



trialbalance

The official newsletter of NZ CA Limited

IN THIS ISSUE

Prudent business steps during New Zealand's economic recovery

Tax calendar

Take care if winding up a family trust

Tax on sponsorship under review

How to say that difficult word "no" nicely (and still be friends)

Employee image rights

SIMPLIFIED WORK LEAVE RULES PROPOSED

For years employers have struggled to understand the rules about paying holiday pay and sick pay.

The government has now come up with a rather simple formula. It isn't law yet so you can't apply the new rules. However, if it becomes law this is how it is currently proposed to work:

● **Annual leave** – count the number of hours worked by your employee. Multiply this by 0.0769 and you get the number of hours of annual leave you should be granting your employee. So, if Alice

works 200 hours then she gets an entitlement of $200 * 0.0769$ hours of holidays. That works out at 15.38 hours. If you know her hourly rate you can easily calculate how much holiday pay she is entitled to.

● **Sick pay** – same idea only the figure you multiply by is 0.0385. So Alice's entitlement to sick pay, if she has worked 200 hours is 7.7 hours.

● **Casual workers** – if you read the sick pay and holiday pay together it comes to 11.54% ($.0769 + .0385$). At present proposal is to round this up to 12.5%



THE DIFFERENCE IS FOCUS

Being busy isn't the same as being profitable. Many businesses fill their days with activity but struggle to see results. The difference is focus. Profitable businesses prioritise work that delivers value and aligns with their strengths. They review how time is spent, cut low-value tasks, and price work appropriately. Taking time to step back and ask "Is this worth it?" can be uncomfortable, but it often leads to better decisions, healthier margins, and a more sustainable business.

“For years employers have struggled to understand the rules about paying holiday pay and sick pay.”

KIWISAVER CONTRIBUTION CHANGES

What employers need to know

From 1 April 2026, the default KiwiSaver contribution rate for both employees and employers will increase from 3% to 3.5%.

Employees who wish to stay at 3% can apply to the Inland Revenue Department for a temporary rate reduction from 1 February 2026. If this is approved, the employer can continue matching their reduced rate of 3%. Once the employee moves back to the higher contribution, you'll need to increase your employer contribution to 3.5%. The IRD will notify you when this change occurs.

There's also an important change for younger workers. Employees aged 16 and 17 will now qualify for employer KiwiSaver contributions. If they contribute from their wages, you'll be required to contribute as well.





PRUDENT BUSINESS STEPS DURING NEW ZEALAND'S ECONOMIC RECOVERY

New Zealand's economy is recovering gradually through 2025–2026, supported by lower interest rates, improving household incomes, strong tourism, and stable export demand. However, businesses still face headwinds such as weak confidence, higher energy costs, and global trade uncertainty.

Economic activity has been slow to rebound due to previously high interest rates, weakened consumer spending, and reduced investment activity.

The Reserve Bank has lowered interest rates, and GDP growth is expected to pick up over late 2025–2026.

Business specific forecasts suggest 2026 will be a period of steady improvement, easing inflation, and more predictable lending conditions.

With that backdrop, here are prudent and actionable steps business owners can take.

1. Strengthen Cashflow and Financial Resilience

Review debt structures while interest rates are low and stabilising, taking advantage of favourable conditions to consolidate or refinance.

Maintain strong cash reserves, as economic recovery remains uneven across sectors and consumer spending is still subdued.

Stress test financial plans against possible global trade disruptions or energy cost volatility.

Do you have enough working capital or access to working capital to support extra demand i.e. increasing stock levels, increasing staffing etc.

2. Focus on Productivity and Technology Upgrades

OECD guidance emphasises the need for productivity lifting investments, including digitisation, energy efficiency, and more open regulatory practices.

As businesses refocus on efficiency, investing in workflow automation, business analytics, and cloud systems can yield longterm benefits.

Before ramping back up, now is the time to look at your systems and processes

and consider all options for maximum productivity, protection against future recession and keeping up to date or even better ahead of competition.

3. Align With Sector Specific Recovery Trends

Agriculture and food exports are likely to lead growth due to improving global demand. Businesses in these areas should scale capacity or diversify export markets.

Tourism continues strengthening, so hospitality, transport, and regional services should prepare for rising demand.

Professional and business services will benefit from organisations investing in productivity and technology, making it a good time for firms to expand offerings.

4. Manage Costs and Improve Operational Discipline

With household spending still soft and unemployment only gradually declining, tighten cost controls without undermining growth opportunities.

Monitor supply chain pricing and lock in favourable contracts where possible, as global tariff uncertainty may impact import and export pricing.

5. Invest in Workforce Capability

Labour market conditions remain weak, providing an opportunity to secure talent and invest in upskilling.

Prepare for future wage pressure by improving employee productivity through training and better tools.

6. Leverage Lower Interest Rates for Strategic Investment

The OCR has been reduced and may be lowered further depending on inflation trends, creating favourable borrowing conditions.

