

Staff News – Congratulations!

We are delighted to announce that Nicky Old and Martin Lee have been appointed as Associates of our firm.



Nicky Old - BMS (Hons), CA
Nicky has worked at BWT for 12 years, completing a Bachelor of Management Studies (BMS(Hons)) from Waikato University. A qualified chartered accountant and certified MYOB consultant, Nicky has a strong background in payroll and business systems as well as a broad accounting knowledge and experience. She specialises in taxation and land transactions.

Martin Lee BMS, CA

Martin graduated from Waikato University with a Bachelor of Management Studies (BMS). Joining BWT in 2008, Martin's area of specialty lies in information technology consulting including the selection, implementation, training and, support of accounting and business systems. Martin is an accredited MYOB and Quickbooks consultant.



Independent Earner Tax Credit

The independent earner tax credit is a new credit introduced for New Zealand tax residents who earn between \$24,000 and \$48,000. To qualify you must not be receiving Working For Families Tax Credits, An Income Tested Benefit, NZ Super, or a Foreign Pension or benefits.

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

The independent earner tax credit will increase to \$15 a week from 1 April 2010.

You can choose to receive the independent earner tax credit through your pay or as a lump sum at the end of the year. If you work for a salary or wages, you can receive the tax credit through your pay after 1 April 2009, but you need to

Changes To Kiwisaver – 1st April 2009

The main legislative changes that take effect are :

The minimum member contribution rate will be reduced from 4% to 2%.

The minimum contribution rate of 2% will become the default contribution rate for new employees.

The member fee subsidy of \$40 per annum will be discontinued.

Compulsory employer contributions will be capped at 2%.

The employer tax credit will be discontinued.

The employer superannuation contribution tax exemption will be capped at 2%. Currently if you are putting 4% away as an employer contribution this is all tax free.

Existing members can elect to reduce their contributions to 2% from 1st April 2009. Before making a decision, employees should consider if they are maximizing the member tax credit.

With the reduction in the employee contribution rate to 2%, we see it has a good opportunity for those who could not afford to join KiwiSaver initially to reconsider, especially in light of the compulsory employer matching contribution of 2%, and the tax credit of up to \$1,040 per annum to match employee contributions.



Please contact David at this office if you would like to discuss your own situation, require further clarification of the amendments effective 1st April, or, wish to review your investment election.

choose a new tax code. Updated Tax Code Declaration (IR330) forms will be available in March 2009 from the IRD website.

If you are self employed, or work as a contractor, we will claim the tax credit on your tax return for the year ending 31 March 2010.

Business To Benefit From Tax Assistance Package

For many businesses, cash flows are especially tight at present, and it can take time and effort to meet tax obligations at the best of times.

The package of changes announced last month is aimed at easing the burden of tax on cash flow for smaller businesses and making it easier and less expensive to pay taxes.

How will it work?

Provisional tax uplift rates will be reduced for the 2009 and 2010 income years, reducing the size of provisional tax payments that businesses have to make. The 105% rate goes down to 100% and the 110% rate to 105%.

Use of money interest (UOMI) rate for underpayments of tax will be reduced from 14.24% to 9.73%. The rate for overpayments will reduce from 6.66 to 4.23%. This is a positive move, but in our opinion could have gone further. Businesses should still ensure profit forecasts are as accurate as possible to help manage tax cash flows.

The GST payments basis threshold will be raised from \$1.3 million to \$2 million, allowing more businesses to only have to account for GST when payment from invoices is actually received.

The GST registration threshold will be raised from \$40,000 to \$60,000.

Businesses with \$10,000 or less of business-related legal expenditure will be able to fully deduct the expense in the year it was incurred, regardless of whether it is capital in nature or not.

The PAYE once-a-month filing and payment threshold will be raised from \$100,000 to \$500,000 pa. allowing more employers to file PAYE returns and pay PAYE once a month instead of twice a month. We see this as a very positive

move and will save time and cashflow for many of our medium sized businesses.

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.

The value of minor fringe benefits (such as chocolates and flowers) that can be provided to employees without attracting FBT will be raised to \$300 per quarter per employee and \$22,500 a year per employer. This will mean fewer businesses will be required to return FBT on certain minor benefits provided to employees.

The FBT prescribed interest rate will be lowered from 10.90% to 8.05%, meaning loans from the business to shareholders will incur less interest cost.

Some other thresholds relating to accrual expenditure adjustments (such as for certain prepaid advertising/travel/lease costs) will also be raised.

The changes will be included in a taxation bill to be introduced for application generally from 1 April 2009. The new Use of Money Interest rates will apply from 1 March 2009, and the new FBT rate on low-interest, employment-related loans will apply from 1 January 2009.

New Individual Tax Rates From 1 April 2009

2009/10 tax year	
Income bracket	Tax rate
\$0-\$14,000	12.5%
\$14,001-\$48,000	21%
\$48,001-\$70,000	33%
Over \$70,001	38%

Penalties For Late Payment Of Paye

A new graduated penalty has been introduced that applies when an employer has filed an employer monthly schedule but has not paid the associated tax. This replaces the shortfall penalties that might apply in these circumstances. Inland Revenue will contact the employer and, if payment or an arrangement for payment is not made, a 10% penalty will be imposed. This reduces to 5% if the employer pays the outstanding amount within one month of the penalty being imposed. If the payment is not made, the process repeats itself – that is, another 10% penalty is imposed, which reduces to 5% if payment is made or an instalment arrangement is entered into within one month. The penalty is capped at 150% – the rate of the shortfall penalty for evasion.

Is your Computer at risk?

Every computer should be equipped with the latest virus protection software. Without one your computer is an open target for a variety of attacks from viruses, spyware and malware. Virus attacks can potentially result in loss of valuable data and loss of productive time.

BitDefender suite is a low cost solution that provides state of the art proactive protection for your home or office computer against viruses, spyware, hackers, spam and other Internet security threats. Its basic interface makes it easy for anyone to protect, optimise and update every area of the computer. Contact Martin martin@brightwildthomas.co.nz for more information on this great product.