

WBB Newsletter - March 2009

Our Topics:

- Tax Changes / April 2009
- Tax Measures Bill to Provide Some Relief to SME's
- WBB Terms and Conditions of Trade
- Important Dates
- 2009 Year End
- The Team – Update



Tax Changes / April 2009

Personal Income Tax Rate and Threshold Changes

Reductions to personal tax rates and thresholds will be phased in over the next three years, starting on 1 April 2009. The new rates will apply to all individuals including:

- Employees who make PAYE payments directly to Inland Revenue (IR56 customers); and
- Individuals who file IR3 tax returns.

Current PAYE Rates and Thresholds:

Income Thresholds Rates

- Income to \$14,000 12.5%
- \$14,001 - \$40,000 21%
- \$40,001 - \$70,000 33%
- \$70,001 and over 39%

New Rates and Thresholds from 1 April 2009:

Income Thresholds Rates

- Income to \$14,000 12.5%
- \$14,001 - \$48,000 21%
- \$48,001 - \$70,000 33%
- \$70,001 and over 38%

New Rates and Thresholds from 1 April 2010:

Income Thresholds Rates

- Income to \$14,000 12.5%
- \$14,001 - \$50,000 21%
- \$50,001 - \$70,000 33%
- \$70,001 and over 37%

New Rates and Thresholds from 1 April 2011:

Income Thresholds Rates

- Income to \$14,000 12.5%
- \$14,001 - \$50,000 20%
- \$50,001 - \$70,000 33%
- \$70,001 and over 37%



Independent Earner Tax Credit (IETC)

The IETC is for New Zealand tax residents who earn an annual net income of between \$24,000 and \$48,000 in a tax year (1 April to 31 March) and don't receive:

- Working for Families Tax Credits
- An income tested benefit, including:
 - Domestic purposes benefit
 - Emergency benefit
 - Independent youth benefit
 - Invalid's benefit
 - Sickness benefit
 - Unemployment benefit
 - Widow's benefit
- NZ Super
- A veteran's pension; or
- A foreign equivalent of any of the above.

From 1 April 2009 eligible tax payers earning between \$24,000 and \$44,000 will be entitled to an extra \$10 each week. For eligible tax payers earning over \$44,000 the independent earner tax credit decreases by 13 cents for every additional dollar earned.

Those eligible can choose to receive the IETC through their pay or as a lump sum at the end of the year. Salary and wage earners will receive the IETC through their pay and the self employed, contractors, can claim the IETC as a lump sum after the end of the year.

Employers will need to provide eligible employees with a new Tax Code declaration form IR330 to ensure the new ME and MESL codes are used.

Impact of the New Rates on Fringe Benefit Tax

Currently there is the option of applying the multi-rate tax rate or using a flat rate of 64%.

- From 1 April 2009 the flat rate changes from 64% to 61%.
- From 1 April 2010 the flat rate changes from 61% to 59%

If you are using the multi-rate option there is no change to the 49% tax rate for quarters 1 to 3.

The multi-rate fringe benefit rates for the year ending 31 March 2010 have changed. The following rates will apply:

Income Range	Tax Rate
\$1 - \$12,250	0.1429
\$12,251 - \$39,110	0.2658
\$39,111 - \$53,850	0.4925
\$53,851 and above	0.6129

Research and Development Tax Credit

The R&D tax credit has been repealed with effect from the 2009-10 income year.

Businesses will still be able to claim the credit for the 2008-09 income year, but if a business's eligible R&D spans more than the first year, it can only claim the credit for expenditure on R&D carried out in the 2008-09 year.



Use of Money Interest Rates

Use of money interest rates on underpayments and overpayments of tax will change from 1 March 2009.