Consider capital investments (equipment, facilities, technology) that position the business for 2026–2027 growth.

7. Refresh Risk Management and Market Diversification

The economy is still vulnerable to global

TAX CALENDAR

7 April 2026

Terminal tax for 2025 (March, April, May balance dates). For all clients except those who have lost their extension of time privilege.

7 May 2026

Third instalment of 2026 Provisional Tax (March balance date).

28 May 2026

First instalment 2027 Provisional Tax (December balance date).

31 May 2026

Deadline for Fringe Benefits Tax returns.

tariff changes, energy cost fluctuations, and weakened confidence. Diversify supply chains and export markets to reduce concentration risk.

Build contingency planning into contracts, inventory management, and pricing strategies.

8. Monitor Consumer Behaviour and Adapt Offerings

With spending still subdued but slowly improving, businesses should track demand signals and adjust product lines, pricing strategies, or service models.

Use electronic card transaction trends and regional economic indicators from Stats NZ to make evidence based decisions.

9. Focus on Energy Efficiency and Sustainability

Higher energy costs are still a headwind; reducing consumption or adopting cleaner energy solutions can lower costs and meet rising stakeholder expectations.

Explore government incentives or sustainability programmes that support climate resilient investment.

10. Maintain Regular Engagement With Lenders, Advisors, and Industry Partners

Collaborate closely with advisers to align borrowing decisions with longterm strategic goals.

Participate in local business networks and industry bodies to stay informed on regulatory changes, sector trends, technology enhancements and support programmes.

“The best way to treat obstacles is to use them as stepping-stones. Laugh at them, tread on them, and let them lead you to something better.”

– Enid Blyton



TAX ON SPONSORSHIP UNDER REVIEW

The Inland Revenue Department is revising its understanding of what constitutes a tax-deductible expense for sponsorship.

- Sponsorship can be either in the form of money, products or services.
- If you want to claim a deduction, there needs to be a sufficient connection between the expenditure and the earning of business income. So if you feel you would like to contribute to your favourite sports team, you have to get good value in return otherwise your expenditure is not tax deductible.
- The amount of the expenditure could be relevant to the deductibility if “the parties – are associated”. This means if your company is sponsoring your favourite sports team or a relative’s activity, there is – an association between you and the company, which tends to suggest the expenditure is not genuinely advertising for the business but rather for your personal benefit.
- Your purpose at the time of incurring the cost is the key factor.
- You need to be careful if you are supplying trading stock. If you supplied trading stock at less than market value, Inland Revenue says you are making a taxable profit on the difference between market value and the cost at which you supplied the goods.
- If you provide the services of one of your staff, the salary paid is tax-deductible.
- If you acquire the use of a valuable asset as part of the sponsorship but you don’t get ownership of it, the related sponsorship cost is tax deductible.

TAKE CARE IF WINDING UP A FAMILY TRUST

If you’re winding up your family trust, which some people are doing as a result of the top tax rate changing to 39%, be careful if your trust owns shares in your own company.

When there is a change in shareholding in a company, such as from the family trust to you, if the number of shares being transferred exceeds 34% of the total shareholding of the company, imputation credits are forfeited. In fact, you’ve also got to look out for past shareholding changes because the rule requires a continuity shareholding of 66% of voting shares (and market value interests, if applicable) from the date the tax was paid

to the date the credit is used. So if there has already been a shareholding change, be very careful. Declare a dividend to use up your imputation credits before you change your shareholding.

Why is this important? Because when you wind up your company you have to pay out retained earnings as dividends. If you’ve lost imputation credits, you get taxed again on these distributions. Imputation credits are designed to allow you tax relief to the extent the company has already paid tax on its income being distributed to you.

HOW TO SAY THAT DIFFICULT WORD “NO” NICELY (AND STILL BE FRIENDS)

- Start with warmth. A smile, a thank you, or a kind opener softens everything.
- Be clear. A simple “I can’t” is kinder than a confusing maybe.
- Keep it short. Long explanations invite debate and drain energy.
- Own your NO. Use “I” statements so it feels honest, not personal.
- Show appreciation. Let them know you value being asked.
- Offer an alternative if you want to. Suggest another time or a different way to help.



- Stay calm and friendly. Your tone does half the work.
- Repeat if needed. Calmly saying the same no is still polite.
- A kind closing keeps the relationship happy. Saying no can be respectful, upbeat, and friendship friendly.



Directors

Michelle Barnett
Daniel Britten
Kelly O'Reilly-Ward
Robert Veitch
Coralie Wedekind

Contact

Cnr Te Heuheu and Ruapehu
Streets
PO Box 214,
Taupo
New Zealand

Phone: 07 376 1700

Fax: 07 376 1711

Email: info@strettons.co.nz

Website: www.strettons.co.nz

EMPLOYEE IMAGE RIGHTS

Consent, social media and ownership in New Zealand work places

In today's digital world, showcasing your team on social media and your company website is a powerful way to build brand trust and attract talent. But before you post that photo from Friday's team lunch or a behind-the-scenes video, it's essential to understand the legal and ethical requirements around using employee images in New Zealand.

