

WBB Newsletter - February 2008

Our Topics:

- 2008 Year End
- Provisional Tax Changes
- Company Tax Rate 33% to 30%
- Renewal of Personal Property Securities Act Registrations
- Research and Development Tax Credits



2008 Year End

Welcome to another financial year close off.

To help finish off the year we have detailed below a list of things to do before 31 March, on 31 March, and soon after 31 March.

If you have more than one business, please follow these instructions for each entity.



BEFORE 31 MARCH 2008

Bad Debts

It is time to review your Debtors Ledger for bad debts. To claim a deduction for bad debts, the defaulting accounts **MUST** be written off your Debtors Ledger prior to 31 March 2008.

It is not merely enough to actually reduce the amount of the debtors after balance date by the amount of estimated bad debts or unrecoverable amounts owing.

Repairs & Maintenance

Remember that all assets costing less than \$500 (GST exclusive) may be claimed as an expense in the year of purchase.

Structures & Financing

It may be time to consider an alternative structure or financing method for your business. Now is the time to consider Companies, LAQC's and Trusts. If you are interested please contact us.

ON 31 MARCH 2008

Trading Stock

Your stock (including work in progress) must be counted, recorded and valued at 31 March 2008. The trading stock rules require that you value at the **lower** of cost or market selling value (market selling should allow for obsolescence). Remember to exclude GST from your calculations and prepare a written record of your stocktake.

Stock value less than \$5,000.00

- if your total gross income for the year is \$1.3 million or less; and
- you can reasonably estimate your stock on hand at 31 March 2008 to be less than \$5,000 (excl GST), you can choose not to value your closing stock or to include any change in value.

SOON AFTER 31 MARCH 2008

Year End Bank Reconciliations

If you have a computerised cashbook, when you receive your bank statement for 31 March 2008, ensure all transactions are entered for the year and perform a bank reconciliation to this date being 31 March 2008 and print a hard copy for your records.



PAYE Payments Due 5/20th April 2008

If you are planning to pay out Directors Fees or additional salaries to either your employees or shareholder employees, you will need to pay to the IRD the PAYE content of the payments by the 5th or 20th April, 2008.

RWT Payments Due 20th April 2008

If you are planning to pay interest on loan accounts you will need to pay to the IRD the RWT content of the interest by the 20th April 2008.

PREPARATION OF YOUR 2008 ANNUAL FINANCIAL STATEMENTS & INCOME TAX RETURNS

Our 2008 Annual Checklist(s) are available on our website at www.wbb.co.nz. These need to be completed and signed before we process your 2008 information. The accuracy and completeness of this information you provide has a direct influence on the time required to perform your assignment. When you are ready to deliver your records to us please remember to include the completed and signed checklist(s). If you do not have access to our website and require a copy of the Checklist, please give us a call and we will post out to you.

Provisional Tax Changes

Changes to the way you pay Provisional Tax:



If you are GST registered:

From the beginning of your 2008-09 tax year (for most this will be 1 April 2008), you will pay your Provisional Tax at the same time as you pay your GST, on a single GST and Provisional Tax Return (GST103).

You will continue to file your GST return as normal in the months where no Provisional Tax Payment is required unless you choose to make a Voluntary Provisional Tax Payment.

If you are not GST registered:

You will continue to pay Provisional Tax in three instalments, but the dates will change.

How we will handle this change:

WBB will continue to post you IRD Provisional Tax Payment slips as normal, advising you what amount of provisional tax to pay and the due date. This slip can be attached to your cheque and sent to the IRD instead of completing the provisional tax section on the new single GST and Provisional Tax Return.

Changes to the dates you pay Provisional Tax:

From the beginning of your 2008-09 tax year (for most this will be 1 April 08), the due dates for your Provisional Tax Instalments are:

| | | | 31 March balance date | Non-standard balance date (other than 31 March) |
|-----------------------|--|---------------|----------------------------------|---|
| Not GST Registered | | 3 instalments | 28 August 15 January 7 May | The 28 th day of the 5 th , 9 th and 13 th months after your balance date * |
| GST registered | One monthly and two monthly GST returns | 3 instalments | 28 August 15 January 7 May | The 28 th day of the 5 th , 9 th and 13 th months after your balance date * |
| | Six monthly GST returns | 2 instalments | 28 October 7 May | The 28 th day of the 7 th and 13 th months after your balance date.* |

* If you have a July or November balance date, then your December and April provisional tax instalments are due 15 January and 7 May respectively. This is to give you additional time over the Christmas and Easter periods to pay your Provisional Tax. There is no change to your end of year tax due date.



New Ratio Method for calculating Provisional Tax:

The IRD have introduced a new Ratio Option for calculating your Provisional Tax. At this stage we do not see any benefit in this option. In our opinion it is over complex and does not achieve what it was designed to do – benefit small to medium sized businesses. If you would like to discuss this option further please contact us.

Company Tax Rate 33% to 30%

From the beginning of your 2008-09 tax year (for most this will be 1 April 2008), the company income tax rate will be reduced from 33% to 30%. This makes a number of consequential changes which affect:

- ***Provisional Tax***
The first payment to which the new rate applies is the first provisional tax instalment for 2008-09. We will adjust your calculation to take into account the new lower tax rate.
 - ***Imputation***
From 1 April 2008 Imputation Credits will accrue at 30 cents instead of 33 cents. This will affect Imputation Credits available to attach to dividends, however we have until 31 March 2010 to utilise Imputation Credits at 31 March 2008 accrued at 33 cents.
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Renewal of Personal Property Securities Act Registrations

Anyone that has registered financing statements or for whom financing statements have been registered, which are still current, needs to ensure that they are renewed before the expiry of 5 years.

For those who registered on 1 November 2002, which is when the register commenced, you've missed the boat. You need to renew before 1 November this year. That may not be vital, because you may be able to register a new financing statement, but you may have lost priority.

Research and Development Tax Credits



NZ business conducting Research and Development (R&D) in New Zealand will be eligible for a credit of 15% of allowable expenditure. These R&D credits will be used to offset a business's tax liability and any surplus R&D credits will be available for refund. R&D credits will be paid out in cash to loss making businesses such as start-ups. If you are undertaking activities for the purpose of improving efficiencies, durability or creating technological improvements, please contact Brett Mathers on ph: 486-5872 to find out more detail about your eligibility for the R&D tax credit.

Regards

Phil, Lewis and the WBB Team