The new rates are:

- Underpayment rate: 9.73% (down from 14.24%)
- Overpayment rate: 4.23% (down from 6.66%)



Minds are like parachutes. They only function when they are open

Sir James Dewar



Tax Measures Bill to Provide Some Relief to SME's

The Government announced last month under some urgency that a Business Tax Measures Bill would be introduced to provide a package of assistance measures to small and medium businesses. The aim is to assist businesses to manage cash flows given tight economic conditions currently being faced by them. The main changes are:

- The 5% "uplift" rate that businesses pay on provisional tax instalments will be removed for the 2008-09 and 2009-10 income years, resulting in better tax cash flows for the next two years.
- Raising the provisional tax use of money interest ("UOMI") safe harbour thresholds for individuals from \$35,000 to \$50,000 (based on annual residual income tax).
- The GST payments threshold will be raised to \$2 million of GST turnover from \$1.3 million, so more businesses will have the cashflow advantage of only having to pay GST when payment from invoices has been received.
- The GST registration threshold will be raised from \$40,000 to \$60,000 of GST turnover, allowing businesses earning less than \$60,000 to de-register if they wish.
- Businesses with business-related legal expenditure of \$10,000 or less will be able to fully deduct the expense in the year it was incurred, whether it is capital in nature or not. This is provided that the legal advisor is a person who holds a practicing certificate issued by the New Zealand Law Society or an Australian equivalent. A deduction is available from the 2009-2010 income year.
- Low value trading stock threshold – increasing the exemption for adjustments from \$5,000 to \$10,000 (based on the value of trading stock).
- The PAYE once-a-month filing and payment threshold will be raised from \$100,000 to \$500,000, allowing more employers to file PAYE returns and pay PAYE once instead of twice a month.
- The FBT annual filing threshold will be raised from \$100,000 to \$500,000, allowing more employers to file FBT returns and pay FBT annually rather than quarterly. In addition, the value of minor fringe benefits that can be provided to employees without attracting FBT will be raised to \$300 per quarter per employee, and to \$22,500 a year per employer. This means fewer businesses will be required to return FBT on certain minor benefits provided to employees.

If you wish to discuss any of the above further please contact Brett Mathers on ph 486-5872 or email brett@wbb.co.nz.

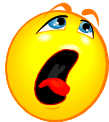


WBB Terms and Conditions of Trade



We have reviewed our internal systems and upgraded our Terms and Conditions of Trade to bring them into line with the norm in view of the current economic situation. The Terms and Conditions of Trade can be viewed online on our website www.wbb.co.nz by clicking on WBB Chartered Accountants on the left hand menu and then clicking on Terms and Conditions of Trade on the next left hand menu.

It's not the things you do in a day that make you tired.
It's the things you leave undone or the opportunities
you don't take



Important Dates

2008 Terminal Tax – 2008 terminal tax is due for payment on the 7th of April 2009. Payment advice letters will be posted shortly so that you have plenty of time to budget for this payment. If you have any concerns or wish to discuss, please contact your client services manager.

2009 Year End



As the balance date (31 March) for many taxpayers is fast approaching, we thought it an opportune time to remind you all of year end procedures and issues which need to be considered prior to or as part of year end accounts. Our 2009 Year End Procedure can be viewed on our website www.wbb.co.nz by clicking on "Ensure you Fulfil your March Tax Obligations" on our front page.

Action is the foundational key to all success



The Team - Update

We are all back at work now and trying to push through the remainder of our 2008 jobs. We all enjoyed the summer break, especially the weather, but it is now starting to feel like a very pleasant, and distant memory. It is definitely getting darker and cooler in the mornings now as autumn moves in.

Some exciting internal system changes here at WBB will be implemented over the next few months to aid in making the whole team run smoother.

A big welcome back to Karyn Forsman who is now making the journey into WBB on Mondays and Tuesdays to manage some of our larger clients. It is nice to have her physically back with us in the office.

Arti Karan is back from maternity leave and now working with us 3 days a week from either home or in the office so please feel free to contact her by email on arti@wbb.co.nz if you need her.

Regards

Phil, Lewis and the Team

