March 2026 Issue 93

trialbalance

The official newsletter of NZ CA Limited

IN THIS ISSUE

SIMPLIFIED WORK LEAVE RULES PROPOSED

For years employers have struggled to understand the rules about paying holiday pay and sick pay.

The government has now come up with a rather simple formula. It isn't law yet so you can't apply the new rules. However, if it becomes law this is how it is currently proposed to work:

- **Annual leave** – count the number of hours worked by your employee. Multiply this by 0.0769 and you get the number of hours of annual leave you should be granting your employee. So, if Alice works 200 hours then she gets an entitlement of 200 * 0.0769 hours of holidays. That works out at 15.38 hours. If you know her hourly rate you can easily calculate how much holiday pay she is entitled to.
- **Sick pay** – same idea only the figure you multiply by is 0.0385. So Alice's entitlement to sick pay, if she has worked 200 hours is 7.7 hours.
- **Casual workers** – if you read the sick pay and holiday pay together it comes to 11.54% (.0769 + .0385). At present proposal is to round this up to 12.5%

> "For years employers have struggled to understand the rules about paying holiday pay and sick pay."

THE DIFFERENCE IS FOCUS

Being busy isn't the same as being profitable. Many businesses fill their days with activity but struggle to see results. The difference is focus. Profitable businesses prioritise work that delivers value and aligns with their strengths. They review how time is spent, cut low-value tasks, and price work appropriately. Taking time to step back and ask "Is this worth it?" can be uncomfortable, but it often leads to better decisions, healthier margins, and a more sustainable business.

KIWISAVER CONTRIBUTION CHANGES

What employers need to know

From 1 April 2026, the default KiwiSaver contribution rate for both employees and employers will increase from 3% to 3.5%.

Employees who wish to stay at 3% can apply to the Inland Revenue Department for a temporary rate reduction from 1 February 2026. If this is approved, the employer can continue matching their reduced rate of 3%. Once the employee moves back to the higher contribution, you'll need to increase your employer contribution to 3.5%. The IRD will notify you when this change occurs.

There's also an important change for younger workers. Employees aged 16 and 17 will now qualify for employer KiwiSaver contributions. If they contribute from their wages, you'll be required to contribute as well.

PRUDENT BUSINESS STEPS DURING NEW ZEALAND'S ECONOMIC RECOVERY

New Zealand's economy is recovering gradually through 2025–2026, supported by lower interest rates, improving household incomes, strong tourism, and stable export demand. However, businesses still face headwinds such as weak confidence, higher energy costs, and global trade uncertainty.

Economic activity has been slow to rebound due to previously high interest rates, weakened consumer spending, and reduced investment activity.

The Reserve Bank has lowered interest rates, and GDP growth is expected to pick up over late 2025–2026.

Business specific forecasts suggest 2026 will be a period of steady improvement, easing inflation, and more predictable lending conditions.

With that backdrop, here are prudent and actionable steps business owners can take.

1. Strengthen Cashflow and Financial Resilience

Review debt structures while interest rates are low and stabilising, taking advantage of favourable conditions to consolidate or refinance.

Maintain strong cash reserves, as economic recovery remains uneven across sectors and consumer spending is still subdued.

Stress test financial plans against possible global trade disruptions or energy cost volatility.

Do you have enough working capital or access to working capital to support extra demand i.e. increasing stock levels, increasing staffing etc.

2. Focus on Productivity and Technology Upgrades

OECD guidance emphasises the need for productivity lifting investments, including digitisation, energy efficiency, and more open regulatory practices.

As businesses refocus on efficiency, investing in workflow automation, business analytics, and cloud systems can yield longterm benefits.

Before ramping back up, now is the time to look at your systems and processes and consider all options for maximum productivity, protection against future recession and keeping up to date or even better ahead of competition.

3. Align With Sector Specific Recovery Trends

Agriculture and food exports are likely to lead growth due to improving global demand. Businesses in these areas should scale capacity or diversify export markets.

