31 MARCH 2025 YEAR END TAX TIPS AND REMINDERS

INTRODUCTION

As the 2025 income tax year draws to a close, it's a great time to review your financial position and take advantage of any available tax-saving opportunities.

Whether you're a business owner or an individual taxpayer, taking proactive steps before 31 March can help you maximise deductions and minimise your tax liability.

This is also a valuable time to review your financial records, identify any outstanding matters, and prepare for a smoother tax filing process. A little preparation now can make a big difference when tax time arrives.

This document, dated 14 March 2025, provides a general overview of tax considerations for the year ending 31 March 2025. If your income year differs, please contact us for tailored advice.

Not all sections of this guide will apply to everyone-each taxpayer's situation is different. This guide provides general tax considerations but is not exhaustive. We strongly recommend seeking professional advice tailored to your circumstances.

Looking for tax-saving opportunities? We've outlined some key strategies that may help.

Need personalised advice? We work closely with clients to develop tax strategies aligned with their specific goals and circumstances. If you'd like to explore how these strategies apply to your situation, we'd be happy to arrange a consultation.

Regards

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PROVISIONAL TAX

The final 2025 provisional tax instalment 31 March balance-date taxpayers is due for payment on 7 May 2025.

If you have used the standard uplift method for the first two instalments, and have not made any payments, use of money interest (UOMI) will only apply if your actual residual income tax (RIT) exceeds $60,000.

If your actual RIT is below $60,000 and all standard uplift instalments have been paid, UOMI will not apply until the terminal tax due date (7 April 2026 in most cases).

UOMI generally applies from the first instalment if:

- You used the estimate method.
- Your provisional tax was not paid on time using the standard uplift method.
- It's your first year of business.

In such cases, you might consider using a tax-pooling intermediary. We can prepare a draft tax calculation to help determine whether making a voluntary payment above the standard uplift is advantageous.

We can also discuss the advantages and disadvantages of tax-pooling.

INCOME LEVELS

Higher Income

If your taxable income is significantly more than the previous year, consider making extra voluntary provisional tax payments. This can help avoid use-of-money interest (UOMI) charges.

Alternatively, consider aligning tax payments with income. If you have underpaid your provisional tax for the year, it may be possible to use a provisional tax intermediary to save on Inland Revenue use-of-money interest costs.

Tax pooling intermediaries can help manage tax payments and reduce interest costs.

Earning More Than $180,000?

From 1 April 2021, a 39% tax rate was introduced for income over $180,000. This rate applies to all types of income, including interest from New Zealand bank accounts and investments, which must have a 39% resident withholding tax (RWT) rate applied.

Update your records by choosing the 39% rate via your online banking site, bank, or investment provider. Failing to update the RWT rate could result in under-deductions, leading to a tax shortfall at the end of the year.

Under-deductions of RWT may affect provisional taxpayers, including those who are already provisional taxpayers using the estimation method, or if the under-deduction will result in their residual income tax (RIT) exceeding $60,000.

If the RIT exceeds $60,000, taxpayers may face UOMI unless they make sufficient provisional tax payments throughout the year.

Shareholder Salaries
Following the Penny and Hooper decision, shareholder-employees in closely held businesses must receive commercially realistic salaries.

The Penny and Hooper case highlighted the importance of ensuring that salaries paid to shareholder-employees reflect the value of the services provided. Failing to do so may be considered tax avoidance.

IRD is closely monitoring this and has queried cases where salaries seem unreasonably low.

The court's decision emphasised that income substantially generated by the direct personal skills, experience, or labour of an individual should generally be subject to tax in the hands of that individual.

Personal Attribution Rules
The personal attribution rule is an anti-avoidance measure designed to prevent individuals from diverting income to entities which have a lower tax rate than their personal marginal tax rate. The attribution rule may apply when:

- There is an interposed entity (company, trust, etc) between the customer and the person doing the work; and
- 80% or more of the entity's service income is from one source; and
- 80% of the entity's income is derived from services performed by a person associated with the entity, or a relative of that person.

DEBTORS AND BAD DEBTS
Review your outstanding debtors list. Write off any debt that you have been chasing for a reasonable amount of time but without success. Remember to write them off before 31 March 2025.

If you don't write them off before 31 March, you will pay tax on them even though you may never recover the balance owed to you.

