

Oldershaw & Co Ltd

CHARTERED ACCOUNTANTS

Welcome to the 2009 tax year.
Yet again the new tax year has rolled around. We would like to wish you well for the 2009 year and remind you that the earlier your paperwork is available to us, the sooner work can begin.

O & Co Ltd NEWS

PROPOSED VOLUNTARY STUDENT LOAN REPAYMENT BONUS

The Government has announced that it will introduce a 10 percent bonus to those who make voluntary student loan repayments of \$500 or more in a tax year.

For further information about the proposed policy please contact us.

Christmas party at Elephant Hill was a big success with a mini golf tournament held on the top floor of the double-decker bus.

There have been some staff changes recently with David Compton becoming a Consultant and Alastair and Shaun becoming Principals. Clients will see no change, as David will continue to work with his clients as before.

We have new staff members this year, Tara has joined us after graduating from Victoria University and Kate who worked previously at Coffey Davidson is the new Administrator after Joanne's resignation.

In March, Lena is graduating with a BBS and Shirley will be celebrating 25 years with the Firm in April.

Staff members participated in various athletic activities during the year with Shaun (and his father) competing in the Ironman in Taupo, Neil in NZ Masters Hockey and coming runner-up in age group.

YEAR END SUGGESTIONS FOR RENTAL PROPERTY OWNERS

The following are suggestions and areas you will need to consider:

- Repairs and maintenance—Review expenditure on repairs. An improvement may not be treated as a deduction
- Travel and car expense—To inspect, carry out maintenance or collect rent, the cost of travel is a tax deduction
- Rental period—Deductions may only be claimed whilst the property is earning income.
- Below market arrangements—If the property is rented out to family and friends for less than its true market rental value, property expenses incurred may not be deductible
- Document your claim—You will need to make sure that you have receipts to prove your deduction and show why the expense was incurred to derive assessable income.

DISCLAIMER:

The information contained in this newsletter is of a general nature and should be used as a guide only. We recommend to clients that they consult one of the Principals of the Firm before acting upon any information contained herein.

Inside this issue:

New donation thresholds 2

Year end tips 2

Use of money interest rates 2

Kiwisaver changes 3

Low income tax credits 3

Why investment discipline pays 4

Personal tax rate change 4

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%)

COCKTAIL RECIPE FOR THE RECESSION

AUCKLAND BITTERS

Pour two ounces of vodka into a cocktail shaker. Lament fact that you moved into a smaller house to pay for your son's college education and, since he couldn't get a job and he's now twenty-six, he's living on your couch. Pour two more ounces of vodka into shaker. Serve with a grimace.

As you go through the client questionnaire, assembling information for presentation of financial statements, a quick reminder of the most common omissions from information provided to us:

- INTEREST ON LOANS
- Interest Received
- Copy of all GST returns
- Stock on Hand
- Detailed list of Creditors
- Detailed list of Debtors

New donation thresholds from 2008-09 income year

The donation thresholds have increased. These are explained below.

Individuals

Individuals can claim a tax credit (formerly rebate) of one-third of qualifying cash donations they make to donee organisations, up to the level of their taxable income.

Previously, no matter how much they donated, the maximum amount they could claim was \$630.00.

EXAMPLE

Kath donates \$10,000 to donee organisations during the year ended 31 March 2009. Her taxable income for that year is \$40,000.

Previously, Kath would have only been entitled to a claim of \$630 (one-third of \$1,890).

With the increase in threshold, Kath will be able to claim \$3,333 (one-third of \$10,000).

Companies

Companies will be able to claim a deduction for

cash donations they make to donee organisations, up to the level of their net income (before deducting the donation amount).

Previously, the maximum they could deduct was 5% of their net income.

Close Companies

(Companies with five or fewer shareholders) which aren't listed on any recognised exchange will also be able to claim a donation deduction.

