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DIPROSE MILLER  
chartered accountants

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# DOING MORE.

The Diprose Miller Newsletter | Autumn 2022.

# EDITORIAL



**Things are pretty hectic around the office at the moment as we complete the last of the 2021 financial statements and income**

**tax returns for our clients. It's always a busy time for us and we look forward to easing back a bit in April. The effects of Covid-19 and the Omicron variant in particular have affected us here at work as well as out there in the community, with large numbers of businesses adversely affected.**

Various staff members have had to isolate for either the original 10-day period or the reduced 7-day period because they or someone in their household has tested positive. This has disrupted our normal activity and made it more difficult to

schedule work. Although our staff have the ability to work from home, some staff have been unwell and unable to work. If you have experienced delays, many thanks for being patient until your work is completed. I would like to thank our staff for all they have done. It's a stressful time and we greatly appreciate their efforts.

It's been a fantastic summer weather-wise if you are a beach-goer or like to get things done outdoors in the weekends, but it's been particularly difficult for those in farming operations as it's extremely dry out there. I know most farmers at the moment are busy feeding out and feeling the effects of the "long dry", especially here in the Waikato. Some autumn rain would be most welcome.

On the flipside of this, it's great to see the dairy payout hitting record highs and looking good for next season. This will help to offset the effects the dry period has had on milk production. Other industries have also had a good year with horticulture being strong, especially kiwifruit. There has been a nice recovery in the venison schedule which will relieve some of the pressure there.

Building and construction are still experiencing delays in sourcing materials which is making finishing jobs problematic. The cost of materials has skyrocketed and with the price of housing in general it is going to be hard for future generations to get themselves established on the property ladder. On a more positive note, tourism-based businesses and the hospitality sector will be excited about opening the borders and seeing overseas tourists back in the country.

Other hot topics at the moment are the increasing price of both groceries and fuel, making it difficult for some families to feed themselves on a regular basis and also to get to work if there is reasonable travel time and driving involved. I hope this gets sorted. Personally I think the government should be having a closer look at the pricing at both supermarkets and at the petrol pump.

Stay safe out there and hopefully in a couple of months' time, as the case numbers drop, we'll get back to some sort of normality. Remember that winter is coming, so it's time to organise your firewood and get those heat pumps serviced in time for the cold weather.

Catch you next time

*Darren Diprose*

**"Life's not about waiting for the storm to pass ... it's about learning to dance in the rain."**

Vivian Greene

# RECENT NEWS

## IS IT REALLY THE END OF THE FINANCIAL YEAR AGAIN?

It seems to us that it's been harder than normal to keep track of time over the last couple of years, due mainly to the distractions of the Covid-19 pandemic, but yes, balance date is upon us for many of our clients.

Clients should have already received our annual EOY (end-of-year) questionnaires that provide us with some of the information necessary to complete annual financial statements and income tax returns. Farming clients will have also received our livestock reconciliation form to be completed with details of livestock owned at balance date.

Many clients may find it easier to complete these forms online through our website at [diprosemiller/resources/End of Year Information](http://diprosemiller/resources/End%20of%20Year%20Information). Completed online forms are emailed directly to our client account managers for filing with the associated annual work papers. Client account managers can also assist with any queries around the completion of the forms.

## ELECTRONIC SIGNATURES BUILDING MOMENTUM

We are now making use of a software product called CCH Signatures that provides for clients to sign company and trust documents electronically. This eliminates postage delays and means a single document can be sent to multiple people for signing at the same time.

Not all documents can legally be signed electronically, for example trust deeds and wills, but we are focusing on end-of-year resolutions, dividend resolutions and company winding up documents, which are the majority of documents generated by our Company and Trust Administration team.

We are making contact with clients prior to setting up the electronic signing arrangements for the first time, to explain the process and confirm that the client is comfortable with using it.

## SOCIAL CLUB FISHING TRIP



Mid-March saw the bi-annual Diprose Miller Social Club fishing trip to the Coromandel. This was a weekend jaunt, with varying degrees of success. Murray Whittaker netted the biggest fish, which was the only one he caught. Jeanette Clubb caught the smallest fish, which went

back into the ocean after a giggle or two, and Diane Farmer managed to land a shark.