A debt is generally classified as bad if a reasonable and prudent person would conclude that the debt is unlikely to be repaid. A debtor doesn't have to be insolvent for the debt to be classified as a bad debt. You can still pursue them for the debt.

The length of time that the debt has been outstanding and what you've done to collect it are key factors in determining if it's a bad debt. You must be able to demonstrate that you've taken action to determine the debt is "bad".

You can't backdate a claim for a bad debt write-off performed after 31 March 2025. Consider leaving an evidential audit trail of when you performed the write-off. If your business is small and you manage your debtors by filing copies of unpaid invoices, write on the copy "written off on [insert date]" and add your signature.

SYSTEM ADMINISTRATION
Ensure bank reconciliations are completed to financial year end and that all bank and loan balances in your accounting system match the bank statements that you will provide to your accountant.

Confirm the balances of outstanding creditors and debtors are accurate. If possible, lock your system at the year end to prevent changes being made after the final position is determined.

EARLY SUBMISSION DISCOUNT
SUBMIT EARLY AND SAVE
Submitting your tax information early doesn't just save you money. It also gives you more certainty about your upcoming tax obligations to help you plan.

To encourage early tax submissions, we offer an Early Bird Discount for clients who submit their full tax information to us by 30 June 2025.

The Early Bird Discount is available only until 30 June because it allows us to plan workloads effectively and complete tax returns efficiently. Extending the deadline wouldn't be practical, as last-minute submissions put pressure on our ability to deliver timely and accurate results for all clients.

How to qualify for the discount?
✓ Complete our tax checklist in full
✓ Submit all required documents by 30 June 2025
✓ Respond promptly to any follow-up queries

Act now to secure your discount and gain clarity over your tax position!

PREPAID EXPENSES
If you have a strong cashflow position, consider pre-paying some expenses before 31 March 2025.

Certain types of expenditure can be claimed as a tax deduction in the year in which they are incurred regardless of whether the good or service will not be used until a future year. But only if they have also been expensed for financial reporting purposes.

Some of these prepayment concessions have a dollar limit and/or a limit on the length of the period after year-end. The following prepaid expenses could be claimed in the 2025 income tax year:

- Advertising for up to 6 months after 31 March 2025, subject to a $14,000 total limit.
- Insurance for up to 12 months after 31 March 2025 as long as the premiums incurred during the year for the contract do not exceed $12,000.
- Rates to the extent of the amount invoiced on or before 31 March 2025.
- Rent for up to 6 months after 31 March 2025, subject to a $26,000 total limit. There is no monetary limit for rent that is prepaid not more than one month in advance.
- Subscriptions or fees for membership in any trade or professional association, for up to 12 months after 31 March 2025 as long as the expenditure incurred during the year for membership in the association does not exceed $6,000.
- Advance bookings for travel and accommodation, to be used within 6 months after 31 March 2025, subject to a $14,000 total limit.
- Service or maintenance contract for plant, equipment, or machinery, for up to 3 months after 31 March 2025, as long as the expenditure incurred during the year for the contract does not exceed $23,000.
- Use or maintenance of telephone and other communication equipment for up to 2 months after balance date (amount is unlimited).
- Consumable aids (i.e. items that do not become a component of the finished stock, e.g. oil, grinding wheels, chemicals, wrapping and packaging) not exceeding $58,000 in total.
- Stationery, subscriptions for newspapers, journals or other periodicals, and postal and courier services (unlimited).
- Accounting and audit fees.
- Vehicle registration fees, driver's license fees and road user charges (unlimited).
- Other services for up to 6 months after 31 March 2025, subject to a $14,000 total.

DONATIONS
Individual Donations
You can claim up to 33.33% of the donation as a charitable rebate, provided your taxable income is equal to or greater than the donated sum. This rebate is available for cash donations of $5 or more made to donee organisations.

Consider bringing forward and paying donations before 31 March 2025 so that you can claim the rebate in this income tax year. The total donations you claim cannot exceed your taxable income for the year.

If your total donations exceed your taxable income, you may be able to split your tax credit with your spouse or partner.

Company Donations

Companies (other than Look-Through Companies, or LTCs) may claim tax deductions for gifts of money made during the year to organisations approved for donation tax credit purposes.

