

MBS Advisors July/August 2021 Update

Welcome to the MBS Winter Newsletter for 2021.

We are now well and truly entrenched into Winter with rain and fog becoming commonplace, with many of our farming clients experiencing one of their busiest times of the year with calving.

Looking around the world we still have a lot to be thankful about in New Zealand especially in this Covid dominated world however it's fair to say that things may never truly return to the "old" version of normal.

This Winter edition newsletter is packed with useful information ranging from a brief review of key law changes that came in or are coming into effect in 2021, further detail around the new tax introduced on Utes that will undoubtedly affect farming and trade clients and a summary of the latest tax changes that affect investment property owners in NZ.

As always we are here to help in any way we can - please don't hesitate to contact any of our Directors and helpful staff.

Bring on longer days as we move towards Spring.



2021 LAW CHANGES

Sick Leave

From 24 July 2021, the sick leave days employees are entitled to have increased from 5 to 10. Employees will get the extra 5 days when they reach their next entitlement date - either after being employed in a job for six months or on their sick leave entitlement anniversary (12 months after they were last entitled to sick leave).

If you are currently calculating payroll returns for your staff or using payroll software and require assistance with this change please don't hesitate to touch base with our payroll team.

Tenancy Law

Significant changes have been made to tenancy law, to modernise New Zealand's rental laws and align them with the present-day realities of renting. These changes are briefly outlined below:

- Landlords can no longer end a periodic tenancy without reason just by giving a 90 days' notice and will no longer be able to terminate with notice unless certain reasons apply.
- Tenants must make a written request before making any minor changes to the property and you must get back to them within 21 days.
- You must now include a price when advertising a rental property. Would-be tenants cannot be encouraged to take part in 'rent bidding'.

2022 Financial Year Budgets

Have you got your budget in place for the 2022 financial year? If not, give us a call and we will be happy to assist.

Minimum Wage Increase

Below are the new minimum wage rates, before tax:

- Adult - \$20.00 per hour (up from \$18.90)
- Starting-out - \$16.00 per hour (up from \$15.12)
- Training - \$16.00 per hour (up from \$15.12)



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FEES ON UTES - THREE THINGS YOU SHOULD KNOW

Plenty of Kiwi businesses buy Utes as company vehicles. If you're in the trades, for instance, a Ute can be the perfect way to haul everything around and promote your brand at the same time.

However, the recently announced EV (Electronic Vehicle) Feebate scheme is likely to hit Ute buyers the hardest, since these vehicles tend to have some of the highest emissions of any vehicles on our roads.

Here are three things to know if you're buying new Utes in 2022:

The fee depends on the model

Only the highest-emission models will require you to pay the highest fees. For example, the Nissan Navara is a relatively low-emission Ute model and the fee on a new Navara is forecast at \$810. That is considerably lower than the fee of \$5,175 expected to be incurred by the highest-emission Toyota Hilux model. Use Driven's Clean Car Calculator to compare models.

Hybrid Utes are expected to arrive in 2025

Four years from now, in 2025, it's expected that plug-in hybrid Utes will be available in New Zealand. These are likely to be followed by fully electric Utes. So if you want to avoid the fees, with careful maintenance, your current fleet of Utes might last that long.

Electric vans are already available

Plug-in hybrid electric vans are eligible for rebates. For instance, a new Ford Transit PHEV looks set to qualify for a \$5,220 rebate. Ongoing running costs for electric vans should also be lower than for Utes. And while they may be less fashionable, vans have the additional benefit of being more secure - Kiwi tradies often have tools stolen from their Utes.

Talk to us about tax on company vehicles

You can claim some car expenses against your business, and company vehicles may incur Fringe Benefit Tax. We can talk to you about how various claims and taxes apply to your car or fleet - just get in touch. We're here to help!



STAFF PHONE EXTENSIONS

Deena Hobbs..... ext703
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Elayne de Jong..... ext710
Harjot Singh..... ext724
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BUYING OR SELLING A SMALL BUSINESS? NEW TAX COULD AFFECT YOU

Thinking of buying or selling your business? A new tax rule comes into effect on 1 July 2021 that will have an impact on the way you negotiate.

The new rule is designed to create more certainty in purchase price allocation, which is the way the purchase price is divided up between the various types of assets.

Currently, buyers and sellers have been avoiding an agreed allocation, then often allocating different prices to the same asset in their tax returns. This tends to mean underpaid tax, so Inland Revenue (IR) has introduced new legislation to prevent mismatched allocations.

