

MBS Advisors May/June 2022 Update

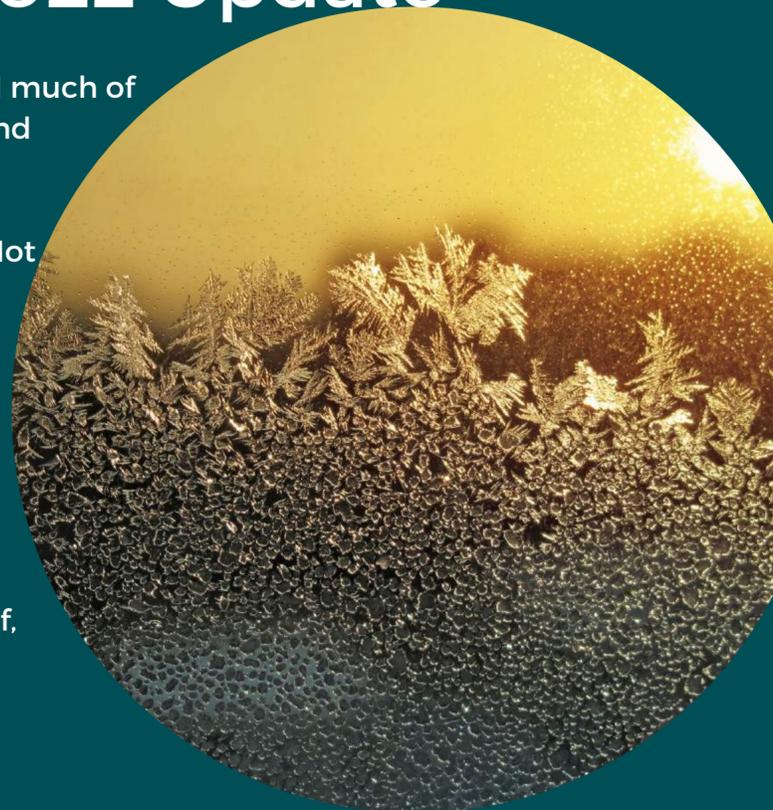
From Summer straight into Winter, it doesn't seem as though we have experienced much of an Autumnal climate this year. The South Island has had a decent dump of snow and there has been wild weather across the country.

Despite the weather, many are still taking up the opportunity to travel NZ. What's Hot New Zealand features local attractions and activities that Kiwi's and overseas travellers can experience. Take a break, try new experiences and buy local.

Matariki will be celebrated for the first time on 24 June 2022 as we celebrate the Maori New Year. This is the time to reflect on the past year, celebrate the new year and plan ahead for the future.

Whether personal or business planning, take time to reflect on the previous 12 months and what you want to do better in the next 12 months. Think about yourself, your family and depending on your time of life, start thinking about succession planning and how your business will look in the medium to long term.

Tony



Brightline Test Renovations on a Holiday Home

The Brightline Property Rules were introduced on 1 October 2015. The test introduced rules that if you sold a domestic dwelling (excluding your family home) you were taxed on the profit if this was bought and sold within 2 years. On 29 March 2018 the Brightline Test was increased to a 5 year period and on 27 March 2021 the test was increased to a 10 year period, excluding new builds.

Where a domestic dwelling rental property has renovations (not repairs and maintenance) of a capital nature these will be capitalised and added to the cost of the original purchase. This combined cost will be taken into account when analysing the profit on the sale under the Brightline Test. Income tax is then paid on the profit.

Issues will start arising where a bach, crib or 2nd home that is not being monitored from a taxation point of view. If renovations are completed on this property, how will these be recorded and added to the cost of the original purchase? If this property is sold within the timeframes mentioned above how will the renovations be bought into the calculation of the profit on sale?

This is something to be mindful of if you have a beach house or holiday home that does not fall under the income tax umbrella.

Rural Support Trust - Covid Support

Are you a primary producer having to isolate?

Rural Support are available to any farm owner, worker or commercial grower who has to isolate. Whether a positive Covid case or a close contact they are only a phone call away.

The Rural Support team are working with industry partners to be able to wrap around plans and offer practical help and solutions.

They are also connected with the Industry Working Group, agencies and professionals to be able to access up-to-date information to help answer your questions and concerns (and if they don't know it, they will do their best to find the answer!)

These are unprecedented times, but remember you are not on your own. The support is free, confidential and tailored to your needs. For rural people by rural people.

MBS Advisory Services - Forecasting -

There are so many priorities in the working day, it can be hard to stay focused on what's happening with your business cash flow.

We all know the basics: if your business runs out of cash it won't be able to operate. And if you aren't able to spot trends and possible bottlenecks ahead, it can compromise your long-term investment and development plans. It undermines your ability to earn returns on any cash surpluses and trim costs to avoid cash shortages.