However, donations are deductible only to the extent of the company's net income for the year, which is the year's income after claiming deductions but before the donation deduction is applied.

If your company has made a tax loss, consider making donations in an individual's name to claim the donation rebate. This is because the donation deduction for companies is limited to the net income, and a company with a tax loss would not have net income to offset the donation against.

Additional Considerations

Ensure that you obtain and retain receipts for all donations, as these are required to claim the tax credit. The receipt must include the donor's name, the amount and date of the donation, and a statement that it is a donation.

Donations made through payroll giving provide immediate tax credits, reducing PAYE at the time the donation is deducted from wages. This is an efficient way to manage donation tax credits throughout the year. For more information on approved donee organisations and claiming donation tax credits, visit www.ird.govt.nz/donations.

ASSET WRITE-OFF AND DEPRECIATION

Fixed Assets No Longer in Use

A fixed asset can be written off for tax purposes if:

- It is no longer used in the business.
- There is no intention to use it in the future.
- The cost of disposal exceeds its disposal value.

Low-Value Assets

Assets costing below $1,000 can be immediately written off.

- GST-registered taxpayers apply this threshold on a GST-exclusive basis.
- Immediate write-off is **not** allowed if:
    - The asset forms part of another depreciable property or is an upgrade.
    - Multiple low-value assets purchased together exceed the threshold and share same depreciation rate.

Purchases and Sales Timing

- A full month's depreciation can be claimed for any part-month the asset is owned and used.
- Buying replacement assets before balance date allows an extra month's depreciation deduction.
- If a loss on sale is expected, sell or dispose of it before balance date to claim deductions sooner.
- If a gain on sale is expected, sell or dispose it after balance date to defer taxable income.

Building Fit-Out and Depreciation Changes

- Identifying building fit-out separately helps maximise depreciation deductions.
- Building depreciation ceased from the 2011/12 tax year but was restored for non-residential buildings from 2020/21.
- From 2024/25, all building depreciation ceases, except for certain special buildings.
- A special deduction may apply for commercial fit-out, but only if:
    - The fit-out cost was not separated from the building's total cost.
    - The building was acquired before 2011/12.

TRADING STOCK VALUATIONS

Valuation options depend on annual turnover and the financial reporting valuation method used.

Standard Valuation Methods

Businesses with annual turnover less than $3m can choose one of three valuation methods:

- Cost
- Replacement price
- Discounted selling price

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Regardless of the method chosen, businesses must apply their chosen valuation method consistently unless there is a valid commercial reason for change.

Turnover Concessions

Concessions apply to taxpayers with annual turnover of less than $3 million. A further concession applies if turnover is less than $1.3 million per year. In such cases, for business with annual turnover:

- Between $1.3 million and $3 million, they must apply standard valuation methods.
- Under $1.3 million, if the closing stock is reasonably estimated to be worth less than $10,000, it can be valued at the opening stock value.

To claim a deduction for obsolete or slow-moving stock, it must be physically disposed of by 31 March 2025 or valued at market selling value if lower than cost.

PAYMENTS TO CONTRACTORS

Employment vs Contractor Status

Determining whether someone is an employee, or an independent contractor is not just a paperwork exercise. It has serious tax and legal implications.

Getting it wrong can lead to unexpected tax bills, penalties, interest, and compliance headaches with IRD. If your business engages workers, now is the time to review their status.

Have you assessed whether they meet the legal criteria for contractors, or could they be considered employees under tax law? The consequences of misclassification can be costly, and authorities are paying more attention than ever.

We strongly recommend seeking professional advice if you are unsure.

HOME OFFICE

It's also a good time to review what home office expenses may be available for deduction, especially your home office. We can help with calculating this.

ENTERTAINMENT

A GST adjustment for non-deductible entertainment must be included as an output tax adjustment in your GST return. that covers the earlier of the date the return of income is filed or date the return of income is due. This expense must be added back for income tax purposes.

WAGES, HOLIDAY PAY, ANNUAL LEAVE

Staff bonuses that you determine **before** year end and are paid within 63 days of year end (i.e. before 2 June 2025) are deductible.

Holiday pay, long service leave and redundancy are deductible if they are paid within 63 days of 31 March 2025 (2 June 2025). Accrued bonuses paid out within 63 days of 31 March 2024 may not be tax deductible if there is no evidence a commitment was made to pay the bonus on or before balance date.

