

NEWSLETTER

June/July 2025

CONTENTS

Investment Boost	1
IRD Audit.....	2
Cryptocurrency and Tax Compliance	2
Audit Shield.....	2
Changes to KiwiSaver.....	3
Residential Property and the Bright-Line test	3
Book Review	4
Tax Rates in New Zealand	4
Use of money interest rate changes	4
Important Tax Dates....	4

"Start where you are. Use what you have. Do what you can."

- Arthur Ashe

DB CHARTERED ACCOUNTANTS LTD

In this newsletter we discuss the Investment boost, IRD Audit, Cryptocurrency, Audit Shield, changes to KiwiSaver, residential property and bright-line test, tax rates in New Zealand and the change in the use of money interest rate.

INVESTMENT BOOST

A recent announcement in the 2025 budget was Investment Boost.

From 22 May 2025 businesses can deduct, as an expense, 20% of the value of new assets in the year that they purchase the asset.

Assets covered include machinery, equipment and work vehicles. Assets need to be previously unused in NZ.

Also covered are improvements to farm and forestry land (such as fencing), planting of listed horticultural plants, improvements to aquacultural businesses.

Investment Boost will apply to the purchase and construction of new commercial buildings – provided they have not been previously used prior to 22 May 2025.

Improvements to existing depreciable property are eligible for Investment Boost if the asset they are improving is a depreciable asset.

The 20% deduction is not permitted on assets that have previously been used in New Zealand, second-hand assets (unless sourced from overseas), trading stock, land and residential buildings.

The Investment Boost as well as a standard depreciation deduction can be claimed in the year the asset is purchased. Depreciation will be based on the asset cost less the 20% deduction.

As an example:

A business purchases a new forklift for \$50,000 (excluding GST).

In the year of purchase the business can claim:

20% Investment Boost deduction (\$50,000 x 20%)	\$10,000
Depreciation (((\$50,000-\$10,000) x 16% DV rate)	<u>\$ 6,400</u>
Total deduction	\$16,400

Reduction in tax payable (at Company Tax Rate of 28%) \$ 4,592

Without the Investment Boost the only claim in Year 1 would be depreciation of \$8,000 (\$50,000 x 16% DV rate), with a tax benefit of \$2,240.



IRD AUDIT

As part of the 2025 Budget, Inland Revenue (IRD) has been allocated an additional \$35 million in permanent annual funding. These funds are to be used for debt collection and to expand tax compliance and enforcement initiatives.

This comes on the back of already heightened audit activity. As at 31 March 2025, IRD had assessed an additional \$880.8 million in tax through audits. With the new funding in place, that figure is expected to rise significantly as IRD expands its reach, especially in high-risk and high-value areas.

IRD has indicated a focus on sectors including property, organised crime, the hidden economy, and trusts. These areas have been flagged due to their complexity and potential for tax avoidance or evasion. The increased resources will enable IRD to take a more proactive approach in identifying and addressing non-compliance.

IRD projects a high return on the new funding. For every \$1 spent, the department expects to recover \$4 in the first year, with that figure rising to \$8 per \$1 in the second year. These returns reflect both immediate enforcement outcomes and the deterrent effect of increased oversight.

The permanent nature of this funding and recent complete system upgrades means that we can expect to see an increase in IRD audit activity.

CRYPTOCURRENCY AND TAX COMPLIANCE

The IRD is ramping up its efforts to ensure tax compliance among cryptocurrency users. In New Zealand, cryptocurrencies are treated as property for tax purposes. This means that any profits from selling, trading, or exchanging crypto assets are generally subject to income tax. This includes transactions where one cryptocurrency is swapped for another.

The IRD has recently updated its guidance on the tax treatment of crypto assets and is actively monitoring compliance in this area.

Starting 1 April 2026, New Zealand-based crypto-asset service providers will be required to collect and report specific user information to the IRD. This includes personal details such as names, addresses, dates of birth, and IRD numbers, along with transaction data, including both crypto-to-crypto and crypto-to-cash exchanges.

In addition, New Zealand will participate in the international Crypto-Asset Reporting Framework (CARF), joining over 50 countries in sharing data on crypto transactions. Through CARF and other international agreements, the IRD will gain access to global information on New Zealanders' crypto activities.



AUDIT SHIELD

Audit Shield is an insurance policy that covers our additional costs in responding to IRD contacting us regarding any income tax, GST or Payroll return that has been lodged with IRD. This can include IRD contacting us via a phone call, enquiry, review or audit and covers us researching the issue, confirming any matters with you, providing relevant information and following up for closure with the IRD.