This should now be part of your negotiations

For all sales after 1 July, you should now be negotiating purchase price allocations along with everything else during the sales process. An agreed allocation will be much more straightforward if you can achieve it.

The new rules are quite complex and detailed and it is possible that they will increase compliance costs. If you're in the process of buying or selling, or are soon to be, you may want to consider the timing.

As the IR says: "It's best to talk early with a tax professional to make sure you get the details of your sale right from the start," so do get in touch with us immediately if you're considering buying or selling a business.

INVESTMENT PROPERTY AND TAX

A number of key updates have been made that may affect residential investment property owners and these are summarised below -

'Change of use' and the main home exemption

Under the current rules, if the property has been used as the person's main home for over half of the relevant bright-line period, there is a complete exemption from tax under the bright-line test. Under the proposed changes, properties acquired on or after 27 March 2021 will be subject to a 'change of use' rule. If a property switches from being the owner's main home for more than 12 months, then a proportion of the sale profits of a property sold during the bright line period will be taxed, based on the ratio of time that the property was and wasn't used as the main home. The existing main home exemption rules continue to apply for residential property acquired on or after 29 March 2018 and before 27 March 2021.



Interest deductibility

Proposed changes have been introduced to limit the deductibility of interest on loans taken out to purchase residential investment properties.

The rules are graduated depending on when the property is acquired:

- For residential property acquired on or after 27 March 2021, taxpayers won't be able to claim deductions for interest from 1 October 2021
- For properties acquired before 27 March 2021, interest on loans can still be claimed as an expense. However from 1 October 2021 – 31 March 2023, the amount claimable will be reduced to 75%, reducing by 25% each following income year, until it is phased out completely from 1 April 2025.

The Government is also consulting on whether an exemption for new builds acquired as residential investment property should apply. Property developers and builders who build properties to sell will still be able to claim their interest expenses.

Short-stay Accommodation

Residential properties used to provide short-stay accommodation, where the owner does not live in the property, will be subject to the bright-line test and cannot be excluded as business premises.

Our Recommendation

If you own a residential investment property or one used for short-stay accommodation, or if you are considering buying a second property, please contact us, to discuss the tax implications.

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CONGRATULATIONS ON THE ACHIEVEMENT - LYDIA HAYDEN

Lydia the youngest member of the MBS team has been selected as a member of a 40-women NZBlax Women's Lacrosse training squad - from which the New Zealand team will be selected later in the year for the International Women's Championship to be held in Maryland, USA July 2022.

Lydia first started playing Lacrosse at Morrinsville Intermediate and has since then played for the Waikato Under-18 team, while also coaching the Matamata-Piako District Under-15 team. We look forward to seeing what more Lydia achieves!



MBS STAFF HAPPENINGS

DEEPA SHARMA

In early July we welcomed Deepa to the MBS team as a Legal Secretary.

Deepa grew up in India where she studied and attained her qualifications including a BA and LLB. She made her move to New Zealand in 2012, where she pursued her career in law.

Deepa has also completed her New Zealand Diploma in Legal Executive Studies and has been working in the legal industry for about 3 and a half years.

Outside of work Deepa enjoys listening to music, travelling, crochet and cooking. Deepa is also learning Spanish through the Waikato Institute.

REBECCA ROGALSKI

Rebecca joined MBS Advisors late July and assists with the administration team.

Growing up just out of Thames on a farm in Matatoki, Rebecca has been horse crazy since growing up - pony clubs, show jumping, trekking, galloping alongside the Waihou River - the whole lot!

Rebecca attended Thames High School and following that did further study in Hamilton to gain a certificate in Office Management & Computing. Rebecca and her family are pleased to be back home in the Waikato, returning from Auckland. Rebecca is excited to join the MBS team and getting to know all of our clients.

LUCY STORRIE

Our newest member of staff, Lucy joined the administration team in the first week of August.

Lucy came to New Zealand 7 years ago for her OE and never really left. Working full time, studying part time, planning a wedding and raising a dog is her new slogan.

Working in retail in Auckland before making a change to country living in the Waikato, she is currently studying part time in Digital Marketing. While you'll see her at the front desk here at MBS, you may find her also at the polo grounds with her pup.

She is fairly new to Morrinsville so if you do see her around please give her your recommendations of things to do in the area.

MYSTERY CREEK FIELDDAYS

After being completely online last year due to Covid, this year the Mystery Creek Fielddays were able to be held in-person. MBS Director Jeremy and Associate Kassie had the pleasure of attending on behalf of MBS Advisors. This was a great opportunity to get involved in the community and learn more about changes in the agricultural industry.



Left to right: Rebecca, Lucy, Deepa

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