Tourism continues strengthening, so hospitality, transport, and regional services should prepare for rising demand.

Professional and business services will benefit from organisations investing in productivity and technology, making it a good time for firms to expand offerings.

4. Manage Costs and Improve Operational Discipline

With household spending still soft and unemployment only gradually declining, tighten cost controls without undermining growth opportunities.

Monitor supply chain pricing and lock in favourable contracts where possible, as global tariff uncertainty may impact import and export pricing.

5. Invest in Workforce Capability

Labour market conditions remain weak, providing an opportunity to secure talent and invest in upskilling.

Prepare for future wage pressure by improving employee productivity through training and better tools.

6. Leverage Lower Interest Rates for Strategic Investment

The OCR has been reduced and may be lowered further depending on inflation trends, creating favourable borrowing conditions.

Consider capital investments (equipment, facilities, technology) that position the business for 2026–2027 growth.

7. Refresh Risk Management and Market Diversification

The economy is still vulnerable to global tariff changes, energy cost fluctuations, and weakened confidence. Diversify supply chains and export markets to reduce concentration risk.

Build contingency planning into contracts, inventory management, and pricing strategies.

8. Monitor Consumer Behaviour and Adapt Offerings

With spending still subdued but slowly improving, businesses should track demand signals and adjust product lines, pricing strategies, or service models.

Use electronic card transaction trends and regional economic indicators from Stats NZ to make evidence based decisions.

9. Focus on Energy Efficiency and Sustainability

Higher energy costs are still a headwind; reducing consumption or adopting cleaner energy solutions can lower costs and meet rising stakeholder expectations.

Explore government incentives or sustainability programmes that support climate resilient investment.

10. Maintain Regular Engagement With Lenders, Advisors, and Industry Partners

Collaborate closely with advisers to align borrowing decisions with longterm strategic goals.

Participate in local business networks and industry bodies to stay informed on regulatory changes, sector trends, technology enhancements and support programmes.

TAX CALENDAR

7 April 2026
Terminal tax for 2025 (March, April, May balance dates). For all clients except those who have lost their extension of time privilege.

7 May 2026
Third instalment of 2026 Provisional Tax (March balance date).

28 May 2026
First instalment 2027 Provisional Tax (December balance date).

31 May 2026
Deadline for Fringe Benefits Tax returns.

“The best way to treat obstacles is to use them as stepping-stones. Laugh at them, tread on them, and let them lead you to something better.”

– Enid Blyton

TAX ON SPONSORSHIP UNDER REVIEW

The Inland Revenue Department is revising its understanding of what constitutes a tax-deductible expense for sponsorship.

- Sponsorship can be either in the form of money, products or services.
- If you want to claim a deduction, there needs to be a sufficient connection between the expenditure and the earning of business income. So if you feel you would like to contribute to your favourite sports team, you have to get good value in return otherwise your expenditure is not tax deductible.
- The amount of the expenditure could be relevant to the deductibility if “the parties – are associated”. This means if your company is sponsoring your favourite sports team or a relative’s activity, there is – an association between you and the company, which tends to suggest the expenditure is not genuinely advertising for the business but rather for your personal benefit.
- Your purpose at the time of incurring the cost is the key factor.
- You need to be careful if you are supplying trading stock. If you supplied trading stock at less than market value, Inland Revenue says you are making a taxable profit on the difference between market value and the cost at which you supplied the goods.
- If you provide the services of one of your staff, the salary paid is tax-deductible.
- If you acquire the use of a valuable asset as part of the sponsorship but you don’t get ownership of it, the related sponsorship cost is tax deductible.

TAKE CARE IF WINDING UP A FAMILY TRUST

If you’re winding up your family trust, which some people are doing as a result of the top tax rate changing to 39%, be careful if your trust owns shares in your own company.

