Nexia
New Zealand

Year-end tax planning guide – get sorted by 31 March

To ensure you and your business are in the best possible tax health by 31 March, consider the following year-end tax planning strategies and compliance matters

Our guide focuses on the most important issues you should consider to best manage your tax exposure for the 2025 income year and covers upcoming tax changes that may affect your tax position in the 2026 and later income years

Tax planning is all about taking control over the amount of money in your pocket; managing risks and capitalising on opportunities to appropriately manage your tax exposure.

While tax planning is an all-year-round function, in the lead up to 31 March there are certain aspects you should pay closer attention to in order to ensure an efficient tax position.

If you would like to discuss any items covered here, please reach out to your trusted Nexia Advisor.

1 Assets

- Claim depreciation from the first day of the month that the asset was acquired
- Expense assets acquired during the year which cost less than $1,000
- Ensure assets that have been traded in are disposed of and the replacement asset is depreciated and recorded at its full cost
- Depreciate residential rental property chattels purchased during the year
- For the 2025 and future income years, the tax depreciation rate on commercial buildings reverts to 0%
- Consider if you wish to elect not to depreciate any new assets
- Review your fixed asset register. Ensure assets sold, stolen, scrapped or destroyed are removed from the asset register and the loss on disposal calculated
- If an upcoming asset sale is expected to result in depreciation recovery income, consider deferring the sale until after year-end
- Ensure deductible feasibility and R&D costs have been expensed

2 Trading Stock

- Value closing stock at market selling value if this is lower than cost
- Perform a stock take at year-end to ensure an accurate closing stock figure
- Write-off any obsolete stock
- If trading stock is less than $10,000, and turnover is less than $1.3m, you can use the opening stock value as the closing stock figure (even if this is nil)

3 Accruals and Provisions

- These are only tax deductible at year-end if the business is definitively committed to the expense at year-end and the amount can be reliably estimated
- Keep a record of employment provisions (e.g. holiday pay and bonuses) paid out within 63 days of year-end as that portion of the provision is deductible at year-end

4 Cut-off

- Follow year-end cut-off procedures to ensure sales, stock, expenses etc. are accounted for in the correct year

5 Repairs and Maintenance

- Review repairs and maintenance expenses for any capital items and reclassify these to the fixed asset account if appropriate
- Review fixed asset registers to ensure genuine R&M expenses have not been inadvertently capitalised to fixed assets
- A one-year warranty purchased with a fixed asset can be deducted as an expense rather than capitalised, providing the cost of the warranty can be separately identified
- Consider carrying out R&M work before year-end

6 Bad Debts

- The debt must be physically written off the debtors' ledger before year-end to be deductible
- Retain documentation to support that the debts are not recoverable
- Claim the GST adjustment of any bad debt written off if you are on an invoice basis

7 Legal Fees

- If total legal fees exceed $10,000 for the year, review the nature of the legal fees to identify any of a capital nature (e.g., relating to the purchase of an asset or the structure of the business) as these are not tax deductible

8 Prepaid Expenses

- Some expenses paid in advance (e.g., rent, insurance, advertising, service contracts and subscriptions) can be tax deductible in the current year if not treated as a prepayment in the accounts and which don't exceed the thresholds set out in the Commissioner's Determination E12
- ACC levies are deductible when due and payable

9 Donations

- Cash donations paid to donee organisations or registered Charities are deductible up to the level of net income. If the business is in a tax loss position, consider the owner making the donation and claiming the donation rebate

10 Vehicle Expenses

- If a vehicle has not been used 100% for business purposes throughout the year:
  - companies: consider if there is an FBT obligation
  - individuals and other entities: a logbook needs to be maintained for 3 months to support the business portion of the expenses. If a logbook has not been maintained, start one now

11 Property

- The brightline rule for residential property changed from 1 July 2024. For property sold on or after 1 July 2024, the brightline rule only applies if the property is sold within 2 years of purchase and an exemption is not available. For property sold before 1 July 2024, the previous 5 or 10 year periods apply
- Interest on residential rental properties for the 2025 year is 80% deductible unless an exemption applies

