Stephen Larsen and Co

RENTAL PROPERTY AND BUSINESS ACCOUNTANTS

TAX TALK

Think you're ready to grow? Ask yourself these 4 questions first.

Growth is exciting, and with the right planning, it can be a turning point for your business. But whether you're taking on more clients, expanding your services, or launching into a new market, it's important to first make sure your financial foundations are solid enough to support what's next.

Here are four key questions to ask yourself before scaling up:

1. **Do you have enough cash flow for the next stage?** Growth often means spending before you earn. You might need to stock up on supplies, hire more staff, or invest in new technology. Do you have the working capital to manage that gap? If not, it could be time to explore funding options, stagger your expansion, or adjust your timeline.
2. **Are your systems and processes built to scale?** Can your current invoicing, inventory, and reporting systems handle increased demand? Review your software, automate what you can, and build in capacity now so your systems won't buckle under the pressure of a larger operation.
3. **Is your pricing model sustainable as you grow?** Bigger business brings more overheads and greater complexity. Are your current margins wide enough to cover these costs? Now's the time to adjust your pricing so it reflects the extra time, effort, and resources needed to deliver at scale without eating into your profits.
4. **Are there any tax or compliance implications?** Business growth can push you into new tax brackets, GST thresholds, payroll obligations or even overseas tax obligations if you are dealing with overseas customers or doing business overseas. Make sure you stay compliant. The last thing you want is a surprise tax bill just as your momentum is building.

Talk to your accountant about growing your business

Ready to grow, but unsure where to start? Let's chat about your financial readiness and help your plan for

Spring 2025

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Are your ads playing by the rules?

You're not trying to deceive anyone; you just want to stand out in a crowded market. But under the Fair Trading Act, even well-meaning marketing can land you in hot water with the Commerce Commission if it's misleading.

To help you stay compliant, here are five common advertising mistakes to watch for.

1. **Overpromising**

If it sounds too good to be true, the Commerce Commission takes notice. Be careful with bold claims, and only promise instant results if you can prove it.

2. **Hidden catches**

It's great to highlight the best parts of a sale, just don't let important terms and conditions get lost in the fine print. Customers appreciate clarity.

3. **The urgency trick**

There's nothing wrong with a 'Today Only' deal…so long as it doesn't run all week! In 2022, false urgency tactics earned online retailer 1Day an $840,000 fine.

4. **Misleading language**

In 2023, One NZ copped a hefty $3.675 million fine for a number of charges including advertising 'FibreX' as fibre broadband when it was copper. That false promise crossed the line, but even vague language can be a red flag. Always stick to clear, accurate wording.

5. **Price hikes and fake sales**

Make sure your sale prices reflect a genuine deal… because bumping up prices before a sale to make a discount look bigger isn't a real saving!

The takeaway?

Being clear, honest, and upfront is the best way to earn trust and keep both your customers and the Commerce Commission happy

Avoid negotiating face-off

When you're negotiating, the goal is usually to find a solution that works for everyone.

So, try not to set up the meeting in a way that makes it feel like you're on opposing sides. Sitting directly across from each other can make it feel more like a face-off than a collaboration.

Instead, arrange the seating so you're next to or at an angle with the other person. That way, it feels more like you're working together to figure things out.

And if you're invited into someone's office and they sit behind a desk facing you, feel free to move your chair to the side of the desk to sit a bit closer – unless your plan is to confront them. In that case, the face-off position might actually work!

Niching, Micro-Influencers, and TikTok can grow your business … even if you're not Gen Z!

Some of today's most effective business strategies come straight from Gen Z playbooks, but they're not just for the young. These three trends are helping all sorts of businesses connect with customers in smarter, more authentic ways.

1. **Find your niche**

If you're trying to appeal to everyone but getting lost in the crowd, it might be time to narrow your focus with a strategy known as niching.

Think bookkeeping services tailored to freelance creatives who hate spreadsheets. Or a job scheduling app that helps tradies manage tools and timelines with ease.

By offering something more specific, you might have a smaller pool of people, but it'll be easier for them to find you and recognise your value straight away. Plus, niche businesses benefit from lower ad spend, stronger branding, and more loyal customers.

2. **Work with micro-influencers**

You don't need a Kardashian, you just need someone your audience trusts.

Micro-influencers (typically with 10k–100k followers) have strong engagement and dedicated communities. A local foodie, fitness coach, or real estate agent. They're relatable, cost-effective, and their endorsements feel real because they are.

Start by searching Instagram or TikTok using hashtags related to your niche, or ask your customers who they follow. Many micro-influencers are open to partnerships: just reach out with a clear idea of your product, values, and what you're offering.

