

***FREE UP YOUR TIME***

A problem faced by many businesses is having the time and knowledge to attend to all those administrative tasks. Your time is probably better spent focusing on the core business activities. Or you may just want to enjoy more leisure time.

Sometimes the employment of an administrator is the answer. However for many small businesses, there is not sufficient work to justify this. If you could benefit from help with some of the admin chores, please talk to us. We can provide assistance with:

- payment of accounts
- invoicing and debtor statements
- wages payment and associated PAYE matters
- GST Return preparation

***BUDGET MATTERS***

For most of us there were no great surprises in this year's budget. While the contents have been widely reported in the media, we summarise here the matters which will have the greatest impact for most of our clients.

***Income Tax***

- **Tax** rates across all income levels will fall from 1 October. The present and proposed rates for **individuals** are below.

<b>Income Level</b>	<b>Current Rates</b>	<b>New Rates</b>
\$0 - \$14,000	12.5%	10.5%
\$14,001 - \$48,000	21%	17.5%
\$48,001 - \$70,000	33%	30%
\$70,001 +	38%	33%

- The **Company** tax rate will fall from the present 30% to 28%. It is good to see a practical approach here – this change is effective from 1 April 2011 rather than the mid year date for the changes above.
- The **Trust** tax rate remains unchanged at 33%.
- **Depreciation** deductions were, as expected, a casualty. There are two changes here:
  - The 20% loading which applied to new assets was removed with effect from budget date (i.e. 20 May 2010) e.g. a new car will now qualify for a 30% rather than a 36% rate – the same as a used car.

- Buildings (except those with an expected life of less than 50 years) will not qualify for a depreciation claim after 1 April 2011. Existing buildings will not be depreciated further from that time, and the claims already made will still be subject to recovery upon sale. Chattels, not considered to be part of the building, will continue to be eligible for depreciation.
- **Residential Rental Investors** fared better than many expected. Apart from the depreciation curtailment, the only other change, which will not greatly affect most investors, applies to Loss Attributing Qualifying Companies. At present losses flow to the shareholders, often facing the top tax rate (currently 38%) but if a profit is made (usually due to depreciation recovery) it can be taxed at the company rate (presently 30%). Under proposed changes the profits will also be taxed at the shareholders tax rate.
- **Working for Families** - Government is to further study ways to ensure this is not claimed by those not intended to receive it. For the time being the only change is that investment (including rental) losses will need to be added back to income for this purpose. This is already the case for investors using LAQCs.
- **Audit Activity** - Last but not least – IRD will receive a further \$120 m over 4 years. This will fund increased audit and compliance activity focusing on debt collection, the “hidden economy” and property transactions.

### **Goods & Services Tax**

The numbers you need to know are these:

<b>Calculations</b>	<b>Present</b>	<b>From 1 October 2010</b>
GST Rate	12.5%	15%
To find GST content of a price	x 1/9	x 3/23
To convert GST incl. to GST excl.	x 8/9	x 20/23
To convert GST excl. to GST incl.	x112.5 %	x115%

Most small businesses account for GST on a “payments basis.” After 1 October all income received and payments made need to be accounted for at the 15% rate. This is the case even though when the invoice was issued/received the GST content was 12.5%.

To counter distortions caused by this, in your GST Return to 30 September 2010 an adjustment must be made for Accounts Receivable (Debtors) and Accounts Payable (Creditors) at 30 September.

If your GST return spans 30 September, it will be necessary to file one return to 30 September and another to your normal GST date. (but both will be done at the usual time.)

For those clients using computerised invoicing and /or GST Return systems, you need to ensure your system will handle a new GST rate.

We have kept this section brief but ask that you please contact us if you have any queries or require assistance with your specific situation.