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## PAYE and personal grievances

Although not desirable, it is not unusual for an employee to raise a personal grievance with their employer. Section 123 of the Employment Relations Act 2000 (ERA) provides for a number of remedies where an employee has a personal grievance.

If an employee suffers humiliation, loss of dignity, or injury to feelings one remedy is for a compensatory payment to be made, whether as part of a court ordered award or an out of court settlement.

The question often then arises regarding how the payment should be treated from a tax perspective. Depending on the circumstances, such compensation is not considered to be derived "in connection with employment" and is therefore non-taxable, and there is no requirement to withhold PAYE. However, because the treatment is very fact specific it is common for payments that are treated as non-taxable to be reviewed by Inland Revenue or as part of a due diligence process.

Because of that potential scrutiny it is important to have key

documentation, guidance, and evidence to support the treatment adopted.

In June 2006, Inland Revenue released BR Pub 06/05 providing further commentary on the topic. The key conclusion from the commentary is that payments that are genuinely and entirely for compensation for humiliation, loss of dignity, or injury to feelings, under section 123(1)(c) (i) of the Employment Relations Act 2000, do not meet the definition of income per section CE 1 of the Income Tax Act 2000, and PAYE does not apply.

The IRD's view in this publication is that there must be sufficient evidence to prove that firstly, there is the presence of a genuine Personal Grievance, secondly, that there is a sufficient nexus between the amount paid and the severity of the claim, and thirdly, that the payment made is entirely tied to the grievance and not another statutory payment obligation.

One of the key areas of this section is determining whether

the payment is genuinely and entirely in relation to the Personal Grievance. Payments made under section 123(1)(c)(i) are a benefit in money. An employer would therefore need to demonstrate that the payment was not actually made "in connection with the employment or service" of the recipient. For example, a payment which is in substance based on lost wages, but labelled for 'humiliation' would be at risk of being taxable.

In Inland Revenue's view there needs to be valid and documented proof of the Personal Grievance which would usually require an admission in writing by the employer that they acted in a manner that was unfair or unjust.

However, in a settlement scenario it is common for the employer to not make such an admission and often have asserted otherwise, and therein lies the 'catch 22'. In the absence of an admission, it becomes very difficult to demonstrate that a payment is for humiliation, loss of dignity, or injury to feelings.

## Tax payable on rewards for buying from a supplier

Gift cards and rewards given for buying from a supplier are considered taxable income by the Inland Revenue Department.

Just before Christmas, IRD shared its view on how these incentives should be taxed. To keep this article straightforward, we're assuming you're running a regular limited liability company. The same rules apply to sole traders, partnerships, and Look-through companies, except fringe benefits do not apply to the owners – these rewards are simply taxable income.

Trading trusts are a bit different since they don't have working owners. Instead, employees (including beneficiaries or settlors) get incomes subject to PAYE.

### Gift cards

If you're given a gift card that can be used almost anywhere (an open-loop card), it's treated like cash because of its flexibility to be used anywhere.

### Taxable Income

If you give the card to an employee, it's like giving them a bonus.

You'll need to deduct PAYE on the "grossed-up" amount. For example, if the card is worth \$200, you'd calculate how much you'd need to pay to give \$200 after PAYE deductions and include this in your PAYE return.

If the card can be used only in specific places (a closed-loop card), the rules are different. It's

considered a fringe benefit, so the \$300 per person per quarter limit applies.

If you're a shareholder-employee and keep the card, it's treated as an unclassified fringe benefit.

### Products from suppliers

If you get a spending reward like a barbecue, it's taxable income based on how much you could sell it for. If you use it in your business, it becomes a business asset. At the moment Inland Revenue is saying you cannot claim depreciation. We are hoping this policy will change. The department is also saying if you use the rewards to reduce your debt to the supplier, you don't get a deduction for the cost. Again, we hope this will be changed.

If you give it to an employee, it's an unclassified fringe benefit and follows the same rules as closed-loop cards.

### GST

Rewards include GST, so you'll need to pay GST on them.

### For the supplier

Businesses giving out these rewards can usually treat the cost as tax-deductible.

### Points

Some suppliers offer points instead of gifts. IRD hasn't clarified how to treat these, but it's likely the income applies only once the points are redeemed for a gift.



