

MBS Advisors January/February 2022 Update

We hope you managed to have time to recharge over the Christmas break with family and friends. Like many business owners, we used that time well to prepare for 2022 which has not disappointed and immediately presented its new challenges. We all saw omicron emerging and it appears the government's response to the situation presents a greater risk to business than the disease itself given the extended close contact isolation periods creating a lockdown scenario by default and the associated disruption to workflow together with the lack of business support packages. However, there is now a now critical worker exemption scheme which allows close contacts to immediately return to work following an immediate RAT test. Please check the MBIE website to assess eligibility.

At MBS, we have split into an off-site and on-site pod to provide business continuity and keep the office open with meetings on-site as normal. We are busy working with our clients in the obvious K shaped economic environment where we see some sectors booming and others bust. We are bringing our insight and experience to assist in all situations - whether you wish to be big, be first, be fast or simply be viable - we can help.

We are sending out a survey following this newsletter and I encourage you to complete it to provide us feedback to ensure that you are aware of our full suite of services and to ensure that we are delivering them to your expectations. We are seeking continuous improvement and we appreciate your honest feedback.

Have a great week!
Nigel McWilliam



Dairy Pay Out

There was another strong GDT auction on Tuesday night (15 February 2022) and the third time in a row the auction rose over a 4% increase and now cumulatively rising 12.9% since the 18th January 2022. This strongly supports the Fonterra pay-out of \$9.20/kg MS and importantly we are seeing interest in milk futures contracts up to \$9.55/kg MS for the 2022/23 season. Predictably, given the inflation rate and supply shortages, we are also seeing on farm costs escalate, anecdotally up to \$1 per kilo of extra costs which translates into a 20% increase in some cases.

We are currently working on an Insights project with Figured on Farming to provide real-time benchmarked data which will be able to quantify these cost increases for budget planning purposes for the new financial year. We will be able to draw conclusions from data drawn across the country to assist our farmers make better decisions by being aware of the evolving cost structures on-farm.

The largest cost on-farm, which is usually interest rates, are on the rise again. We are encouraging our farming clients to revisit fixed-rate strategies which have not been required over the past 5 years. There is value in the 1 to 2 year fixed rates, however each circumstance is different depending on your gearing. We are happy to discuss risk strategies around this and engage with your bank on that basis.

Our firm recently had an article published in the Herald in regard to ensuring banks do not take the opportunity to sweep cash flows this year. That farmers need to be rewarded given the labour shortages and the fact that we need to see farm cash flow being spent in our communities and not being drawn offshore by the banks to be applied in other sectors. Now more than ever, our towns need the commerce and we wish to encourage the rural sector to shop local and support our business communities.

IRD Messages

You may start to receive text messages from the IRD that look like this(right). These are part of a new campaign within IRD to support and inform newly registered businesses.

We still encourage you to be vigilant when receiving messages. Always check the link looks correct before clicking and remember that IRD will never ask for any information through text or email, nor will IRD ask you to log into your MyIR via email or text message.

If you are in doubt whether something is legitimate contact us and we can help.

Tax Pooling

If you're a profitable business, you're required to pay tax on that profit known as income tax. If your end of year tax bill is greater than \$5,000 you will be required to pay provisional tax for the following year during the current year. This is not a separate tax, but rather, it is income tax paid towards your next end of year tax liability so that you don't end up with a large bill to pay all at once.

Those of you who are required to pay provisional tax will receive reminders from us typically three times per year asking you to pay a lump sum amount at your upcoming provisional instalment date. The date is an IRD prescribed date and set up to coincide with your financial end of year date (balance date). However, this date may not suit your cash flow or you may have a better use for the funds, e.g. 15 January is one of the payment dates.

In New Zealand, we have a system called tax pooling managed by tax pooling intermediaries who work with businesses to assist in multiple ways regarding their tax obligations. This allows you to choose when you pay your income tax, so if an IRD prescribed date doesn't suit you, you can choose to pay that tax at a later date when it's more suited to you.

A more flexible way to pay tax

You don't have to be concerned about IRD penalties and interest. Once your payments are made and transferred to IRD, these are all reversed and your payment is applied on time. You do need to pay the tax pooling intermediary some interest but this is significantly less than IRD.

We have access to tax pooling and we're able to assist you with your tax pooling needs, the system is designed to work with us, as your accountant.

If you'd like to take up the service, or simply find out more, please get in touch with us today.

'Hi IRD here. With a growing business, you may want to work with a tax agent or bookkeeper. We are also here to help; our seminars are at ird.govt.nz/events'

'Hi IRD here. If you are new to GST or employing staff, we have some great resources for you at ird.govt.nz/gst or ird.govt.nz/employing-staff'

'Hi IRD here. We know that as a young business you have a lot on your plate. For all you want to know go to ird.govt.nz/starting-a-new-business'

P: 07 889 1018 E: mail@mbsadvisors.co.nz W: www.mbsadvisors.co.nz

tax managementnz
TAME YOUR TAX



mbs
ADVISORS

MCWILLIAM | BROWN | SKEDGWELL

Government Support Packages

If you have been financially impacted by the 2022 COVID-19 traffic light settings, there are now two types of business support payments and one loan that may apply to you, these are outlined below.