Year end tips for business owners

Consumable aids—Consumable goods and items that are used in manufacture, but do not form part of trading stock, may be claimed provided the total value is not greater than \$55,000.

Obsolete stock—The year end stocktake should involve a review of all stock and a decision made in relation to its value from both a tax and commercial perspective. When reviewing inventory, be mindful of the age of the items, likelihood of future sales and their scrap value. You will need to have evidence of the cost of any stock that is written off.

Prepayments—Generally when a business prepays an expense prior to balance date (usually 31 March) no deduction is available in the current year. There are, however, a number of exceptions. For example insurance, subscription, service contractor and pre-paid rent.

Staff bonuses and employee holiday pay—Accrued holiday pay and bonuses paid within 63 days of balance date are deductible at 31 March.

Trading stock—Trading stock must be counted and valued at 31 March. Retain stocktake sheets. An exemption applies for taxpayers with gross revenues less than \$1.3m and stock value less than \$5,000.

Bad debts—Review all bad debts before year end. To claim a deduction the bad debt must be written off the debtors ledger before 31 March.

Repairs and Maintenance—Review all spending during the year to determine if all items are deductible or if they are capital by nature and need to be depreciated. Low value assets (value \$500 or less) are deductible provided that they do not form part of another asset that is depreciable.

Review private loans—Where a private company provides loans to shareholders, a review of the loan arrangement is necessary. Specific rules apply to loans which may have the effect of the loans being taxed as deemed dividends.

Fixed assets—Review last year's fixed asset register to determine if assets listed still exist. Assets can be written off providing that they are no longer in use, there is no intention of using the asset and the disposal value is less than the cost of disposal.

KIWISAVER CHANGES

From 1 April 2009 some changes are being made to Kiwi Saver

- The compulsory employer contribution (CEC) will increase to 2% and won't increase further in future years. Employers will need to increase their contribution rate to 2% from the first full pay period after 1 April 2009 and are not required to calculate a part period at two rates.
- The minimum employee contribution rate will reduce to 2% of a member's gross pay. Existing KiwiSaver members can reduce their contribution by advising their employer in writing. New employees who sign up after 1 April 2009 and don't indicate a deduction amount will have the new default rate of 2% applied. This reduction to 2% may affect the amount of member tax credit the Kiwisaver member gets.
- The \$40 annual fee subsidy will be removed from 1 April 2009.
- The employer superannuation contribution tax (ESCT) exemption will be capped at the compulsory employer contributions of 2% from 1 April 2009. Any employer contributing more than 2% will have to pay ESCT.
- The employer tax credit (ETC) will be removed. The employer will no longer be able to claim this from the first full pay period after 1 April 2009.
- The KiwiSaver Act will be amended and the Employer Relations Act amendment relating to KiwiSaver will be repealed. This means an individual's gross pay can't be reduced if they join Kiwisaver.

Low-income tax credit (formally rebate)

A number of you have asked why early 2009 income tax returns aren't getting the under \$38,000 low income tax credit.

One of the tax rate changes that took effect from 1 October 2008 was the removal of the low income tax credit on income under \$38,000 from 1st April 2008. A new tax rate of 12.5% on income up to \$14,000

has applied from 1 October 2008.

Under the previous rates the tax rate on income under \$38,000 was 19.5% so the low-income rebate ensured the correct amount of tax was paid.

The annual rates for the 2009 tax year mean the correct tax is paid without the need for the low-income tax credit. The

tax credit for income under \$9,800 remains the same.

Questions and Answers

Q. In the 2009-2010 income year (1 April 2009 to 31 March 2010) what is the threshold at which the highest personal marginal tax rate of 38% applies?

A. \$70 001

Q. What is the minimum employee contribution rate to Kiwisaver from 1 April 2009?

A. 2%

Q. How much can a single income household with three children under 12 earn before it ceases to be eligible for any Working for Families Assistance (in the year to 31 March 2009)?

