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Newsletter

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We give the best of services to our clients.

3 Directors (2 CA qualified) and 8 staff (1 also CA qualified) are ready to assist you.

Important tax changes to personal tax rates

For tax planning for clients, we use our expertise to have income earned, where the lowest tax is payable. The tax rates at each level of income, personal – company – or trust, have a major influence in our planning.

We finally have Government recognition of accumulated yearly inflation, to our income and personal tax rates – affecting the level of income.

The proposed new rates start from 1 October 2008, and expect to be approved.

Current

Income to \$9,500	15%
\$9,501 - \$38,000	21%
\$38,001 - \$60,000	33%
\$60,001 and over	39%

New Rates

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

From 1 April 2010

Income to \$17,500	12.5%
\$17,501 - \$40,000	21%
\$40,001 - \$75,000	33%
\$75,001 and over	39%

From 1 April 2011

Income to \$20,000	12.5%
\$20,001 - \$42,500	21%
\$42,501 - \$80,000	33%
\$80,001 and over	39%

The average rates for all of 2008/09 will be:

Income	Rate to Apply
\$0 - \$9,500	13.75%
\$9,501 - \$14,000	16.75%
\$14,001 - \$38,000	21%
\$38,001 - \$40,000	27%
\$40,001 - \$60,000	33%
\$60,001 - \$70,000	36%
\$70,001 and higher	39%

No tax changes to:	
Companies	Flat rate 30% (from 1/4/08)
Trusts	Flat rate 33%
Investment Income	Flat rate from 19.5%

Dividends from private companies

A record of company taxes paid is accumulated in the Imputation Credit Account. These have all been paid at 33%. To prevent double tax on dividends paid, we use the IC's to gross up dividends by 33%.

These will reduce to 30% from 2010, so we will be declaring more dividends from your IC account before then.

Compare our rates with Australia

Personal income tax rates

Thresholds from July 1, 2007

\$0 - \$6,000	Nil
\$6,001 - \$30,000	15%
\$30,001 - \$75,000	30%
\$75,001 - \$150,000	40%
Over \$150,000	45%

Thresholds from July 1, 2008

\$0 - \$6,000	Nil
\$6,001 - \$34,000	15%
\$34,001 - \$80,000	30%
\$80,001 - \$180,000	40%
Over \$180,000	45%

Unearned income of children under 18

Unearned Income	Marginal tax rate
\$0 - \$416	Nil
\$417 - \$1,307	Nil plus 66% of the part in excess of \$416
\$1,308 and over	45% on all the unearned income

Australia recognises that low income earners need help with the first \$6,000 tax free – we have NO free income.

Also that many earn over \$80,000, 40% applies up to \$180,000, their top rate of 45% compares with our 39% - so we expect no change to that rate.

There is ample scope to extend our income limits over \$70,000, compared with Australia's to \$180,000, before the highest rate.

Company Rates – 30% (same as NZ).
Added costs in Australia are 1.5% of income for Medicare and capital gains tax, rated with their annual inflation.

Our ideas for future tax budgets

We need tax changes that will not reduce the tax take the Government needs, but is an incentive for profitable overseas companies to operate here, and wealthy foreign investors to stay here.

- 1 The imputation credits from our companies to be available to foreign investors, and New Zealand investors also to Australian credits.

Australian dividends are fully taxable in NZ \$'s, with no imputation credit available.
- 2 Extend new migrant tax exemption from four years to eight or more. Provide a greater incentive for New Zealanders to return home, and wealthy foreign people to stay here, rather than visits for under six months.
- 3 Non-resident investors to take advantage of port folio investment entities (PIEs). Tax their non-sources income at nil, NZ sourced income at 30%, and interest at the approved issue rate (AIL) of 2% only.
- 4 Be positive with initial tax relief for new foreign direct investment in NZ, that will attract labour and capital, is here for long term, and does not ruin local competition. Study what Ireland has achieved.
- 5 The current rules for foreign shareholders in NZ companies are not equal to NZ investors, they should be able to invest long term with the same taxation rules. They obtain now an advantage to 100% purchase our companies, which is not to our advantage.

Outlook

We expect interest rates to decline by under 0.5% in 2009.

Economic growth to fall from 2.1 to 1.5% over next year.

House prices, which almost doubled since 2002, are expected to fall 6 – 10% in two years.

Wages are expected to grow 1.5% faster than inflation, ie to under 5%.

Farmers

Here are the Herd Scheme (HS livestock values announced in May 2008. These are average market values.

Note the amazing increase in Dairy Cows, Heifers, and the continued decline in Sheep and Beef Cattle.

Once you are in the (HS) all increases per head are tax free (we increase opening stock values on hand by the next year's increase, so opening/closing values are equal).

For dairy farmers, who have this great tax free increase, discuss with us, if all, or part of your numbers should revert to lower NSC values – very tempting to achieve a book value tax reduction in a high income year, if you expect these values to decline.

Tax penalties and interest – how to avoid these

- 1 GST returns – usually two monthly. If you are late, or unable to meet the deadline, it is expensive – minimum of \$50 plus interest.

We are fast, accurate, and reliable – and at low cost – min \$100 → \$500 for complex, and your accounts are also being processed. Try us, to file your GST returns.

- 2 PAYE – Don't get behind. It attracts IRD inspectors' attention, and you often get a IRD visit to your premises. The penalties, interest, accrue monthly. Minimum is \$250.

Both PAYE, and GST are secured liabilities in a winding up.

- 3 Get your final annual papers to us early – companies, trusts – if you expect an increase in nett income, you will have IRD interest accruing at 14.24% daily – the sooner it is calculated, the cheaper it is for you to settle this added cost.
- 4 If you have paid provisional tax for the last year, and expect a reduction in income – get papers to us so we can calculate and claim the refund from Inland Revenue Department.

LIVESTOCK HERD SCHEME VALUES			
2008			
Announced 27 May 2008			
Note the changes			
	2008	2007	Taxable Change
SHEEP			
R5 yr older Ewes	41	48	- 7
MA Ewes	50	65	- 15
2th Ewes	60	75	- 15
Ewe Hoggets	52	54	- 2
Wethers & Ram Hoggets	49	48	+ 1
M A Wethers	32	37	- 5
Rams	190	215	- 25
BEEF CATTLE			
MA Cows	638	752	- 114
R2 Heifers	547	620	- 73
R1 Heifers	333	406	- 73
R1 Steers, Bulls	427	502	- 75
R2 Steers, Bulls	640	720	- 80
R3 Steers, Bulls	801	882	- 81
Breeding Bulls	1464	1546	- 82
DAIRY CATTLE			
<u>Friesian</u>			
MA Cows	2150	1245	+ 905
R2 Heifers	1856	1075	+ 781
R1 Heifers	1037	594	+ 443
R1 Steers, Bulls	292	379	- 87
R2 Steers, Bulls	480	618	- 138
R3 Steers, Bulls	664	797	- 133
Breeding Bulls	1062	1067	- 5
<u>Jersey</u>			
MA Cows	2079	1176	+ 903
R2 Heifers	1702	986	+ 716
R1 Heifers	920	524	+ 396
R1 Steers, Bulls	225	271	- 46
R2 Steers, Bulls	478	461	+ 17
Breeding Bulls	884	785	+ 99
DEER			
Red MA Hinds	363	296	+ 67
R2 yr Hinds	309	270	+ 39
1 yr Hinds	152	152	-
R1 yr Stags	198	184	+ 14
R2 Stags	541	301	+ 120
Breeding Stags	1064	1226	- 162

WITHERS & CO LTD

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