When there is a change in shareholding in a company, such as from the family trust to you, if the number of shares being transferred exceeds 34% of the total shareholding of the company, imputation credits are forfeited. In fact, you’ve also got to look out for past shareholding changes because the rule requires a continuity shareholding of 66% of voting shares)and market value interests, if applicable) from the date the tax was paid to the date the credit is used. So if there has already been a shareholding change, be very careful. Declare a dividend to use up your imputation credits before you change your shareholding.

Why is this important? Because when you wind up your company you have to pay out retained earnings as dividends. If you’ve lost imputation credits, you get taxed again on these distributions. Imputation credits are designed to allow you tax relief to the extent the company has already paid tax on its income being distributed to you.

HOW TO SAY THAT DIFFICULT WORD “NO” NICELY (AND STILL BE FRIENDS)

- Start with warmth. A smile, a thank you, or a kind opener softens everything.
- Be clear. A simple “I can’t” is kinder than a confusing maybe.
- Keep it short. Long explanations invite debate and drain energy.
- Own your NO. Use “I” statements so it feels honest, not personal.
- Show appreciation. Let them know you value being asked.
- Offer an alternative if you want to. Suggest another time or a different way to help.

- Stay calm and friendly. Your tone does half the work.
- Repeat if needed. Calmly saying the same no is still polite.
- A kind closing keeps the relationship happy.

Saying no can be respectful, upbeat, and friendship friendly.

EMPLOYEE IMAGE RIGHTS

Consent, social media and ownership in New Zealand work places

In today's digital world, showcasing your team on social media and your company website is a powerful way to build brand trust and attract talent. But before you post that photo from Friday's team lunch or a behind-the-scenes video, it's essential to understand the legal and ethical requirements around using employee images in New Zealand.

> "... it's essential to understand the legal and ethical requirements around using employee images."

WHY CONSENT MATTERS UNDER NZ LAW

Employee photos are considered personal information under the Privacy Act 2020, which means employers must handle them with care. Simply taking a photo at work doesn't give you the right to use it for marketing or external purposes. The law requires:

- Clear, informed consent: Employees must know how their image will be used (e.g., on social media, in recruitment ads, or on your website).
- Specificity: A vague "we might use your photo" clause isn't enough. State the exact platforms and purposes.
- No secondary use without consent: If you collected the photo for internal use, you cannot later use it for public marketing without fresh permission.

Failing to follow these rules can lead to complaints to the Privacy Commissioner, reputational damage, and even compensation payouts.

BEST PRACTICES FOR GETTING PERMISSION

1. Use a Photo Consent Form

A written consent form is the safest approach. It should include:

- Where and how the image will be used (website, social media, print).
- How long consent lasts.
- The employee's right to withdraw consent at any time.

2. Include Image Use in Your Workplace Policy

- Outline your approach in your social media or IT policy.
- Make it clear that photos require permission and specify who approves posts.

3. Communicate Transparently

- Explain why you use images (e.g., to promote company culture) and reassure staff that their privacy matters.

WHO OWNS THE CONTENT WHEN EMPLOYMENT ENDS?

Ownership of the photo itself usually belongs to the company if taken during work for business purposes. However, the right to use an identifiable image depends on consent. If an employee withdraws consent or leaves the company, you may need to remove their image from marketing materials unless:

- The consent form explicitly allows continued use after employment ends.
- There is another lawful basis for retention (rare in marketing contexts).

Best practice? Plan for post-employment scenarios in your consent form. Include a clause stating whether images will remain in archived content or be removed upon request.

KEY TAKEAWAYS FOR EMPLOYERS

- Always get explicit, informed consent before using employee images externally.
- Document consent and allow withdrawal at any time.
- Review your policies to ensure compliance with the Privacy Act 2020.
- Consider updating your consent forms to cover post-employment use.

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	- Kaitaia	(09) 408-1220
YRW Limited	- Tauranga	(07) 578-0069

Changes in Particulars

Please remember to let us know of any changes in:
• Physical address • E-mail address • Phone and/or fax numbers
• Shareholdings • Directorships • Trustees
Or anything else that may be relevant.