A. \$ 89 000

Q. What is the "age of majority" in New Zealand for tax purposes? This is

relevant e.g. in determining whether a son or daughter is an infant child and therefore an associated person of a taxpayer?

A. 20

FBT prescribed rate on low-interest loans

The rate for calculating FBT on low-interest, employment-related loans for the quarter 1 January to 31 March 2009 is 10.90%.

"...it's better to be prepared for an opportunity and not have one, than to have an opportunity and not be prepared."

ATTENTION!

QUESTIONNAIRES

A WELL COMPLETED CLIENT QUESTIONNAIRE WITH ALL THE INFORMATION WE REQUIRE CAN SPEED UP THE PREPARATION OF YOUR FINANCIAL STATEMENTS AND REDUCE ACCOUNTING FEES

IN CLOSING, A BRIEF THOUGHT FROM U S AUTHOR, H. J. JACKSON BROWN JNR. WHO NOTES THAT... "OPPORTUNITY DANCES WITH THOSE ALREADY ON THE DANCE FLOOR."

When considering :

- A more tax-efficient business structure
- A business valuation
- Sorting your business for sale
- Selling your business, or passing it on to the next generation

Contact us, we can assist you !

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Backing Business in the Bay

WE'RE ON THE WEB
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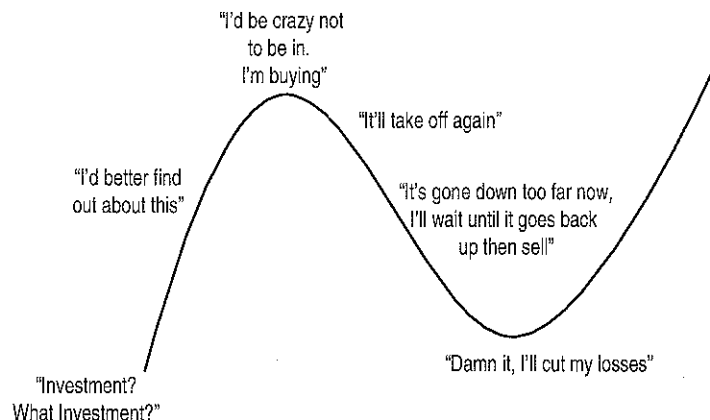
PERSONAL TAX RATE CHANGE

A SIGNIFICANT ANNOUNCEMENT MADE DURING LAST YEAR'S BUDGET WAS THE ALTERATION TO PERSONAL INCOME TAX RATES

The changes will be introduced progressively from the current Income tax year through to the 2011-2012 year. Both the rates of tax and the thresholds to which the rates apply will change as follows:

DATE APPLICABLE	THRESHOLD \$	RATE %
Current From 01/10/2008	0-14,000	12.5
	14,001-40,000	21
	40,001-70,000	33
	70,001 +	39
From 01/04/2009	0-14,000	12.5
	14,001-48,000	21
	48,001-70,000	33
	70,001 +	38
From 01/04/2010	0-14,000	12.5
	14,001-50,000	21
	50,001-70,000	33
	70,001 +	37
From 01/04/2011	0-14,000	12.5
	14,001-50,000	20
	50,001-70,000	33
	70,001 +	37

Why Investment Discipline Pays



SPICERS
YOUR FINANCIAL ADVISERS

TOUGHER ASSOCIATED PERSON RULES

To those property developers still with us, remember that the tougher associated person rules apply to investment properties acquired after 1 April 2009. But there are still structures that will allow legitimate investment entities to be sold within ten years without tax. Those affected should contact their accountant.

So what have we learned in two millennia?

"The budget should be balanced, the Treasury should be refilled, public debt should be reduced, the arrogance of officialdom should be tempered and controlled, and the assistance to foreign lands should be curtailed lest Rome become bankrupt. People must again learn to work, instead of living on public assistance."
Cicero, 55BC

Evidently, not a damn thing!