

# Newsletter

June/July 2010

DB CHARTERED  
ACCOUNTANTS LTD

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*In this newsletter we look at the impact of the May budget, including changes to GST and LAQC's. There is also an update on the tax rates and a reminder about the tax payment dates over the next 12 months.*

## BUDGET 2010

The main points from the May 2010 Budget are:

- \* GST to increase to 15% from 1 October 2010.
- \* Reduction in personal income tax rates.
- \* Company tax rate to reduce to 28% (currently 30%) from April 2011.
- \* Unable to depreciate buildings for the 2011/2012 income year onwards.
- \* Reduction in depreciation rates for plant and equipment purchased after 20 May 2010.
- \* Additional \$119 million allocated to IRD over four years for audit and enforcement activities.

## UPDATED PERSONAL TAX RATES:

From 1 October the new personal tax rates will be:

0- \$14,000	10.5%
\$14,001 - \$48,000	17.5%
\$48,001 - \$70,000	30%
\$70,001 and over	33%

For someone earning \$50,000 per year, their tax will reduce by \$1,530 per annum. For someone earning \$100,000 a year, the reduction in tax will be \$3,630 p.a.

*"Time is more valuable than money. You can get more money but you cannot get more time."*

## PREVIOUS NEWSLETTERS ...

*For back issues of our free newsletter go to our website*

[www.dbchartered.co.nz](http://www.dbchartered.co.nz) and click on "Newsletters".

## **BUSINESS QUICK CHECK**

Do you know ...

- ⇒ What your sales for the month are?
- ⇒ What the gross profit and gross margin for the month are?
- ⇒ What the net profit for the month and year to date are?
- ⇒ What is due from Accounts Receivable? What percentage is current?
- ⇒ Cash requirements over the next three months and expected position of the bank account during this time?



Being up to date with this information will ensure that you can identify any areas of concern.

## **Joke #1**

*A woman is brought to court after stealing from a supermarket. "Mrs Cousins," says the judge, "what did you take?" "Just a small can of peaches," she answers. "There were only six peaches in the can." "Six peaches ... hmm ... I sentence you to six nights in jail, a night for each peach." The woman is about to collapse to the floor when her husband leaps to his feet. "Your Honour," he shouts, "she also stole a can of peas!"*

## **ARE YOU PREPARED FOR AN INCREASE IN GST?**

From 1 October 2010, GST will increase from 12.5% to 15%. As part of your planning for the change in GST, you will need to think about the following:

- ⇒ Can your accounting system handle a change to the GST rate?
- ⇒ How will you go about increasing prices?
- ⇒ Are your fixed term contracts on a plus GST or GST inclusive basis? (Suppliers and customers)
- ⇒ Do you have clients on automatic payments which will need modifying? How will you ensure these are updated by 1 October 2010?
- ⇒ Will you need to update prices on any advertising material, in-store displays and in-house pricing lists?

We recommend that you think about the above and put a plan in place now to address these issues as 1 October will soon be here. If you need assistance, we are able to help.

## **LOSS ATTRIBUTING QUALIFYING COMPANIES (LAQC'S)**

LAQC's are popular with property investors. From April 2011 the Government has changed the rules in relation to LAQC's. The changes do not affect the ability to offset losses against individual shareholders personal income, however, note that:

- ⇒ Losses will continue to flow through to shareholders based on their individual shareholding, provided they have advanced funds to or provided security on behalf of the Company.
- ⇒ Profits will also be distributed to shareholders based on their shareholding and taxed in the individuals name at their personal tax rate. (Under current rules, profits were taxed at the Company tax rate.)
- ⇒ If a Company ceases to be a QC/LAQC, or if the shareholding is changed, this will be a deemed distribution of the Company property (and will trigger any depreciation recovered).
- ⇒ Overall, the change will mean a QC and LAQC are treated more like a partnership but with the protection of a limited liability company.

## **TAX REFUNDS**

If we complete your personal tax return for you, we will establish if you are required to pay tax or if you have a tax refund due. To do this we hold your written consent. If you decide to use an online or similar service to check for a tax refund, you will be de-linked from our firm and we will no longer have access to your tax information.

## **GST PAYMENTS BASIS: ONE-OFF ADJUSTMENTS REQUIRED FOR GST CHANGE**

Businesses account for GST either on:

- An invoice basis (GST is calculated on what invoices have been issued and received), or
- A payments basis (GST is calculated based on actual funds received or paid out).

For businesses on a **payments basis**, a one-off adjustment will need to be made in the GST Return for the period ended 30 September 2010, to account for the increase.

An adjustment is made for the difference in GST at the old rate (12.5%) and the new rate (15%). Any payments or receipts from 1 October 2010 will then be accounted for at the new GST rate of 15%. (We will explain this further in our September newsletter.)

## BOOK REVIEWS

### “BIRD ON A WIRE” – Theresa Gattung (2010)

In this book, the former head of Telecom explains her history and gives her perspective on her role as CEO of Telecom. She provides her thoughts on the future of business (and the wool industry) and reminds readers of the importance of having a goal and offers her views on being successful in life and business.



### Joke #2

*A mother was making pancakes for her sons, Liam, 5, and Ryan, 3. They were arguing over who would get the first one. Their mother saw the opportunity for a moral lesson: If Jesus was sitting here, he would say, “Let my brother have the first pancake, I can wait.” Liam turned to his younger brother and said, “Ryan, you be Jesus!”*

### TAX PAYMENTS

To help you plan your Cashflow for the next 12 months, here are the tax payment dates for the 2011 income tax year.



	<b>31 March Balance Date</b>	<b>31 May Balance Date</b>	<b>30 June Balance Date</b>
1 <sup>st</sup> Instalment	28 Aug 2010	28 Oct 2010	28 Nov 2010
2 <sup>nd</sup> Instalment	15 Jan 2011	28 Feb 2011	28 Mar 2011
3 <sup>rd</sup> Instalment	7 May 2011	28 June 2011	28 July 2011
2010 Terminal Tax	7 April 2011	7 April 2011	7 April 2011

### STAFF UPDATE

We welcome Paula Hudson to our team. Paula is a Chartered Accountant and replaces Angie O’Neill, who left at the beginning of June.

### **DB CHARTERED ACCOUNTANTS ...**

*Assisting business owners and individuals in their business and personal goals by providing quality accounting, taxation and planning services.*

### **GIVE US YOUR FEEDBACK**

Remember to let us know what topics you would like covered in the future, and if you need to discuss anything mentioned in the newsletter, give us a call.

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