MOTOR VEHICLE EXPENSES

If you have a vehicle which hasn't been used 100% for business purposes, you must have kept a logbook.

A logbook test period must be used to establish a business use percentage for tax, GST and FBT purposes. A new test period might be needed if there has been a significant change in business usage.

However, sometimes a representative period may not even be possible, and a permanent logbook will need to be kept.

GOODS AND SERVICES TAX

GST Adjustments

Before filing your last GST return for period ended 31 March 2025, please remember to include any GST adjustments that we had advised previously. Please call if you are unsure of the figure you need to adjust.

GST on Listed Services

Since 1 April 2024, ANYONE providing "listed services" (short-stay accommodation, ridesharing, food delivery, etc) through online marketplaces have been required to collect and return GST. For suppliers who are not GST registered, a flat-rate credit scheme is available to help minimise compliance costs.

GST Tax Invoice Rules

GST invoicing rules changed in 2023. These changes do not supersede the previous rules regarding tax invoices. If your business has continued to use the previous rules then they will still comply with legislation.

However, instead of providing a tax invoice, a business can provide "taxable supply information".

The following would need to be supplied as part of taxable supply information:

- The supplier's trade name and GST number.
- Buyer's details, including either the address, phone number, email, trading name, business number or website (for taxable supplies greater than $1,000).
- The date of the time of supply.
- A description of the goods or services supplied.
- The consideration for the supply.
- The GST charged for the supply.

You no longer need to keep a single document (such as a tax invoice, credit note, or debit note) that holds all the supply information. Transaction records, accounting systems and contractual documents could include all that's needed to support the figures in your GST returns.

Taxable supply information will not need to be issued if the amount charged is under $200.

REPAIRS AND MAINTENANCE

Broadly speaking, repairs and maintenance expenses are deductible only to the extent they have been incurred during the income tax year. Tax legislation draws a very thin line between tax-deductible repairs and maintenance and capital expenses (which are not tax-deductible).

Finish repairs and maintenance before 31 March 2025 to bring forward the tax-deductible expense.

LEGAL FEES

Not all legal fees are tax-deductible. Fees related to forming a company or trust or purchasing capital assets are considered capital in nature and not deductible. Legal fees should be reviewed for deductibility before claiming them as expenses.

However, the capital limitation does not apply if total qualifying legal expenses for the year are $10,000 or less (excluding GST).

INTEREST PAYMENTS AND WITHHOLDING TAX OBLIGATIONS

Registration for Resident Withholding Tax (RWT)

If you pay more than $5,000 in interest annually to any lenders (excluding banks), you must register as an RWT payer. This requirement applies if the interest is paid as part of a taxable activity, such as a trade, profession, or business.

You are not required to account for RWT on interest paid before reaching the $5,000 threshold.

Deduction of Withholding Taxes

For interest payments to local lenders, you must deduct RWT. For payments to offshore lenders, you must deduct either Non-Resident Withholding Tax (NRWT) or Approved Issuer Levy (AIL), depending on the circumstances.

NRWT applies to non-resident passive income, which includes interest paid to non-residents.

Filing and Payment Deadlines

If you are required to withhold $500 or more in total for each month, the RWT return, and payment are due by the 20th of the month following the month in which the tax was deducted.

If the withholding is less than $500 per month, payments can be made biannually, with due dates on 20 April and 20 October. For NRWT, the payment is due by the 20th of the month following the month in which the interest was paid.

Obligation on Journal Entries

Booking an interest expense on intercompany loans via a journal entry triggers an obligation to pay RWT or NRWT. The obligation arises when the interest is paid, credited, or otherwise dealt with on behalf of the lender, which can include journal entries. The tax must be paid by the 20th of the month following the date of the journal entry.

The de minimis threshold of $5,000 applies to relieve payers from withholding obligations on small amounts of interest.

LOAN AND CURRENT ACCOUNTS

If your company has loan accounts which have debit balances (including overdrawn shareholder current accounts), there could be unwelcome tax consequences.

Overdrawn shareholder accounts mean shareholders owe money to the company, typically via drawings throughout the year, or via a loan.
Please contact us to discuss whether you might face issues and how they can be avoided.