The weather was great and everyone went home with plenty of fresh fish for dinner. Many thanks to Nakita McNab for organising the trip, even though Covid-19 restrictions meant she could not take part.

# DIPROSE MILLER SEMINAR AND WEBINAR SERIES

**During the 2022 calendar year we are planning a series of ten presentations to assist clients with various aspects of business management. Our intention is that we provide relevant, useful tips for clients in all stages of their business life, and in different business areas.**

The series originally included a mix of seminars (to be held in Te Aroha) and live webinars. We felt that some topics were more effectively dealt with in person, where others could be handled online. The online process is easier, but for us there's no substitute for the personal contact that a seminar provides.

However, our plans have been 'scuttled' with increasing complications around the Covid-19 pandemic and its associated restrictions.

We're still planning to hold the events, but these are likely to be recorded webinars rather than seminars until such time as we're all free to get together again.

We're looking to release one recorded webinar each month during the year, but will revise this approach if the Covid-19 response changes.

**We've listed below the topics we intend to cover in the series. Keep an eye on your inbox for a link to the webinar for each topic.**

	Topic	Presenter
1	Governance Principles for Business	Fraser Belgrave
2	Succession Planning for Farmers	Fraser Belgrave
3	KPIs for Farmers	Euan Lock
4	Understanding Your Balance Sheet	Euan Lock
5	Setting Up a New Business	Anthony Gray
6	Business Forecasting Tools & Tips	Anthony Gray
7	Xero Fundamentals & Tips	Ed Wagstaff
8	Making Use of the Xero Apps	Ed Wagstaff
9	Cash is King for Business	Melissa Slattery
10	Cash is King for Farmers	Melissa Slattery

# SHARON SAYS...

## RESIDENTIAL RENTAL PROPERTY INTEREST LIMITATION RULES

These rules were finally passed into law in March 2022 and will be backdated to apply from 1 October 2021.

### SO WHAT ARE THE NEW RULES?

1. Interest costs associated with residential property acquired on or after 27 March 2021 cannot be claimed for income tax purposes from 1 October 2021, unless an exclusion or exemption applies.
2. Interest costs associated with property acquired before 27 March 2021 can be claimed, but the claim will be phased out over four years. Interest on new loans drawn down on or after 27 March 2021 won't be claimable after 1 October 2021.



### PHASING OUT INTEREST DEDUCTIONS

Period	% claim allowed
Apr 2021 to Sep 2021	100
Oct 2021 to Mar 2022	75
Apr 2022 to Mar 2023	75
Apr 2023 to Mar 2024	50
Apr 2024 to Mar 2025	25
Apr 2025 onwards	NIL

### EXCLUSIONS & EXEMPTIONS

Some types of residential accommodation will be excluded from the interest limitation rules:

1. Main home (if used to earn income)
2. Business premises
3. Farmland
4. Various accommodation providers
5. There are exemptions for land businesses, residential developments and new builds.

### EXEMPTION FOR NEW BUILDS

A new build is defined as a self-contained residence that receives a Code of Compliance Certificate (CCC) confirming the residence was added to land on or after 27 March 2020. The definition also includes self-contained residences acquired off the plans that receive a CCC on or after 27 March 2020.

A new build does not have to be made of new material or constructed onsite, so includes modular and relocated homes. Converting an existing dwelling into multiple new dwellings can also qualify as a new build.

The new build exemption will allow you to claim any associated interest costs from the date you acquire your new build (if it already has a CCC) or the date you acquire 'off the plans' and your new build receives its CCC.

The exemption for new builds will expire 20 years after a new build receives its CCC or when the new build ceases to be on the land (demolished/removed), whichever is earlier.

The exemption will apply to anyone who owns the new build within the 20-year period. The timing of the exemption will not reset if the property is sold.

**A total of 48,889 new homes were consented in NZ in 2021, up 24% from 2020. Prior to 2021, the highest number of new homes consented was 40,025 in 1974, a record that stood for 47 years.**

# HR AND PAYROLL NEWS

## MINIMUM WAGE RISES AGAIN

The minimum wage increases to \$21.20 per hour from 1 April 2022. The government is promoting the increase as delivering on its election pledge to assist NZ's lowest paid workers. According to a government statement, this increase will benefit 300,000 workers and equates to an extra \$2,500 per year.