12 Shareholder Matters

- Consider whether a dividend or shareholder salary should be allocated, especially where an overdrawn shareholder current account would be subject to interest under FBT rules
- Dividends for the 2025 income year should be paid or credited before year-end. Check the company has sufficient imputation credits and consider bringing forward a tax payment if necessary
- Dividend withholding tax for dividends paid is due on the 20th of the month following payment of the dividend. If a dividend is being paid to a non-resident, non-resident withholding tax (NRWT) may need to be considered
- Review shareholding changes over the past year to determine if shareholder continuity has been maintained
- Consider whether any non-cash dividends have been deemed to have been paid, such as property made available for less than market value

13 International Matters

- Interest deductibility may be impacted by the thin capitalisation rules if there is control by a non-resident

- Cross-border related party transactions need to be at an arm's length price or will be at risk of being restated by the IRD under the transfer pricing rules

- Ensure 20 April NRWT filing obligations are met in respect of payments of interest, dividends or royalties to non-residents during the year, including whether NRWT arises on an accruals or cash basis

- If insurance premiums have been paid to a non-resident during the year, consider if you have an obligation to pay tax on the premium as an agent of the non-resident insurer

14 Income Tax

- The third instalment of 2025 provisional tax is due 7 May 2025 for March balance dates. For taxpayers with RIT of $60,000 or greater, the payment should be based on actual results to 31 March to avoid interest being charged

- For the 2025 and future tax years, the trustee tax rate is now 39%

- If you have not yet filed your 2024 income tax return, ensure it is filed by 31 March 2025 otherwise late filing penalties will be charged, your extension of time to file your 2025 tax return may be lost, and the 4-year statute bar period will extend a year

- A loss offset subvention payment for the 2024 income year must be paid or credited by 31 March 2025

15 Imputation Credit Account

- To avoid incurring 10% imputation penalty tax, review your imputation credit account before 31 March 2025 to ensure it does not have a debit balance. If it does, consider bringing forward a provisional tax or terminal tax payment

16 GST

- Where assets are used for both business and private use, make your year-end GST apportionment adjustment in the 31 March GST return

- Ensure you have made any GST adjustments from the preparation of your 31 March 2024 financial statements

- If you have an asset that was not acquired/or used principally in your business, you have until 31 March 2025 to elect to take it out of the GST net

17 System Considerations

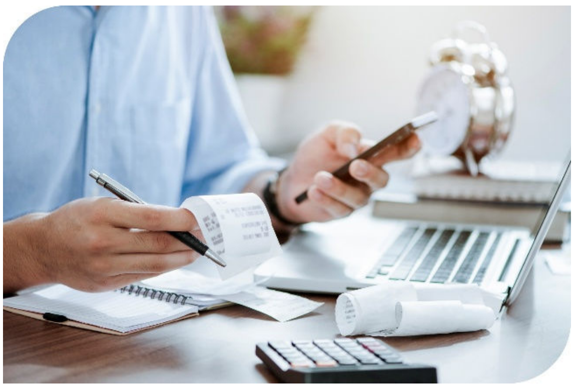
- Ensure bank reconciliations are completed to year-end and that all bank and loan balances in the accounting system match the bank statements that will be provided to your accountant

- Confirm that the debtors and creditors balances are accurate

- Where possible, lock your system at the year-end to ensure no changes can be made once the final position has been determined

18 Look-through Companies

- If you want your existing company to enter or exit the look-through company regime for the 2026 income year, the election notice needs to be filed by 31 March 2025. There are different rules for new companies or companies not previously required to file tax returns



Taking time to consider the above before you race into the new financial year will help ensure you maximise your tax deductions for 31 March 2025 and reduce your tax bill

Looking forward, now is a good time to set your goals for the 2025/2026 financial year. If you haven’t yet done so, your Nexia advisor can assist with preparing budgets and forecasts, which will give you a clear plan for the year ahead.

And to help ensure efficient and timely actions are taken to keep you on track to achieve your goals, consider having quarterly review meetings throughout the year to analyse trading results against budgets and revising forecasts if necessary.

Please get in touch to discuss what arrangements will best suit you and your business.

If you have any questions, please reach out to your Nexia advisor, or contact us via our general contact details.

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