MIXED USE ASSETS

The tax treatment of real estate (mainly holiday homes), watercraft, and aircraft over $50,000 follows mixed-use asset rules. These rules apply when the asset is used for both income-earning and private use and remains unused for 62+ days annually.

Certain losses are quarantined, and deductions are allowed only when the asset generates positive net income. If gross income from the asset is $4,000 or less per year, you may opt out for that year. Opting out means the income is tax-free, but no deductions can be claimed.

This option is not available to close companies. Companies holding mixed-use assets face complex interest deductibility rules and additional quarantining requirements.

GST Apportionment

The mixed-use asset GST apportionment and adjustment rules were repealed from 1 April 2024. From that date, short-stay accommodation, boats, and aircraft are no longer subject to mixed-use asset GST rules.

This repeal applies only to GST; income tax rules remain unchanged. If you are GST registered, GST apportionment still applies to mixed-use assets under general GST apportionment rules. GST input tax deductions and adjustments must now follow standard GST rules for other assets.

If you own mixed-use assets, we recommend contacting us to discuss your options.

IMPUTATION CREDIT ACCOUNT (ICA)

Your company's imputation year is from 1 April 2024 to 31 March 2025. Irrespective of the company's balance date, it's important your company's imputation credit account is in credit on 31 March 2025.

A debit ICA balance as of 31 March 2025 will incur a penalty of 10%. To help avoid this, consider accelerating terminal tax or provisional tax payments prior to the due dates.

DIVIDENDS

Imputation credit account debit balances

It is essential to ensure your company's imputation credit account is in credit of 31 March 2025. You could face a 10% imputation credit account debit penalty if it isn't. Consider accelerating terminal tax or provisional tax payments prior to their due dates.

Dividend timing

If your company wants to declare a dividend with a payment date of 31 March or earlier, the dividend documentation must be actually signed on or before the payment date.

COMPANIES

Structural Changes

Shareholder continuity must be maintained for tax losses and imputation credits to be carried forward.

Carrying forward tax losses is subject to minimum shareholding continuity of 49%. Carrying forward imputation credits is subject to shareholding continuity of 66%. Note these tests must always be met throughout the year and not just on 31 March 2025.

If you anticipate shareholding changes and believe you will breach continuity, forfeited losses can be minimised by accelerating income recognition and minimising deductions where possible.

Also, consider paying a dividend or making a taxable bonus issue to use imputation credits before they are forfeited.

Business continuity test

An alternative loss continuity rule means a company may be able to carry its losses forward after a major shareholding change, provided there is no major change in its business activities during the following five-year period.

The rule was introduced from the beginning of the 2021 income tax year (1 April 2020 if your balance sheet date is 31 March) and can cover losses arising in or after the 2014 income tax year.

Group Loss Offset Elections/Subvention Payments

Companies which form part of a "group of companies" (i.e., at least 66% commonly owned) can choose to offset profits and losses. The rule includes the option for a profit company to make a "subvention payment" for a loss.

Elections and subvention payments generally need to be made by the 31 March that follows the balance date of the loss company.

Companies which are part of a group, but which are not 100% commonly owned, can now choose to transfer imputation credits when (or after) there is a loss offset.

Consolidated Group Elections

Consider if your group of companies should form a Tax Consolidated Group to reduce the number of tax returns you need to file and to take advantage of the concessions that are available within a Tax Consolidated Group.

Elections to join or form a Tax Consolidated Group can take effect from the start of an income year, providing the election is made within 63 working days of 31 March 2025 (2 June 2025).

LOOK THROUGH COMPANIES (LTC)

LTC elections must be received before the start of the income year from which status is required (except for newly incorporated companies). If you wish to join the LTC regime for the year ending 31 March 2026, you must file your application to IRD by 31 March 2025.

If you wish to revoke your LTC election for the year ending 31 March 2026, you must file your application to IRD by 31 March 2025.

Significant tax implications may arise when electing to join or exit the LTC regime. Restrictions exist on who can be an owner (directly or indirectly), how many owners are allowed, how much foreign-sourced income can be earned if the LTC is more than 50% owned by non-residents, and what distributions can be made by trust owners. Advice should be obtained.

QUALIFYING COMPANIES

All the shareholders with "legal capacity" must have signed elections (there are special rules for trusts). An election is required if there is a new shareholder (including a new trustee for a trust shareholder), and also other election rules to comply with.