3. **It's TikTok o'clock**

No, it's not a real clock (and no, you don't have to dance!).

TikTok has become a discovery engine for small brands. The app's algorithm favours authenticity over polish, so you don't have to hire a social media manager to post daily: even one well-made post can take off. Use it to show behind-the-scenes moments, answer FAQs, or share real customer stories.

Dipping your toes into modern marketing?

If this all sounds like a different language, you're not alone.

Ask your kids or grandkids for a few pointers. Sign up to social media and follow small businesses you admire. Attend a digital marketing course to help break it all down. Or better yet, have a chat with someone younger in your network; they might be the shortcut you need into this new world of marketing.

Question and answer time ...

Is income tax payable on the sale of shares purchased as a long-term investment?

Question

An individual ("Bernadette") purchased shares worth $5,000 in a New Zealand tax resident company ("Co X"). The company pays regular dividends to its shareholders. Bernadette purchased the shares to hold on to as a long-term investment and to earn regular dividend income.

A year later Bernadette was gifted $2,000 by her aunt. She purchased further shares in another New Zealand tax resident company ("Co Y"), but this time, she purchases shares that she can sell in the short-term for a quick profit. Bernadette knows that any proceeds that she receives from the disposal of the shares in Co Y will be taxable as they were acquired for the dominant purpose of disposal.

Bernadette has no other shareholdings. Bernadette's financial circumstances have changed, and she wishes to sell the shares in Co X.
Will income tax be payable if Bernadette sells the shares in Co X?

Answer

The sale of the shares in Co X should not give rise to taxable income for Bernadette. However, Bernadette should ensure that she has the proper records to demonstrate that she did not acquire the shares for the purpose of disposal.

An amount derived from the disposal of personal property, such as shares, is income if the taxpayer acquired the property for the purpose of disposing of it (s CB 4 of the Income Tax Act 2007).

In this case, the disposal of shares in Co Y will clearly be taxable as those shares were acquired to sell in the short-term for a quick profit. The sale of the Co Y shares will not necessarily "taint" the sale of the Co X shares.

Inland Revenue comments on this position in an interpretation statement, IS 24/10, "Income tax — Share investments" issued in December 2024:

"An investor may also have different purposes for different types of shares that they acquire. Different purposes can be attributed to different acquisitions of shares, although the investor will need to be able to show this. For example, if possible (such as where brokers or financial advisors are used), it would be advisable for investors to hold shares acquired for long-term investment and shares acquired for sale in separate accounts."

Records that may be used to demonstrate a person's purpose for buying shares include:

- relevant documentation from companies, platforms or brokers when deciding what shares to buy
- file notes, emails or other documentation recording a person's purpose at the time of acquisition
- investment plans and any notes from financial advisors, if applicable
- information on expected dividend yields, and
- bank documentation if funds were borrowed to purchase the shares.

In conclusion, Bernadette should not have to pay income tax on the sale of the Co X shares as she did not acquire the shares for the purpose of disposal. Bernadette will need to produce sufficient evidence that she acquired the shares as a long-term investment and to earn dividend income if required to do so by Inland Revenue.

Does expenditure incurred on constructing new shops qualify for the Investment Boost regime?

Question

A New Zealand company is in the business of leasing commercial properties. They are not involved in any other business activities. They are looking to construct new retail shops on vacant commercial land already owned by the company. Once the retail shops are constructed, the company intends to lease the shops and derive commercial rental income. It is expected construction will finish in May 2026 and therefore the retail shops will be available for rent then.

Does the expenditure incurred on constructing the new shops qualify for the 20% Investment Boost deduction?

Answer

The new shops qualify as "new investment assets" and therefore expenditure incurred for constructing the shops will qualify for the new Investment Boost deduction.

Under the Investment Boost rules, businesses can claim a 20% deduction of the costs of a qualifying "new investment asset" in the income year that the business is first entitled to claim a depreciation deduction on the asset (subpart DI of the Income Tax Act 2007).

The Investment Boost deduction can be claimed for both depreciable and non-depreciable properties that qualifies as a "new investment asset" and must not have previously been used in New Zealand for any other purposes, other than as trading stock (s DI 2):

- For a "new investment asset" that is a depreciable asset, the asset must first become available for use in New Zealand by the person on or after 22 May 2025.
- For a "new investment asset" that is not a depreciable property, the deduction is only available for expenditure incurred on or after 22 May 2025 in acquiring the asset.