For our existing clients who participate in this insurance, we will be sending out the renewal premium for payment in the next few weeks. If you have previously chosen not to accept this cover, and would like to now participate, let us know and we will send you the details.

CHANGES TO KIWISAVER

The 2025 Budget announced a number of changes to KiwiSaver which aim to help increase KiwiSaver balances, whilst reducing the cost of Government contributions to make it more sustainable.

The changes to KiwiSaver will:

- Increase the default employer and employee KiwiSaver contribution rates from 3 per cent to 3.5 per cent from 1 April 2026, and then to 4 per cent from 1 April 2028. A temporary opt-out is available to employees, with employer contributions lowering to match that rate.
- Extend KiwiSaver eligibility to 16-17 year-olds, allowing them to access both employer and Government contributions.
- Reduce the government contribution rate from 50 cents for each dollar a member contributes to 25 cents from 1 July 2025. The maximum government contribution will reduce from \$521.43 to \$260.72 per year
- Limit eligibility for the annual government contribution to those earning \$180,000 or less from 1 July 2025.

RESIDENTIAL PROPERTY AND THE BRIGHT-LINE TEST

As a reminder, residential property purchased between 29 March 2018 and 26 March 2021 is subject to a 5 year bright-line test if sold before 1 July 2024.

Residential property purchased on or after March 2021 and sold before 1 July 2024 is subject to a 10 year bright-line test (for a new build this is 5 years).



Property sold on or after 1 July 2024 is subject to a 2 year bright-line period.

Property sold within the bright-line period is subject to tax on any capital gains at the tax-payers standard tax rates.

When preparing income tax returns we have seen that IRD will automatically pre-populate tax returns with the details of any property subject to bright-line, and will upload the purchase and sale values and calculate tax payable. They obtain this information directly from Land Information NZ.

A couple of things to note:

- If people have bought and sold property within the above timeframes, IRD has up to date information of property transactions and can treat non-compliance as tax avoidance
- Taxpayers are able to deduct costs against the sale price including commission paid and capital improvement costs. In calculating this a tax-payer can reduce the net (taxable) capital gains.

If you have any queries regarding the bright-line rules get in touch.

JOKE

A Cruise ship passes by a remote island and all the passengers see a bearded man running around and waving his arms wildly.

“Captain,” one passenger asks, “who is that man over there?”

“I have no idea,” the captain says, “but he goes nuts every year when we pass him.”



BOOK REVIEW

TALES FROM A FINANCIAL HOT MESS - FRANCES COOK (2019)

Everybody's relationship with money is different. Some people seem to be good savers, while others have too much week left at the end of the money.

In this book Frances recounts her story of her historic money issues and how she got on track. The book takes you through the steps of how to reduce personal debt, setting up a savings account, having a rainy day fund and then progressing to buying a house and investing.

Frances provides good advice that is easy to follow. Often saving on the bigger costs can still leave funds for regular treats, good debt vs bad debt, making sure you are in the correct KiwiSaver account as well as providing some plain english explanations of money and investment jargon.

Worth a read if you are looking for ideas on getting in control of your money (or if you know someone who is trying to).

TAX RATES IN NEW ZEALAND

In New Zealand, individuals are subject to a progressive tax rate, meaning the tax rate increases as income increases. The Individual income tax rates are set out in the table below:

Income range	Tax rate
0 - \$15,600	10.5%
\$15,601 - \$53,500	17.5%
\$53,501 - \$78,100	30%
\$78,101 - \$180,000	33%
\$180,001 and over	39%

Companies have a flat tax rate of 28%, regardless of income level.

Trusts have a tax rate of 39% with the exception of trusts with income less than \$10,000 and deceased estates in the year of death and the first 3 full income years following death, in these cases the tax rate is 33%.

USE OF MONEY INTEREST RATE CHANGES

Effective from 8 May 2025 IRD has decreased the Use of Money Interest (UOMI) Rate on underpaid tax to 9.89%. The rate for overpaid tax has also been decreased, going down to 3.27%.

IMPORTANT TAX DATES

- 20 June 2025** - PAYE Payment Due – Payday returns to be filed 2 days after pay day.
- 30 June 2025** - Third installment 2025 Provisional Tax due (May balance date).
- 30 June 2025** - 2 monthly GST Return due.
- 20 July 2025** - PAYE Payment Due – Payday returns to be filed 2 days after pay day.



STAFF UPDATE

We recently said farewell to Emma who finished with us at the end of May.

We will be welcoming Lisa to the team, who will be starting mid-June.

If you would like to discuss anything mentioned in our newsletter please contact us at:

DB Chartered Accountants Limited.

E-Mail: office@dbchartered.co.nz

Phone: (07) 847 8154

Website: <https://www.dbchartered.co.nz>