

BC'S BUSINESS BRIEFS

Tax update

The following changes happened within our tax system in the last 12 months or so which will affect many of us;

- 1 Kiwisaver Contribution rates**
 - a.** The default employer and employee contribution rates increased from 3.0% to 3.5% from 1 April 2026 with a further 0.5% increase scheduled to take place from 1 April 2028;
 - b.** Employers are now required to make contributions for all eligible employees aged 16 and over from 1 April 2026.
- 2 ACC Earners Levy increase**
 - a.** The ACC earners levy rate increased from 1.67% to 1.75% of gross income from 1 April 2026;
 - b.** Maximum leviable earnings increased from \$152,790 to \$156,641 on the same date.
- 3 Kiwisaver Government contribution reduced**
 - a.** From 1 July 2025 the annual contribution by the government was reduced from \$521.43pa to \$260.72pa;
 - b.** Individuals earning greater than \$180,000pa no longer qualify for the government contribution.
- 4 Increased IRD monitoring and enforcement activity**
 - a.** Following increased funding provided by the government in the 2025 budget, IRD has placed more resources into monitoring and enforcement activity focusing particularly on overdue debt and business tax debt.
- 5 Tax Simplification**
 - a.** As noted in our most recent newsletter, new measures have been introduced to simplify FBT, particularly on Motor Vehicles. We will address a newsletter to some of the detail around FBT changes closer to the implementation date on 1 April 2027;
 - b.** New simplification measures have also been introduced to the Foreign Investment Fund rules, also known as the FIF rules;
 - c.** New measures have also been introduced to simplify the R&D tax incentive provisions;
 - d.** Non-resident contractor withholding tax rules have also been introduced.
- 6 Areas of no major change**
 - a.** There have been no changes of significance to the personal income tax rates and brackets;
 - b.** The GST rate remains constant at 15%;
 - c.** The company tax rate remains unchanged at 28%;
 - d.** The trustee tax rate remains unchanged at 39%.

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Economy overview

Ever since the USA and its unpredictable president (some would say 'deranged'!) decided to wage war with Iran, the world's economy has been thrown into chaos with rapidly rising inflation, supply chain disruptions and diminished growth caused by the above factors along with the US presidents (again!) fixation with tariffs and attempting to bully almost every other country in the world. While a number of countries have fought back against the tariffs by imposing their own equivalent tariff's (most notably Canada), history tells us that Tariff wars ultimately don't benefit anyone, leading to higher inflation, lower growth and ultimately higher unemployment.

The Russia/Ukraine war has almost faded into the background in terms of the daily news cycle. While this is seeming to grind on relentlessly with neither side able to make much headway, it becomes more apparent by the day that the Russians have no real interest in a peaceful solution that is not totally on their terms. It would appear that the only thing that may change their minds is the prospect of losing the war (and the humiliation to President Putin that would bring) and the near total destruction of the Russian economy. While it appears the Russian economy is struggling, it is nowhere near a total collapse.

All the factors above are negative on the prospects of growth to the world's economies. However, there are some bright spots and the success of individual countries (NZ included) will depend on their ability to see past the short term negative factors and focus on the opportunities. Some of these opportunities will include setting up trading relationships with other non traditional countries as they wean themselves off dependence on the USA, identifying greater opportunities in developing areas such as AI, alternative energy sources (it is somewhat ironic to this writer that Donald Trump – one of the worlds great climate change deniers – has probably inadvertently done more to move the world towards the adoption of electric cars than any former or other current politician!)

Difficult markets have always presented opportunities in the past to those people and business' who are prepared to view situations (often appearing as negative) with an open mind and the confidence to take calculated risks. I don't believe the current economic situation around the world and in particular are worse than many we have experienced before in our lifetime and expect that while there will be losers out of the current economic conditions, there will also be may winners.

Are we and NZ in general going to finish up winners over the next few years – the answer to that question is very much in out own hands.

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