A "new investment asset" is defined to include (s DI 4):

- all depreciable property including property with a 0% depreciation rate (for example, certain commercial and industrial buildings), but excluding dwellings (ie, most residential buildings) and fixed life intangible property (FLIP),
- improvements to depreciable property and existing depreciable property (other than to dwellings and FLIP),
- primary sector land improvements, and
- assets acquired as petroleum development expenditure and mineral mining development expenditure (except rights, permits or privileges).

In this case, the new retail shops are commercial buildings that qualify as "new investment assets", and given the shops are expected to be available for use in May 2026 which is after 22 May 2025, the company can claim a 20% Investment Boost deduction on the cost of constructing the shops during the year ending 31 March 2027.

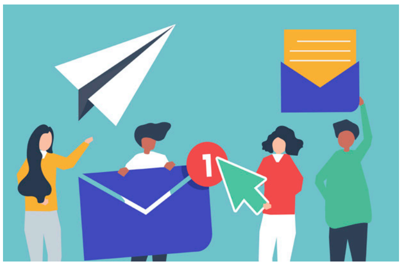
Stay afloat on choppy waters

The economy is slowly picking up, but let's be honest, it's still tough out there for a lot of small businesses.
If you're feeling the pinch, you're not alone. The good news? Staying afloat (and even growing) is possible with a few smart moves.
First, know what sinks a business. Common culprits include:

- poor cash flow
- no clear idea about why customers should choose you
- weak marketing and sales
- ignoring what customers actually want
- trying to grow too fast.

Money matters. Keep a close eye on your finances. Track what's coming in and going out, watch your cash flow weekly.
Cut unnecessary costs fast, and as your accountant will tell you – never borrow from the tax department. Pay all taxes on time.
Stick to your strengths. Trying to do everything can stretch you too thin. Focus on what you do best.
Know your customers. Ask for feedback, and keep your request very short. Customers don't have time for a long string of your questions. Watch what's working, and be ready to adjust. Happy customers are loyal ones.
Keep marketing. Even when you're busy, don't go quiet. Visibility brings leads, so stay top of mind with your potential and existing customers.
Stay flexible. Markets change, tech evolves. Be willing to adapt.
And finally, ask for help. Talk to mentors, join a business group, or hire a pro for tricky areas.

Bottom line: Stay sharp, stay steady, and don't go it alone.



DCS a safety net for your money

If your bank or credit union suddenly goes out of business what happens to your money? That's where the Depositor Compensation Scheme (DCS) comes in. It's a government safety net designed to protect your savings. It became effective from 1 July 2025, and is administered by the Reserve Bank.
If a deposit taker such as a bank, building society, credit union, or finance company fails, the DCS ensures you're covered up to $100,000 per deposit taker, as long as your money is in a DCS-protected account. To get the protection, you should make sure the firm you are lending to is registered as being DSC covered.
The Reserve Bank provides a list of all deposit takers that offer DCS- covered deposits. Go to dsc.govt.nz.

What's covered?

The DCS automatically applies to a wide range of everyday deposit accounts, including:

- transaction accounts
- savings accounts
- notice accounts
- term deposits.

What's not covered?

Some types of funds fall outside the DCS, such as:

- bonds and other tradable products
- KiwiSaver and other managed superannuation schemes
- foreign currency accounts
- losses from scams or fraud.

Certain depositors, such as government agencies, might not be eligible.
The Reserve Bank's website offers helpful examples of how DCS coverage works in real-life situations. While most common deposit types are protected, there are exceptions.
To be sure your money is covered, check with your bank or deposit taker.
Financial peace of mind is important. The DCS helps to ensure your savings are safe.

A smart way to organise your emails

Ever feel like your inbox is a never-ending mess? Smart mailboxes might just be the trick you didn't know you needed.

In email clients like Apple Mail, smart mailboxes are like virtual folders that automatically gather emails based on rules you set – like who it's from, what it says, or when it arrived. They don't move the emails physically, but they give you a clean, organised view without touching your original folders.

Other email platforms have their own versions, too.

Outlook has "Search Folders" (same idea: dynamic views based on filters), and Gmail uses "Filters" and labels to group emails automatically.

Smart mailboxes make life easier. Here's what they do:

- show emails based on your chosen rules (sender, subject, keywords, etc)
- eave your emails where they are – no dragging and dropping needed
- update automatically when new matching emails come in
- keep things tidy by grouping messages by topic or project
- save you time by cutting down on searching.

A quick example might be that you're working on a new publication. Set up a smart mailbox that grabs every email with the project name in the subject or body. Boom – instant project hub, even if the emails are scattered across lots of inboxes.

Smart mailboxes are one of the most underused (and most powerful) email tools out there. If you're not using them, you're missing out!

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