

Budget 2010 – Highlights That May Affect You Or Your Business

June 2010

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Special points of interest:

Please remember we have various methods of payment of your account with us. You can still post us in your cheque, however we also have [Eftpos](#) and [feeSmart](#) available

feeSmart is a monthly payment option available to our clients who prefer to fund their professional fees over a six or twelve month period.

If you wish to explore this option contact Katrina at our office today on:

Ph: (03) 687-2036 or email: katrina@footes.co.nz

GST Changes

GST will increase to 15% from 1 October. This increase in GST will raise an additional \$2.46 billion in government revenue by 2013/14, without factoring in increasing spending arising from income tax relief.

The increase in GST will produce both challenges and opportunities for business. It creates a difficult "divide by" calculation. To arrive at the new GST inclusive price DO NOT add 2.5% to the price, add 15% to the GST exclusive price. Welfare benefits will be increased by 2.02% on 1 October to compensate for the GST rise.

GST rules will be changed to prevent the use of "phoenix" arrangements, by zero-rating transactions involving the transfer of land between registered persons.

Checklist of issues to consider

As a minimum, all businesses should consider the following:

1. Do your contracts allow you to increase the price you charge to your customers/clients to cover the GST rate increase?
2. Can you maximise any marketing opportunities in the lead up to the GST rate increase?
3. Can you comfortably pass on the GST rate increase, given your business' mix of non-registered versus GST registered customers?
4. Is the GST rate increase an opportunity to increase your price to customers/clients and if so, how will you communicate this?
5. What transitional adjustments will you need to make in your first GST return after the GST rate increase?
6. Can your computerised invoicing system issue tax invoices at the old and new rates of GST?
7. Conversely, can your business accounting system cope with suppliers' invoices at the old and new rates of GST?
8. What changes will you need to make to your current systems and procedures?
9. What changes will you need to make to your business documentation?
10. What are the likely compliance (IRD) issues that will result from the GST rate increase?
 - Split GST returns
 - Transitional adjustment required for cash basis clients

Qualifying Companies (QC)

The IRD has released the National Average Market Values of Specified Livestock Determination 2010 which is to be used for the valuation of specified livestock for the 2009/2010 income year under the Herd Scheme. You can view this information at <http://www.ird.govt.nz/technical-tax/>

- ✦ From 1 April 2011 all QC's will become "flow-through" entities for tax purposes.
- ✦ This means all income and losses will flow through to parties in proportion to their interest in the QC.
- ✦ Dividend and imputation rules will no longer apply to these companies.
- ✦ Loss limitation rules will apply.
- ✦ A QC will file a Partnership return not a Company return.
- ✦ Loss Attributing Qualifying Companies (LAQC) become Qualifying Companies (QC).

Depreciation

- ✦ No depreciation on buildings with an estimated useful life of 50 years or more from start of 2011/2012 tax year.
- ✦ Depreciation loading will be removed for the purchase of all new assets on or after 21 May 2010.

Company Tax Rate

- ✦ The company tax rate will fall from 30% to 28% from the 2011/12 income year. There will be a two year transitional period for imputing dividends at the existing 30% rate.

ACC Cover Plus Extra

ACC Cover Plus Extra is the right option for self-employed people and non-PAYE shareholder-employees looking to pre-determine their compensation levels following an injury. It maintains all the normal cover of ACC Cover Plus but also provides the choice to negotiate an agreed level of weekly compensation. Contact our office on 03 687 2036 for further information.

Personal Tax Cuts

Personal tax cuts apply from 1 October 2010 for all taxpayers. The top personal rate reduces from 38% to 33%, but the full annual reduction will not take effect until 1 April 2011. Effective annual rates are listed below:

Current and new tax rates

Taxable Income (\$)	2009/2010	2010/2011 (Composite Rate)	2011/2012
0 – 14,000	12.5%	11.5%	10.5%
14,001 – 48,000	21.0%	19.25%	17.5%
48,001 – 70,000	33.0%	31.5%	30.0%
Over 70,000	38.0%	35.5%	33.0%

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**Tax Payable
New rates vs. Current rates**

Taxable Income (\$)	2009/2010	2010/2011	2011/2012
20,000	3,010	2,795	2,520
30,000	4,590	4,170	3,750
48,000	8,890	8,155	7,420
60,000	12,850	11,935	11,020
90,000	23,750	22,185	20,620
120,000	35,150	32,835	30,520
150,000	46,550	43,485	40,420
200,000	65,550	61,235	56,920