Short-term Absence Payment (STAP): Applications Open Now

Payment Amount: One-off payment of \$359 per eligible worker. Can only be applied once every 30 days per eligible employee.

Eligibility Criteria: This is for employees who are staying at home while waiting for a COVID-19 test result, parent/caregiver of a dependent who is staying home while waiting for a COVID-19 test result or are a household member/secondary contact of a close contact who is staying at home while waiting for the test result of the close contact. To be eligible, workers need to be unable to work from home and need to miss work while waiting for their test results.

Leave Support Scheme (LSS): Applications Open Now

Payment Amount: \$600.00 per week for full-time workers (20 hours or more per week) and \$359 per week for part-time workers (less than 20 hours per week). This is paid as a two-week lump sum.

Eligibility Criteria: This payment applies when you or one or more of your employees must self-isolate on the basis that the employee: has COVID-19, has been identified as a close contact of someone with COVID-19, parent/caregiver of a dependent who has been told to self-isolate, has been directed to self-isolate by a medical officer, is high risk and must self-isolate on doctor's advice or has household members who are self-isolating as they have been deemed high risk by their doctor. The employee must also not be able to work from home.

Small Business Cash Flow Scheme (SBCS): Applications open now and close on 31 December 2023

Payment Amount: \$10,000 to be provided to eligible business plus \$1,800 per equivalent full-time employee up to a maximum of \$100,000 for businesses employing 50 or fewer full-time employees.

Repayment Terms: This loan is interest-free if repaid in full within the first two years. If this loan is not repaid within the first two years, an interest rate of 3% will apply from the date of inception. The maximum term on this loan is 5 years. No minimum repayments are required in the first two years.

Eligibility Criteria: You must show at least a 30% decline in revenue due to Covid-19, measured over a 14-day period in the past six months compared with the same 14-day period a year ago. If your revenue from the same period a year ago was also affected by COVID-19, you can compare the same 14-day period from two years ago.

Important Points

- You cannot get more than one COVID-19 support payment for the same employee at the same time
- Your tax agent cannot complete these applications on your behalf as the applications require a legal declaration to be made
- Both Wage Subsidy Scheme (WSS) and Resurgence Support Payment(RSP) are no longer available

Please don't hesitate to contact us about if you have any questions.

CPI Annual Change

The consumers price index increased 5.9 percent from the December 2020 quarter to the December 2021 quarter, the biggest movement since a 7.6 percent annual increase in the year to the June 1990 quarter,

In January 2022 compared with January 2021:

- Fruit and vegetable prices increased by 15 percent
- Meat, poultry, and fish prices increased by 5.7 percent
- Grocery food prices increased by 4.3 percent
- Non-alcoholic beverage prices increased by 1.4 percent
- Restaurant meals and ready-to-eat food prices increased by 5.1 percent

MBS Staff Happenings

Congratulations to Kassie Thomas and her partner Phil on the safe arrival of their second child, a healthy boy Cooper, born on 10 January, weighing 9lb. Quinn is one very proud big sister!

We however are still awaiting the arrival of baby Armstrong as we go to print! He has decided to be fashionably late. Kayla is still doing well. She and her husband Ryan are eagerly awaiting the arrival of their wee boy. We will have another update in the next newsletter for you all.

Congratulations to our very own Lydia Hayden (right) who has been named Head Girl at Morrinsville College for 2022. Lydia works in our office after school and during the school holidays as our Junior Admin Superstar.

From all of your MBS work family we can't wait to see all you achieve this year and into the future.



Breaking down the jargon

Provisional Tax

Did you pay more than \$5,000 in Terminal Tax with your last Income Tax Return? If so, then you have have to pay Provisional Tax for the following year.

Provisional Tax is like making a progress payment on the next year's Income Tax. The amount set for Provisional Tax is a 5% uplift on the prior tax year. This can be altered if expected profit is significantly different from the prior year.

There are three payment dates throughout the financial year.

For March balance dates they are

- 28 August
- 15 January
- 7 May
- 7 April (final Terminal Tax if required)

For May balance dates they are

- 28 October
- 28 February
- 28 June
- 7 April(final Terminal Tax if required)

If you have any further questions related to your Provisional Tax payments please contact us.

Certainty in uncertain times

With the spread of Covid-19 increasing with the arrival of the Omicron variant we want to provide on-going certainty to our clients.

MBS Advisors staff have now been split into two teams in the event any member of our team is a close contact or becomes infected with Covid-19, or our office becomes a location if interest. A number of the team are now working from home with the remaining staff working out of the office.

Our office is open to all clients regardless of vaccine status. We continue to ask, for your safety and ours, that you continue to scan in, use the hand sanitiser available and wear a face mask while in our office.

Staff extensions

Deena Hobbs	703
Deepa Sharma	725
Elayne de Jong	710
Harjot Singh	724
Jan Peters	733
Jo Walton	708
Kassie Thomas	705
Kathy Reily	728
Kayla Armstrong	723
Liam Crean	707
Linda Harding	722
Lucy Storrie	700
Nikki Brown	709
Rebecca Rogalski	731
Sharon Lawson	729
Sue Brownlie	721
Tonya Whitten	702

P: 07 889 1018 E: mail@mbsadvisors.co.nz W: www.mbsadvisors.co.nz

tax managementnz
TAME YOUR TAX



MCWILLIAM | BROWN | SKEDGWELL