

2024 Year End Tax Alert

Your essential 2024 tax planning guide

The 31st of March is the equivalent of New Year's Eve for accountants. For most clients, 1st April signals the start of the New Year for business and tax purposes.

When you are ready to assemble your information, we ask that you complete the questionnaire and declaration, which will be available on our website from 1 April 2024. This is an electronic questionnaire, which enables you to upload documents, save progress and complete over time. A questionnaire needs to be completed for each entity & person in your group.



Other expenses have limits on the extent to which they can be claimed if prepaid. These include rent, consumables, insurance premiums, professional or trade subscriptions, travel and accommodation, advertising, periodic charges and other services.

2. Trading stock

Trading stock (excluding livestock) must be valued at the lower of cost or realisable value. General adjustments for obsolete stock are not acceptable to Inland Revenue. It's important therefore to perform a physical stock take at year end and actually dispose of any obsolete lines or alternatively write that stock down to its net realisable value. Clients with an annual turnover of less than \$1.3m can value their closing stock at the opening stock value, but only where closing stock can be reliably estimated to be less than \$10,000.

Don't forget that Easter falls at the end of March this year so, if you need to do a physical

Year-end tax planning checklist

1. Prepaid expenses

Some expenses can be prepaid in March and claimed as a tax deduction in the year to 31 March 2024, regardless of their amount. These include stationery, postage and courier charges, vehicle registration and road user charges, rates, subscriptions for papers or journals, and even audit and accounting fees!

stocktake, your last trading day of the financial year might be Thursday the 28th or Saturday the 30th of March.

3. Bad Debts

To claim a deduction for a bad debt you need to physically write the debt off in your debtors' ledger prior to the end of your financial year. For most clients that is 31 March 2024. There should also be evidence that you have taken reasonable steps to recover the debt prior to writing it off.



4. Employee expenses

Any amounts owing to employees at year end (such as holiday pay, bonuses, long service leave, redundancy payments) can be claimed for tax purposes in the current year if they are paid within 63 days of balance date.

5. Review last year's fixed asset register

The book value of assets can be written off for tax purposes if the asset is no longer in use by the business, the business has no intention of using that asset in the future and the cost of disposing that asset is expected to be greater than the proceeds from its sale. Scan your asset schedule from last year's accounts and you'll probably notice assets that no longer exist (the mobile

phone that you dropped in the tide at Christmas time), or simply don't work.

6. Company shareholding changes

If you are considering changing the shareholding of your company, **please discuss this with us before making changes.** Certain shareholder continuity minimums must be maintained so that tax losses and imputation credits can be carried forward.

7. Land Sales

Bright line tests apply to residential land which is sold within ten years of being purchased (for land acquired after the 27th of March 2021). Some exemptions apply, and the timing of when a purchase or sale are deemed to have occurred is not always straight- forward. Please contact us before selling residential property to determine if the rules will apply. These rules are currently being reviewed and may change during the year.

8. Repairs and maintenance

General adjustments for repairs and maintenance reserves are not allowed as a tax deduction. Instead, it may be worthwhile to undertake any necessary repairs and maintenance on key assets prior to the end of the financial year to ensure a full deduction. Assets purchased for \$1000 or less are regarded as a deductible expense. Determining whether expenditure on an asset is deductible as repairs or maintenance, or should be capitalised is not always simple, so please contact us if unsure.

9. Imputation credits and dividends

Companies that have imputation credits can pay dividends with 28% tax credits attached. We realise the subject of imputation credits is complex for many of our clients. We will contact you regarding any necessary dividend and taxation planning before 20 April 2024.

10. Income

Be sure to review any credit notes issued to customers following balance date that can be applied to the previous year, i.e. 31 March 2024. In doing so, you will be entitled to effectively reduce your current year’s taxable income

11. Cryptocurrency

The cryptocurrency rules are complicated. Please advise us if you have purchased, sold or held any cryptocurrency at any time during the year, if you have received any income from mining cryptocurrency, or been paid in any of these currencies.

12. Interest

The rules on the deductibility of interest payments for residential rental properties have changed, and you may have less expenses to claim for the year ended 31st March 2024. Please continue to provide all of your loan information so that we can determine deductibility and keep track of all your interest expenses in case it can be used in the future. Any loss from your residential rental is unable to be offset against your other income but will be carried forward to offset against future profits.

13. Some tips on minimising tax

Entertainment expenses

As a general rule, if you provide entertainment for your team or clients, some of your business entertainment expenses are tax deductible. The table below helps to indicate which expenses are 100% deductible and which are only 50% deductible. For unusual entertainment items, contact our team for advice.

Entertainment expenses	50% deductible	100% deductible
Restaurants providing food and drinks to team members at a social function in their restaurant.	✓	
Taking a client out to dinner while you are out of town on business in New Zealand	✓	
Taking a client out to dinner	✓	
Donating food to a Christmas party in a children’s hospital		✓
Employee’s salary package includes a taxable allowance for entertaining clients		✓
Sponsoring a local sports team		✓
Taking a client out to dinner while you are overseas on business		✓
Sandwiches provided at a lunchtime meeting of supervisors		✓
Providing morning and afternoon tea for your team		✓
Providing a meal for a journalist while reviewing your business for their column		✓

Home Office expenses

Where a self-employed taxpayer uses his or her home partly to further the conduct of a business, he or she is entitled to a partial deduction for the outgoings which relate to the use of the home for the work-related activities.

These Include:

- Mortgage interest
- Lighting
- House and contents insurance
- Rates- Council and Water
- Heating
- Repairs and maintenance

The portion of outgoings deductible is based on the area used for the business, expressed as a percentage of the total area of the home. It is not necessary to set aside a specific room for business purposes, nor is it necessary for your home to be physically changed to suit the business.

However, in cases where a separate room is not set aside, it may be appropriate to apportion the outgoings based on criteria such as the amount of time spent on income- earning activities at home as well as the area used. Examples of areas likely to be used for business purposes include:

- A workshop
- An office or office area
- A storeroom or storage area
- A garage or part of a garage which is used to house a business vehicle