The 'starting out' and 'training' minimum wage rates will also increase from \$16.00 to \$16.96 per hour from 1 April 2022.

## ACC COVERPLUS EXTRA (CPX): READ THIS IF YOU ARE SELF-EMPLOYED

Those clients who hold "CoverPlus Extra" (agreed value) policies with ACC should have recently received renewal invoices for the 2022/23 financial year.

Please be aware that if the invoice is not paid by the due date, ACC will not bother chasing you for payment. They will simply cancel the policy. If this happens, you will automatically revert to the default "CoverPlus" policy, which has no agreed value and has a more complicated application and approval process.

We think this an unreasonable approach by ACC, but it has now been in place for some years and many clients regularly find themselves in the position of losing the protection provided by the agreed value cover.

If your CoverPlus Extra policy is canceled, you can re-apply, but there is both a time and cost component, especially if we need to re-apply on your behalf. So the moral of the story is, just pay on time and secure the agreed value cover that CPX provides.

# TAX BITS AND PIECES

## GIVING US A BREAK

**Thanks to the impact of Covid-19, Inland Revenue is currently showing some sympathy towards taxpayers that have struggled to file returns and pay taxes on the due dates.**

These are unprecedented times, at least in our memory, and many businesses are facing uncertain futures. Not only are their sales declining as customers move around and purchase less, but over recent weeks it has been difficult to make sure adequate staff are available to keep the business running.

If you expect to have problems with either filing returns or paying tax on time due to the impact of Covid-19, it is worth advising Inland Revenue prior to the due date to make arrangements for a later filing or payment date.

We can assist with this process if required, so don't hesitate to contact us. If we can help in any way, we will. The Inland Revenue website is an excellent, well-structured source of Covid-related support information.

## SMALL BUSINESS CASH FLOW LOAN

There have been a few changes to the Covid-19 Small Business Cashflow (SBCS) Scheme administered by Inland Revenue. These are:

1. The base loan amount has been increased from \$10,000 to \$20,000. Existing borrowers can now apply for a further \$10,000.
2. Interest will now be charged only after the first two (2) years on any remaining balance. The interest rate is 3%.
3. Taxpayers who repay their loans can reapply for a further loan up until December 2023.

The loan period remains at five (5) years.

## GST BASIS UNDER THREAT FOR SOME DAIRY FARMERS

With the record milk payouts currently being experienced, there are likely to be some dairy farming clients who are no longer eligible to use the payments basis for preparing and filing GST returns.

Using the payments basis for GST is no longer an option if your total income is either:

1. More than \$2m for the last 12 months, or
2. Likely to be more than \$2m in the next 12 months.

If the \$2m threshold is exceeded, taxpayers must use the invoice basis of accounting for GST. This is more complicated than the payments basis. Under the invoice basis, the GST

**"The best way to teach your children about tax is by eating 30% of their ice-cream."**

Bill Murray

content of income and expenses is dealt with in the return period in which an invoice is issued or received, rather than the GST period in which payment is received or made.

If we are preparing your GST returns, we will be watching to see if a change of basis is required. If you prepare your own GST returns, please check with us if you think that your business exceeds the \$2m threshold.

## THREE CHEERS FOR THE 39% PERSONAL TAX RATE?

Clients will likely be aware that a new top marginal tax rate applies from 1 April 2021 for individuals. Since that time, Inland Revenue's analysis of the response of high-income earners to the increase has shown (1) a decrease in employment income and (2) restructuring to lower tax rate entities. The analysis focused on 119,000 high-income taxpayers of which more than 40% have not yet filed their 2021 income tax returns, so there's more data to come.

Inland Revenue has indicated that they will be using the results of the analysis to determine whether any taxpayer behavior can be considered as tax avoidance. We'll keep you up to date with developments in this area.

# STAFF HAPPENINGS



## WELCOMING DENICE TAUKIRI

It's a big welcome to Denice, who's playing a dual role in the Te Aroha office.

From Monday to Wednesday she's a mild-mannered payroll manager working closely with Angela Millward, processing client payrolls and filing PAYE returns. On Thursday and Friday she moves out to the front desk to assume the role of receptionist that is handled by Debbie Gorman from Monday to Wednesday.