There are restrictions on who can be an owner (directly or indirectly); how many owners are allowed; how much foreign-sourced income can be earned; investments in foreign companies /investments; how to treat a QC dividend when received by a trust owner. There is also a "minimum shareholder continuity" rule.

TRUSTS AND TRUST DISTRIBUTIONS

Documentation and governance

Trustees should maintain a file containing all documents relating to the trust including a true copy of the trust deed, details of beneficiaries, details of the assets and liabilities of the trust and any contracts entered into by the trustees.

Trustees should also maintain a minute book in which all resolutions of trustees are recorded.

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At a minimum, it is expected that each trust will have an annual meeting that includes a discussion about the trust's financial position and consideration of what should be distributed to and disclosed to the beneficiaries.

If the trust earns income, it should have a separate bank account and only conduct trust transactions through that account. Trust investments should not be mixed with personal investments.

Distribution Date and Beneficiary Income Taxation
The distribution date for trust income can be the earlier of the date the trust income tax return is filed or the due date for filing the return.

Trust Deed Clause
Trustees must act within the powers given to them by the trust deed.

Disclosure Requirements
Trusts with assessable income are now subject to detailed disclosure requirements, including preparing financial statements and disclosing settlements and beneficiary distributions.

Trust Tax Rates
From 1 April 2024, the trustee tax rate will increase to 39% for the 2024/25 income year and subsequent years.

This change aligns the trustee tax rate with the top personal tax rate, ensuring that trusts cannot be used to circumvent the higher personal tax rate.

All trustee income is taxed at this rate unless it qualifies as beneficiary income, which is taxed at the beneficiary's personal rate.

However, there is an important exception for smaller trusts. If the trustee income for the income year does not exceed $10,000 after deductible expenses, the trust is considered a "de minimis trust," and the trustee income is taxed at the previous rate of 33%. This measure helps mitigate over-taxation for smaller trusts.

Beneficiary income, defined as income vested absolutely in a beneficiary during the income year or paid or applied for the benefit of the beneficiary within six months after the end of that income year, is taxed at the beneficiary's personal tax rate. This distinction is crucial for tax planning and compliance.

TRANSFER PRICING AND INTER-ENTITY LOANS
IRD has significantly increased its focus on auditing transfer pricing and related party transactions.

New Zealand's transfer pricing legislation requires that transactions between related parties (for example: entities with common ownership) are carried out on an "arm's length" basis.

IRD generally places the onus of proof on taxpayers to show that all related party transactions are undertaken at arm's length. Loans between related parties should incur interest at market rates. If interest isn't charged it could trigger a deemed dividend unless the loan was for short-term working capital.

IRD has the power to investigate the past seven years in relation to transfer pricing instead of the usual four years. However, it must provide notice of a tax audit or investigation within the usual four years.

RESIDENTIAL PROPERTY and LAND SALES
Property Bright-line Test
Residential property sold on or after 1 July 2024 may be subject to the bright-line test if held for two years or less. Profits from the sale are then taxable. For sales before 1 July 2024, a five- or 10-year bright-line period may apply.

As the rules are complex and tax consequences can be significant, we recommend seeking advice.

Interest Deductibility
From 1 April 2024, landlords can claim 80% of interest deductions on borrowed funds for residential properties. As of 1 April 2025, 100% of interest will again be deductible.

This change applies regardless of the purchase date or loan drawdown date.

Loss Ring-Fencing Rules

Special rules can mean that losses from residential rental properties are "quarantined" (i.e. suspended) and carried forward until there is enough "residential property income" to claim them against. Generally speaking, this means that such losses can no longer be claimed against other types of income (e.g. salary and wages). Some exemptions are available.

Sale of Taxable Land

Taxable income arising from the sale of land is generally derived on settlement. Although dependent on the terms of each contract, if the settlement date is extended beyond balance date (i.e. 1 April and beyond for standard balance dates) any sale would not need to be recognised for income tax until the following year.

OVERSEAS INVESTMENTS

Tax on overseas investments can be highly complex, depending on how your income must be calculated.

If you have foreign investments (such as shares, superannuation, or life insurance policies), it's important to review their tax implications and any changes to your portfolio before year-end.

