

BC'S BUSINESS BRIEFS

Its been a while!

Its over a year since we posted our last newsletter. How time flies when you're having fun!
Here's a brief synopsis of tax changes that have come in the last 12 months or so;

- 1 The Government provided additional funding to IRD to allow for an increase in audit activity by the Department. Their research has indicated that funding of this nature tends to have a positive payback to government in terms of additional revenue exceeding the cost of the funding;
- 2 We understand that while the majority of this funding has been spent on increasing human resources, further investment has occurred into the IT capability of IRD allowing more widespread and accurate matching of information across different entities with common ownership with the aim of ensuring larger and more widespread groups that are nevertheless associated and therefore have specific laws that they have to ensure they comply with;
- 3 A review of FBT law has been undertaken with changes some significant changes proposed to make the compliance with the law simpler. However the changes introduced to date in legislation and minor and we expect future changes as a result of the changes the Government wanted to make being more complex to achieve than was anticipated. Really? We expect a significant focus of change in the future to be heavily focused on the provisions around motor vehicles and perhaps the 'Work Related' vehicle exemption with a particular target being double cab utes;
- 4 The 'Cash Basis' holder limits have been increased after approx. 25 years of no change. This is a welcome change as in simple terms it means individuals who had over \$1m of Bank Deposits or over \$50,000pa income from those assets now don't have to work out their income for tax purposes on an accruals basis until the amounts exceed \$2m and \$100,000. These rules also apply to other Fixed Interest instruments such as Bonds. It makes it simpler to calculate the income for a lot of people as the bank supplied information on interest and RWT is directly relevant;
- 5 The new indexed income tax rates came into effect for individuals giving some tax relief to people whose income had taken them into higher tax brackets solely as a result of inflation;
- 6 Increased minimum Kiwisaver contribution rates from 3% to 3.5% will come into effect on 1 April 2026 and this will rise again on 1 April 2028 to 4%. Recently the National party has announced its intention to campaign in the 2026 election on further significantly increased contribution rates to Kiwisaver for both employees and employers;
- 7 ACC Earner levy rates increased from 1.6% to 1.67% on 1 April 2025;

With the government being in such desperate need of additional revenue to bring the countries national debt down closer long term norm's after it blew out dramatically in the years that followed the Covid 19 pandemic. In simple terms Government Debt was approx. 45% of GDP in June 2024 after rising from under 20% of GDP in March 2020, before the impacts of spending starting with Covid 19 support.

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The outlook for NZ business

While this author is no economist, it's hard not to think that we may have reached the bottom of the current economic cycle. Interest rates have dropped significantly in the last 12 months as economic activity slowed for a second time in the current cycle, there appear to be some early signs of stability of the residential housing and the Dairy industry is seeing strong prices.

While almost everyone predicts ongoing volatility in markets as a result of international events (including the Ukraine war and Middle East instability) and a US administration with apparently very little understanding of even fundamental economics, it seems that often the verbal nonsense that spills from the White House which, while important in themselves, often don't translate into actions.

The phenomenon which is AI seems to be increasing and is set to have an ongoing dramatic on world economies for the foreseeable future although as with all new technologies there will no doubt be hiccups along the way.

With NZ in an election year in 2026 it is probably fair to predict there won't be any decrease in Government spending (and perhaps some modest increases) to try and entice voters to stick with the incumbents, we are expecting 2026 to be a genuine year of recovery and present some significant opportunities for growth.

Christmas Shutdown

We will be closing over the Christmas period for a similar length of time as we have in the recent past. The exact dates are as follows;

Final closing pre Christmas – 12pm on Tuesday the 23rd December
New year opening date – 9am Monday the 19th January.

We will be answering emails periodically while shut and I will be available some of the time on my mobile number (027)490.

Thank you for your business this year and we wish you all a Merry Christmas and Happy New Year.

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