Prior to starting with us at the beginning of 2022, Denice was a payroll officer for the Tatua Cooperative Dairy Company for five years. She's also worked as a payroll officer at Silver Fern Farms in Te Aroha and with Inland Revenue based in Hamilton.

Originally from Paeroa, Denice lives in Te Aroha with her partner Ngahina and their two teenage daughters. When not switching seats at Diprose Miller she's busy playing sports, relaxing with family and friends and talking the dogs for a walk.

Denice tells us that she's enjoying the family atmosphere and the relaxed work environment here at Diprose Miller, together with a shorter trip to work.



## WELCOMING DIANE FARMER

Our Company and Trust Administration team has been boosted recently with the arrival of Diane Farmer. Diane will be well known to

many clients, thanks to both her previous work history and her strong community involvement.

She's a true Te Aroha local, being born and raised here, and still living here. She is, and has always been, a keen sportsperson, and is a life member of the Waihou Rugby Club.

Her community involvement also extends to being on the board of the Te Aroha Community Hospital, so she's a very busy lady. Her 30 years of experience in the banking industry provides a very useful platform for her role with us, as does her recent time with the local First Credit Union.

In her (obviously limited) free time Diane enjoys traveling overseas. Although this option has not been available to her for some time, she has just returned from a trip to Stewart Island with friends. She also keeps herself busy trying out the wide variety of beautiful walks that New Zealand has to offer, as well as spending time with family and friends over a glass of wine.

Diane tells us she's enjoying working with a larger team. It's an interesting contrast to her previous work environments, both socially and professionally. We're hoping it's a positive one!



## THE MILESTONES ARE ADDING UP ...

Staff member Deborah Young recently gained her AT (Accounting Technician) status with CAANZ, our governing professional body. The qualification process involved online examinations and a practical experience component, together with a course on professional ethics. She now joins 20 other Diprose Miller staff, including our directors and associates, that are members of CAANZ. It's a significant achievement.

It's a double celebration for Deb, as she also clocked up 15 years continuous service with Diprose Miller in October 2021. She tells us it's been an enjoyable time for her and she greatly values her relationship with her work colleagues, who have been supportive in times of both professional and personal challenges.

She's also blaming us for the full head of grey hair that she now proudly displays. If that's true, it's been well-earned! We're looking forward to having Deb on the team for many years to come.



## TACKLING THE TRACK

In early March director Jeanette Clubb took on the Milford Track. Together with a girlfriend, they were part of a group of around 30 people, of which 20 were farmers from Reporoa, that spent three nights walking from Te Anau to Milford.

It was a guided walk, including a few luxuries such as cooked dinners and glasses of wine on arrival at the lodge each night. The icing on the cake was a hot shower at the end of each day. Sounds like there was no "roughing it" for our Jeanette!

# XERO TIPS & TRICKS

## ATTACHING DOCUMENTS TO XERO TRANSACTIONS

For those clients who reconcile their transactions in Xero, it is very useful to upload a copy of the relevant document against the transaction for future reference. This can be done from the reconciliation screen by selecting the "Add details" option at the bottom right of the data entry area, then selecting the document icon at the top right. Generally it will be invoices that are uploaded, but other relevant documents are often also useful, e.g. purchase agreements, quotes, contracts, etc.

Inland Revenue has confirmed that electronic copies of invoices are acceptable for the purposes of retaining records for the required seven year period, so once documents have been uploaded into Xero, the original can be safely discarded. And it's usually a lot quicker using the Xero search function to locate these documents in the future than it is to look for the original paper version.

For assistance on using this function, feel free to contact your Diprose Miller Client Account Manager.

## RENAMING DOCUMENTS IN THE FILES INBOX

This tip is more of a request to clients who are emailing documents, usually invoices, directly to their Xero Files Inbox for our staff to access when preparing GST returns and financial statements.

It helps greatly if clients can 'rename' these documents once they are uploaded to the Files Inbox so we can easily locate them when reviewing transactions. By default, they usually have a file name that provides no clue as to the supplier or nature of the document.

The rename option is available by selecting the three vertical dots icon to the right of the file name.

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