Take the time for regular cash flow monitoring and make cash flow forecasts part of your business planning. Get the best possible clarity around cash flow.

How often you forecast cash flow depends on the soundness of your business, although you really cannot do it too much. If your business is struggling, you should be forecasting and revising your cash flow every day.

Focus on cash flow now to:

- Identify potential shortfalls in cash balances in advance – your early warning system
- Make sure your business can afford to pay suppliers and employees
- Spot problems with customer payments
- Have current information for stakeholders, such as banks
- Keep an eye on key tax dates so you're not squeezed for cash when the time comes

If you would like to have a chat about managing your business cash flow better, let us know, we are here to help.



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Interest Limitation on Residential Investment Property

The Government has introduced legislation to limit interest deductibility for residential property investments.

From 1 October 2021:

- for properties acquired before 27 March 2021, interest deductions on loans will be phased out at 25% per year over 4 years, until 31 March 2025
- for properties acquired after 27 March 2021, interest deductions will not be deductible (unless the property was acquired by an offer made on or before 23 March 2021 that could not be withdrawn before 27 March 2021)

The focus is on residential investment properties which can be used for long term accommodation. Typically, this would mean a house or an apartment, whether it is used for providing short-term or long-term accommodation, or even left vacant.

It leaves out:

- the main family home
- new build properties, which are exempt from the interest limitation rules
- property developers, who can continue to deduct interest expenses
- several types of residential property, including farmland, certain Māori land, student, employee, and rest home accommodation
- hotels, and other businesses set up to provide short-term rather than long-term accommodation
- owner-occupiers who rent to flatmates

The rules also allow for interest deductions on a taxable sale of residential property, although deductions may be limited to the gain on sale.

These rules became law with the introduction of the Taxation (Annual Rates for 2021-22, GST, and Remedial Matters) Act, which contained the interest deductibility changes and the extension of the bright line test, receiving Royal Assent on 30 March 2022.

From the 2022 income tax year, your income tax return will include new fields to capture information about residential property interest expenses, including total interest and interest expense claimed.

Talk to us about how the changes affect you.

BNZ Seminar

Property Ownership Seminar

Whether you are looking to step onto the property ladder for the first time, upsize your home, refinance or thinking of investing, this seminar will be for you. Lots of valuable information from our specialists on the night to help you make well informed decisions towards your next project.

Event Details

Date: Tuesday 28th June

Start: 5:30pm

Venue: BNZ Morrinsville Partner's Centre
268 Thames Street
Morrinsville

To register your interest please email victoria_smith@bnz.co.nz. Please note you do not have to be a BNZ customer to attend and we kindly ask that you do wear a mask on the night.

Staff Happenings

Our Junior Admin Superstar has done it again. Lydia has been named as part of the New Zealand U18 Lacrosse Team travelling to Australia to compete in July. We are so proud of your achievements Lydia.



Congratulations also goes to our Legal Executive Deepa Sharma. She is now registered as a member of the NZ Institute of Legal Executives.

Important Updates

Xero Subscription Price Increase

Xero have advised there will be a price increase to the following monthly Business Edition Subscriptions from 15 September 2022 as follows

- Starter plans increase by \$2 a month to \$31 a month
- Standard plans increase by \$4 a month to \$66 a month
- Premium plans increase by \$6 a month to \$84 a month

The price of the Ultimate plan and any optional add-ons you have as part of your subscription will not change. The above prices are excluding GST.

If you have a current discount or Xero promo code, it will continue to be applied to the new pricing, until the discount or code expires.

BankLink Ceasing

MYOB will be ceasing the product BankLink at 31 October 2022. We will be making contact with all clients that are currently using this product to discuss the required transition to Xero.

ACC - Paying CoverPlus Extra

Please note when you have CoverPlus Extra cover with ACC you are required to pay the invoice on or before the due date. If these are paid even one day late cover will be cancelled and you will be required to reapply, we can complete this application on your behalf. If you have CoverPlus Extra and are concerned that you have paid your invoice late please contact our office as we are not notified if cover is cancelled for this reason.

If you have any questions about these changes please contact us, we are here to help.

Staff extensions

Brylee Budd.....	711
Debbie Kempson.....	733
Deena Hobbs.....	703
Deepa Sharma.....	725
Elayne de Jong.....	710
Harjot Singh.....	724
Jan Peters.....	733
Jo Walton.....	708
Kathy Reily.....	728
Liam Crean.....	707
Lucy Storrie.....	700
Nikki Brown.....	709
Rebecca Rogalski.....	731
Sharon Lawson.....	729
Sue Brownlie.....	721
Tonya Whitten.....	702

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