“... it's essential to understand the legal and ethical requirements around using employee images.”

WHY CONSENT MATTERS UNDER NZ LAW

Employee photos are considered personal information under the Privacy Act 2020, which means employers must handle them with care. Simply taking a photo at work doesn't give you the right to use it for marketing or external purposes. The law requires:

- Clear, informed consent: Employees must know how their image will be used (e.g., on social media, in recruitment ads, or on your website).
- Specificity: A vague "we might use your photo" clause isn't enough. State the exact platforms and purposes.
- No secondary use without consent: If you collected the photo for internal use, you cannot later use it for public marketing without fresh permission.

Failing to follow these rules can lead to complaints to the Privacy Commissioner, reputational damage, and even compensation payouts.

BEST PRACTICES FOR GETTING PERMISSION

1. Use a Photo Consent Form

A written consent form is the safest approach. It should include:

- Where and how the image will be used (website, social media, print).
- How long consent lasts.
- The employee's right to withdraw consent at any time.

2. Include Image Use in Your Workplace Policy

- Outline your approach in your social media or IT policy.

- Make it clear that photos require permission and specify who approves posts.
- **3. Communicate Transparently**
- Explain why you use images (e.g., to promote company culture) and reassure staff that their privacy matters.

WHO OWNS THE CONTENT WHEN EMPLOYMENT ENDS?

Ownership of the photo itself usually belongs to the company if taken during work for business purposes. However, the right to use an identifiable image depends on consent. If an employee withdraws consent or leaves the company, you may need to remove their image from marketing materials unless:

- The consent form explicitly allows continued use after employment ends.
- There is another lawful basis for retention (rare in marketing contexts).

Best practice? Plan for post-employment scenarios in your consent form. Include a clause stating whether images will remain in archived content or be removed upon request.

KEY TAKEAWAYS FOR EMPLOYERS

- Always get explicit, informed consent before using employee images externally.
- Document consent and allow withdrawal at any time.
- Review your policies to ensure compliance with the Privacy Act 2020.
- Consider updating your consent forms to cover post-employment use.

Members of NZ CA Limited

Accountants Hawkes Bay - Napier	(06) 843-4868
BM Accounting Limited - Havelock North	(06) 876-7159
- Waipukurau	(06) 857-8901
Brophy Knight Limited - Ashburton	(03) 308-5104
Brown Glassford and Co Ltd - Christchurch	(03) 365-0881
Candy Gillespie - Matamata	(07) 888-7089
Chrisp & Davidson - Gisborne	(06) 869-0449
Focus Chartered Accountants - Whakatane	(07) 307-1141
GCOL Ltd - Lower Hutt	(04) 939-1975
gfa Chartered Accountants - Te Awamutu	(07) 872-6444
G.S. McLaughlan & Co - Dunedin	(03) 477-8192
Harris Taylor - Hawera	(06) 278-5058
ICL Chartered Accountants - Alexandra	(03) 440-0100
Martin Wakefield - Timaru	(03) 687-7122
- Christchurch	(03) 343-4012
Matheson Rae - Christchurch	(03) 343-3692
McDonald Vague - Auckland	(09) 303-0506
McIntyre Dick & Partners - Invercargill	(03) 211-0801
Naylor Lawrence - Palmerston North	(06) 357-0640
nsaTax Limited - Auckland	(09) 309-6505
O'Connor Richmond - Gore	(03) 208-9240
Robertson Bixley - Auckland South	(09) 299-6596
RSM New Zealand - Auckland	(09) 271-4527
- Auckland North	(09) 414-6262
- Auckland Central	(09) 367-1656
Southey Sayer - Masterton	(06) 370-0811
Strettons - Taupo	(07) 376-1700
Vazey Child Limited - Hamilton	(07) 838-2169
Whitelaw Weber Limited - Kerikeri	(09) 407-7117
- Kaikohe	(09) 401-0991
- Kaitia	(09) 408-1220
YRW Limited - Tauranga	(07) 578-0069

Changes in Particulars

Please remember to let us know of any changes in:

- Physical address
- E-mail address
- Phone and/or fax numbers
- Shareholdings
- Directorships
- Trustees

Or anything else that may be relevant.

Disclaimer

All the information published in Trial Balance is true and accurate to the best of the author's knowledge however it should not be a substitute for professional advice. No liability is assumed by the authors or publisher for any losses suffered by any person relying directly or indirectly on this newsletter. Views expressed are the author's own.

Articles appearing in Trial Balance may not be reproduced without prior approval from the editor and credit being given to the source.