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DEAL WITH IMPORTANT STUFF NOW BEFORE BALANCE DATE

You need to think about the following before your balance date, which is 31 March for most businesses.

Bad debts
Don't forget to write off bad debts. It is illegal to backdate writing off bad debts, so go through your debtors ledger soon and determine which businesses are not likely to pay you. You must show you have taken all reasonable steps to collect the debt and also evidence it has been written off. If your business is very small, perhaps the best evidence you can show is to write on a copy of the invoice that you have written it off, sign it and put in the date.

Stock
Cull your stock. If some of it is only fit for the tip then get rid of it. If it is still on your premises, it has to be included. Remember, stock has to be valued at its cost, including the cost of getting it into your shop, warehouse etc. You may use market value, if it is lower than cost, instead of cost for an item, but you will need to keep evidence to show where you could have bought the item at the lower price.

Motor vehicle
If you are going to make a claim for use of your vehicle for business on a kilometre rate basis, remember to read your odometer at the end of the day on balance date.

Insurance premiums
If you get to the end of the financial year and you're paying off an insurance policy, make sure you have an agreed arrangement for payment with the insurance company. If you haven't and the insurance company would have a right to cancel your policy for unpaid premiums (even though it would be unlikely to do so), you might not be entitled to bring the whole of the unpaid portion into account as a sundry creditor (also known as Accounts Payable).

> "There are a number of issues that need to be considered when preparing year-end financial statements."

Vehicle logbook
If you need to keep a vehicle logbook, this needs to be for a continuous typical three months of vehicle running. A new recording needs to be made once every three years (or more often if there is a major change – more than 20%) in the proportion of business and private running. There are a number of issues that need to be considered when preparing year-end financial statements.

The timing and treatment of certain expense items can have tax implications, and in some cases the accounting treatments applied can result in tax efficiencies.

Typically, accountants in conjunction with the business owners, need to consider the treatment of certain expenditure in particular whether it can be bought forward into the current period. The general rule is that business expenditure is deductible in the tax year that is incurred.

WHAT SHOULD YOU LOOK FOR IN YOUR ACCOUNTS?

Gross profit percentage
For many businesses the ratio of gross profit to sales should be reasonably constant. Gross profit is the amount left over after deducting direct costs from sales (direct costs are the costs that vary with sales, as opposed to fixed overheads)

To improve this ratio, look for:

- Wastage of materials and/or time
- Theft of goods or cash
- The proportion of high to low profit margin sales (sales mix)
- Quoting errors
- Underpricing
- Discounting to achieve increased sales volume
- Ways to maximize trade discounts
- Regular review of margins and markups
- Systems in place to ensure that all costs (materials, labour, travel etc.) are on billed
- Maintenance of accurate inventory records
- Regular review of inventory for slow moving and obsolete stock, monitoring stock turnover

OTHER ITEMS TO CONSIDER AT BALANCE DATE

Accounts Receivable
Every year we have clients who do not understand they must pay tax on all their earnings, including money not yet received.

March invoices paid in April are part of year end income as are April Invoices for March work.

Stock and Work in Progress
You must count and value your trading stock at balance date, unless it is less than $10,000 and your sales are less than $1.3 million. Keep your stock sheets to show Inland Revenue if they ask for them. Dispose of obsolete stock now as it must be valued at its cost, unless you can prove it has a lower market price. A guess is not acceptable. You have to find evidence to support the price. This can be difficult. Work in progress must be valued unless your business is only providing services which cannot yet be billed.

Overseas Income
If you receive overseas income and are a tax resident in New Zealand, you will be taxed in New Zealand on your worldwide income.

There is a temporary tax exemption available for those residents who are 'transitional tax residents' for a four year period (please contact us for more details).

As the tax treatment of overseas income is quite specific it is important that you advise us of all the types and amounts of overseas income you have.

There are many issues to consider at year end. We strongly recommend you talk to your accountant/tax advisor before the year end to minimise negative consequences and avoid disappointments.

