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making business worth it.

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## CRM now for small businesses

**CRM – or customer relationship management – software has largely been used only by large companies as a powerful sales efficiency tool.**

But now CRM software is more cost-effective and easier to use for small businesses.

A CRM can help to improve service and sell more to existing customers, automate marketing and sales processes, better track and manage business performance, improve team communication and provide real-time information on mobile devices to your sales team.

One of the big benefits is in helping salespeople to provide quotes to potential customers more quickly. Many businesses miss out on sales because their quote is sent too late.

CRM software is mostly cloud-based, and solutions can be as complex or as simple as your business needs. Some of it is low cost or free, so search online for what suits you.

# Tax changes loom for rental income

### Changes are coming for tax on rental income.

*Residential rental*

For the year ending 31 March 2024 the interest deduction allowed for those who owned properties on 27 March 2021 will be reduced to 50%. However, while the government have categorically said they would increase this to 60%, we don't have draft legislation yet. It shouldn't be too much longer.

Hopefully, this will increase to 80% for the following year and 100% thereafter.

Presumably, there will be no more need for the proposed build-to-rent exclusion for those building 20 or more dwellings on one or adjoining sites.

We would hope that anyone who has bought a property since 27 March 2021 or buys between now and when the government changes the law will be able to claim interest again. We will have to wait to see what the rules are going to be.

*Commercial rental*

The depreciation deduction, which is allowed on commercial buildings but not residential, is going to be withdrawn from 1 April 2024.

*Bright line*

Residential property sold within 10 years (in some cases five years) of purchase is subject to the Bright Line Test. This means the profit made forms part of taxable income. The government has announced the time limit for holding property to avoid the profit on sale becoming taxable is going to be reduced to two years from 1 July 2024. This has retrospective effect such that any property purchased two years or more prior to this date will automatically be outside the bright line period.

Reminder: The profit made on property bought with the intention of selling for a profit is still taxable income and always has been.

Purchasing a rental property for the purpose of ongoing rental income, with the knowledge you will get a capital gain in the long run, is not considered purchase with the intention of selling for a profit. We all know property goes up in value over time.

## Family Trust shareholder – pay dividends now?

If your company shares are owned by your family trust, consider paying the maximum possible dividend before 31 March 2024. The income tax rate in the family trust will probably be increasing to 39% from 1 April 2024. Therefore, any dividend declared from that date onwards is going to incur an extra six cents in the dollar of tax. The law has not yet been passed, however the IRD recently released guidelines on what might constitute tax avoidance in terms of the trust rate moving to 39% so it would seem it is likely to happen.

# Online platform GST looks to stay

**The new government appears not to be removing the GST charges to be made by online platforms (companies finding customers for you through their website).**

From 1 April 2024, online platforms that offer the following services will charge your customers GST:

- Ride sharing and ride hailing
- Food and beverage delivery, such as Uber Eats
- Short stay and visitor accommodation.

**If not registered for GST**

If the government received all the GST, this would be unfair because there is GST in the expenses incurred in providing the services – for example, rates and insurance paid on short-term accommodation. As a consequence, some of the GST will be paid to you to compensate you for the GST claim you are missing out on, and some to the Inland Revenue.

The online platform will pay you an extra 8.5% and it will pay the balance of the GST, being 6.5%, to Inland Revenue. Obviously, this is going to increase the price of the services, which might put some pressure on the amount you charge.

**If registered for GST**

The platform will pay all the GST to Inland Revenue. As a consequence, you will treat your income from the online platform as zero-rated income. You will claim GST in the usual way.

*Image by fotografierende, Pixabay*

# Gains on fixed interest investments

**Sometimes you can buy an investment at either a premium or discount.**

For example, you decide to buy $20,000 worth of XYZ bonds because you think they're paying a good interest rate and you are comfortable the company will be around to pay back. This means XYZ Ltd will pay you at some stated date $20,000 and in the meantime, they will pay you interest.

What happens if you buy the bond from somebody, perhaps a sharebroker, for $19,750? You have bought at a discount of $250.

Inland Revenue says when you get this money back you have to also account for the $250. You have made a profit of this amount and you have to treat it as taxable income. They would also agree if you had paid $20,250, you could claim back, as an expense, the extra $250 you paid.

What they do in practice is to add up all the money you have ever received from the investment and deduct all the money it has cost you – the difference is taxable income. This is because some of these arrangements are more complicated than described above. Inland Revenue calls this process making a "base price adjustment".