## TAX CALENDAR

### 7 April 2025

Terminal tax for 2024  
For all clients except those who have lost their extension of time privilege.

### 7 May 2025

Third instalment of 2025 Provisional Tax (March balance date).

### 28 May 2025

First instalment 2026 Provisional Tax (December balance date).

### 31 May 2025

Deadline for Fringe Benefits Tax returns.

## Paying for flu vaccinations

Flu vaccinations are exempt from fringe benefit tax (FBT) if they are provided to employees either through a clinic set up on work premises, or where a voucher is given to the employee to use at their doctor or another clinic. This is because the vaccination falls under a specific exemption targeting a health and safety risk in the workplace.

However, there has been an inconsistency in the legislation. If an employee pays for a vaccination

themselves and is then reimbursed by their employer, the reimbursement is actually taxable and subject to PAYE; due to health-related expenditure being considered to be private in nature.

This is a product of the standalone nature of the FBT rules and the employee reimbursement provisions. Something which is often misunderstood by employers.

A proposed new section of the Income Tax Act aims to resolve this issue to ensure employers are not worse off if they follow the reimbursement path, by prescribing that an amount paid by an employer to or on behalf of an employee for a flu vaccination will be exempt income of the employee.

The draft legislation states that the amendment will be effective for the 2025 – 26 and later income years.

## Effective decision making

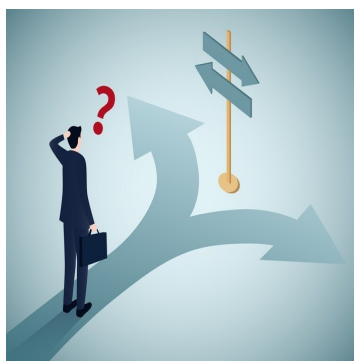
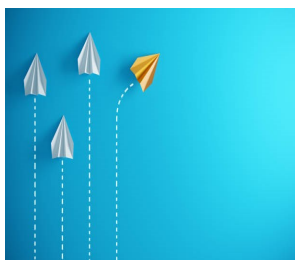
In today's business environment, effective decision-making is key to navigating change and achieving sustainable growth.

For small to medium sized enterprises where there can be fewer individuals at a senior decision-making level, there is arguably a greater need to have a strong decision-making process to ensure decisions are not made in a vacuum.

However, how many business owners make decisions ad hoc, 'on the fly' and inconsistently.

There are various decision-making frameworks that can be beneficial in ensuring that decisions are clear, well thought out, and have the business's vision in mind. Some common elements to those frameworks are:

- Define the criteria against which a decision will be tested and ensure the criteria is transparent, measurable and where possible assign explicit probabilities to whether the criteria are achievable. For example, rather than aiming to 'increase profitability', aim to 'increase gross margin by 5% over an 18 month period' and assess the likelihood of achieving that objective.
- Discuss the decision with others. Whether discussing a proposition at the dinner table or with a trusted business advisor or ideally an independent Director (whether formal or someone who provides that support informally), valuable feedback will be received. The process of 'thinking out loud' will also help crystallise your own thinking and help form a view.



- Pro-actively seek out and consider information that might contradict the investment hypothesis.
- Consider whether the decision to proceed aligns with the strategic objectives of the business and is in alignment with previous decisions.
- Is there an opportunity cost? This could be readily identifiable or something unforeseen, i.e., commitment to a path now may rule out the option of pursuing a different opportunity later.
- Is the rationale, expected outcomes, and plan for implementation able to be clearly communicated to others.
- Finally, there is the consideration of speed. Sometimes decisions do need to be made quickly. But ideally, pause, and take your time. It's a bit like the decision to reply to an angry text, email, Facebook message or on-line review as soon as you read it ... we all know it is best to not hit reply, but to wait and reply later when you are cool and calm.

The above list is not based on a formal decision making framework, but it does provide a sense of what it takes to ensure good decisions are made.

By employing a structured process business owners can test their ideas at a fact-based level to ensure the best possible outcome.

## Emergency events

The government is looking at creating a standard tax response to emergency events. It would involve amending primary legislation to include generic tax measures to be worked out based on past emergencies, such as tax rollover relief and turning off the bright-line test.