Kilometre rate
If you claim for the running costs of your motor vehicle on a kilometre rate basis, make a note to get an odometer reading on balance date. The rate is calculated based on the total number of kilometres travelled in the year and the proportion of them used for business. There is a two-step process for the calculation.

Vehicle logbook
If you need to keep a logbook you must do so for a consecutive three-month period at least once every three years.

Maintenance of equipment
Any maintenance you carry out before the end of your financial year is taxdeductible for that year. If you are planning maintenance in the short term, it might save you tax if you got on with it before the end of the financial year. Maintenance means bringing the asset back up to its original condition.

Service contracts
Payment in respect of equipment service contracts or warranties if the consideration for the contract or warranty forms an inseparable and indeterminate part of the consideration for the asset or assets to which it relates.

Periodic charges
Periodic charges, other than those dealt with elsewhere in this determination.

Stationary
Purchase of stationary, Newspaper/magazine subscriptions, Subscriptions for a newspaper, journal, or other periodical, including for the maintenance or annotation of a documentary information service.

Rates
Rates made and levied under Part 3 of the Local Government (Rating) Act 2002 to the extent of the amount invoiced on or before balance date.

Road user charges

Audit fees

Accounting fees
Mandatory accounting costs

Settlement costs
Direct claim settlement costs included in the outstanding claims reserve of a general insurer in relation to a contract of insurance, if the total gross claim cost (excluding GST) included in the outstanding claims reserve in relation to any 1 claim does not exceed $65,000 (excluding GST)

FOUR WAYS TO GROW YOUR BUSINESS

- Increase the number of customers (of the type you want to have)
- Increase their transactions frequency
- Increase the average transaction value
- Increase the effectiveness with which you do things

PREPAID EXPENSES

Repairs and Maintenance
If carried out before year end, then the amount will be deductible in the current year. The total cost of a service contract is deductible if it has less than three months to run at balance date and costs less than $23,000 for a full year. If purchasing a fixed asset and there is a warranty or service contract, ensure the warranty or service contract is separately identified, as these are deductible.

Stationery
If re-stocking is about to occur in April or May, consider moving this forward to March. The total costs of stationery are deductible in the year these are paid.

Travel and Accommodation
Advance bookings for business related travel and hotel or motel accommodation are deductible provided it is not more than six months in advance and does not exceed $14,000.

Subscriptions
Newspapers, journals and periodicals are deductible without adding back unexpired amounts. Associated memberships are tax deductible provided they extend no more than 12 months after balance date and the subscription does not exceed $6,000

Insurance
Insurance premiums are deductible provided they are not prepaid for more than 12 months, and the total amount of such expenditure incurred in the income year in respect of the contract does not exceed $12,000, you don't have to adjust it for the prepaid period.

Advertising
If advertising is paid prior to year-end and if the period of the advertising relates to no more than 6 months after balance date and the advanced portion is less than $14,000, then it is fully deductible in the current year.

Rent
Prepaid rent is deductible provided it is not prepaid for more than six months and the amount prepaid is less than $26,000.

Livestock
Prepaid expenses for the lease or bailment of livestock or bloodstock are deductible provided they are not prepaid for more than six months, and the amount does not exceed $26,000.

Consumables
Consumables used in conjunction with but not forming part of the final product can be deducted in the year of purchase, provided total stocks at year end do not exceed $58,000.

Telephone
Payments for the use or maintenance of telephone and other communication equipment are deductible if not prepaid for more than two months.

Services
Prepaid costs for services, other than those mentioned above, of up to $14,000 and for no more than six months are deductible in the current year.

Motor vehicles
Motor vehicle registration and driver licence fees paid in advance are fully deductible in the current year.

Leave Provisions/Bonuses
Amounts owing at balance date for holiday pay and long service leave is only deductible if paid out within 63 days of year end. If you want to pay staff bonuses relating to the tax year, they must be paid within 63 days of the business's tax balance date to be claimable for that year.

Bad Debts
Bad debts are deductible only in the year that they are written off. Bad debts must be written off before balance date.