Before making lump sum withdrawals or transferring funds from an overseas pension fund, we strongly recommend seeking tax advice to avoid unexpected tax bills.

CROSS-BORDER REGIMES

New Zealand has strict tax regimes governing cross-border transactions and investments between related parties. They include:

- Transfer Pricing Rules: Governs pricing for goods, services, and intangible assets transferred between related parties.
- Thin Capitalisation Rules – Limits the amount of interest deductions available in NZ. This applies to both inbound investments (non-residents investing in NZ) and outbound investments (NZ residents investing overseas).
- Anti-Avoidance & Hybrid Mismatch Rules – Targets tax advantages created by differences in international tax laws, including:
    - Artificially high interest rates on loans from related parties.
    - Structures that avoid creating a taxable presence (permanent establishment) in NZ.

Does this apply to you? If you're involved in cross-border investments or financing, contact us before 31 March 2025 to ensure compliance and avoid potential penalties.

Foreign Investment Funds (FIFs)

There are several available methods to calculate the tax position of interests held in FIFs (for instance, shares held in overseas companies, with the exception of some Australian shares).

Where a FIF has been held, a change in calculation method may be desirable to improve your tax position. In some cases, it may be necessary to make an election before year-end to be able to use the best method. If you have FIF investment, please contact us for further advice.

Foreign Superannuation Schemes

Lump sum withdrawals from foreign superannuation schemes are generally taxable in NZ. The taxable portion is calculated using either:

- The schedule method (based on years since becoming an NZ tax resident), or
- The formula method (potentially offering a more favourable outcome in some cases).

The longer you've been in NZ, the more of your lump sum is taxable.

Regular payments from private (non-state) foreign superannuation schemes are typically taxable as income.

Thinking of withdrawing funds? Get advice first to avoid costly tax surprises.

PAYMENTS TO NON-RESIDENT CONTRACTORS

Non-Resident Contractors Tax (NRCT) may apply to payments made to non-residents for services performed in New Zealand. Certain exemptions are available in specific circumstances.

From 1 April 2024, payers have a 60-day grace period to meet or correct NRCT obligations. Certificates of exemption may also have retrospective effect.

RECORD KEEPING

It's important you keep accurate and complete records. Your business' financial records should include bank and credit card statements, proof of income and expenses, cash books and wages records. You need to be organised, keep your records up-to- date and then hold on to them for a minimum of seven complete tax years.

FLEXIBLE PAYMENT PLAN FOR FY26 TAX RETURN

We know that tax time can bring unexpected financial pressures, so we offer a flexible payment plan to help you manage costs without the stress of a large lump sum. Here's how It works:

- Submit your full tax records by 31 May 2026
- We aim to complete your return by 7 July 2026
- We estimate your fee, and you can spread payments over several months
- The earlier you start, the smaller your payments - making tax time easier to manage

If you'd like to spread the cost of your FY26 tax return over time, just let us know later in the year, and we'll tailor a plan that suits you.

DISCLAIMER

CONTACT US

We're here to help. If you'd like to discuss anything in this guide or explore how we can support your business goals, get in touch - we'd love to hear from you. help@bizadvice.co.nz

OTHER SERVICES

We understand that some of you only need us to prepare your accounts and tax returns. But we're not just bean-counters! We simplify the complexities of accounting, finance, and governance - so you can focus on running your business with confidence. We take the complex and make it simple.

We offer insights, services, and advice to help solve your biggest business challenges. With expertise across various industries, we're well-equipped to provide tailored support to meet your needs.

Some areas we can help you with include:

- ☐ Minimise tax liabilities with customised tax planning
- ☐ Increase profitability with financial growth analysis
- ☐ Plan for your future with strategic business advice
- ☐ Access expertise to cost effective virtual/p-t CFO
- ☐ Enhance governance with an independent director
- ☐ Protect your assets with trust succession planning
- ☐ Manage risks with risk management strategies
- ☐ Maintain privacy with a registered office service
- ☐ Optimise cash flow with forecasting and planning
- ☐ Track progress with interim financial reporting
- ☐ Value your business with a professional valuation
- ☐ Support decisions with a business "health-check"
- ☐ Manage costs with fixed fee pricing options
- ☐ Ease cash flow with flexible instalment plans
- ☐ ...and more