You should also note that bigger investors, particularly those with fixed interest-type investments exceeding $1 million, are expected to spread the premium or discount over the term of the investment. This means that if, for example, you bought your investment on 1 February 2024 and it was going to mature on 1August 2026, you would be investing for 30 months.

The correct way to apportion the premium or discount is to take the total number of days and apportion over each financial year. For the year ending 31 March 2024 this would be 60 days in this example.

# BRIEFS

### GST registration for part-time business

You do not have the right to continue to be registered for GST if your business is not being carried on continuously or regularly. Sometimes clients either take a salaried job, operating their business part-time, or drift into semi-retirement. They need to look at the amount of work they do to see whether they still comply with the "continuously or regularly" criteria. If they don't, they need to deregister for GST and pay GST on the market value of any assets they retain.

### Loans to your company

If you borrow money for your company, you should make sure it is the company that signs up for the loan. If the money is lent to you and just put in the company, then the interest is not tax deductible. It is possible to get around the problem, but to do so adds to your costs. There's also the risk of Inland Revenue not agreeing with what you might do.

### No FBT under scheme

Inland Revenue has approved a scheme as not being subject to Fringe Benefit Tax (FBT). WorkRide Ltd provides self-powered commuting vehicles to the employees of its customers. The employees agree to a temporary reduction in salary in return for the temporary lease of equipment, and the opportunity at the end of the lease to own it. IRD has approved the scheme starting 1 December 2023 and ending on 30 November 2026

# Contactless shopping on the rise as retailers embrace technology

**One of the tech trends predicted for 2024 is a big acceleration in the adoption of contactless shopping.**

Large retailers trying to cut costs and boost profitability are increasingly moving to mobile and social media shopping. Small businesses aren't far behind as they're finding prices for the necessary technologies are becoming more manageable.


Retailers are looking at greater use of QR codes, mobile terminals and mobile wallets, which are becoming more prevalent as shoppers use them more often to shop and pay. These technologies can be lifesavers for small businesses with limited staff.

It's likely more owners of hospitality venues will throughout this year be introducing touch screen or app customer ordering systems. These "tap and pay" systems can reduce queues and ensure payment before delivery.

The clinical approach to customer service, however, creates challenges for retailers who still value person-to-person interaction. Hybrid operations that incorporate technology and the human factor are more likely, but there will be opportunities for retailers who emphasise personal service.

– *Image by Mudassar Iqbal, Pixabay*

# Prepayments and insurance

**A prepayment is the portion of an expense relating to the following tax year.**

For example, rent of premises is usually paid in advance. This would mean if your lease requires you to pay the rent on the 20th of each month and you have a March balance date, your 20 March payment would include rent for 1 April to 19 April, which falls in the next financial year. This latter portion of the rent does not relate to deriving income to 31 March so logically it should not be claimable.

Inland Revenue recognises it would give everybody a lot of work if they had to adjust for all prepaid expenses like these no matter how small the amount or what length of time the prepayment relates to. Determination E12 provides some relief here. This sets out the prepaid expenses for which you do not need to adjust for tax purposes, provided you do not treat them as prepayments in your financial statements. For leases, you don't have to adjust where the prepaid portion is no more than one month.

Another of these expenses is insurance. The amount in the Determination is $12,000 of premium for any contract. So, if your premium is less than $12,000 and you have paid it before the end of the financial year, you don't have to adjust for the prepaid portion. Premiums have risen in recent years, so you might find you're now paying more than this. If so, you should adjust the expense claim, effectively taking the prepaid portion as a deduction into the next year. You would need to tell us about this. Note Inland Revenue requires the adjustment for each contract as opposed to each policy.

# 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 debtor's 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).

*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.


## TAX CALENDAR

**7 April 2024**
Terminal tax for 2023 (March, April, May balance dates). For all clients except those who have lost their extension of time privilege.

**7 May 2024**
Third instalment of 2024 Provisional Tax (March balance date)

**28 May 2024**
First instalment 2025 Provisional Tax (December balance date)

**31 May 2024**
Deadline for Fringe Benefits Tax returns.

## Family trusts and children who grow up

**The maximum amount you can distribute from a family trust to a child who is under the age of 16 on the trust balance date is $1000 to still have this taxed at the child's personal tax rate.**

If you distribute just one dollar more, the tax rate becomes the same as for the trust.

It's easy for us, with our busy business lives, to not notice when a child goes over the age of 16. Instead of paying 39% tax on the trust income, it could be handy to allocate some of its income to the youngster, perhaps to help with tertiary education. Once the age of 16 has been reached, the amount you can allocate to a young person is no longer limited.

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