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Important Reminders

Terminal tax for the year ended 31 March 2008 needs to be paid by 7 April 2009.

Taxes due reminder

Terminal, or final tax, for the year ended 31 March 2008 is due 7 April 2009. Late payment will result in a penalty being charged by IRD so we recommend that you make payment on time.

Provisional tax: the third and final instalment of provisional tax for the 2008/9 year is due by 7 May 2009.

Even if you have earned less than in prior years we still recommend that you pay the amount due at 7 May as IRD will charge interest and penalties if insufficient tax has been paid at year end.

If you are likely to have trouble paying these taxes then you should contact IRD before the due date. You can then enter into a payment arrangement with IRD. This involves agreeing a schedule for repayment of the due amount over a period. Interest will still be charged but penalties will not be incurred if you keep to the payment arrangement schedule.

New tax rates

From 1 April 2009 tax rates change to the following:

Income Thresholds	New rates
Income to \$14,000	12.50%
\$14,001 to \$48,000	21%
\$48,001 to \$70,000	33%
\$70,001 and more	38%

These rates include both changes to the tax rates and the thresholds at which they apply.

For example, a taxpayer who earned \$100,000 a year ago and would have paid \$30,270 in tax now pays \$27,549 in tax, a saving of \$2,721.

There is now also an independent earner tax credit for those earners without dependent children who earn between \$24,000 and \$48,000 per annum. These taxpayers will now receive up to \$10 more per week.

However it now looks unlikely that the proposed tax rate reductions for 2011 and 2012 will go ahead.

KiwiSaver changes

From 1 April changes to KiwiSaver mean that employers must now pay 2% in employer contribution, but the employer tax credit has gone.

Recent tax changes

The following tax changes have also recently been announced:

- Provisional tax will now be calculated at the same amount as the tax payable for last year and if this is not known, 105% of the tax payable in the year before that.
- Use of money interest (UOMI) rate for underpayments of tax will be reduced from

14.24% to 9.73%. The rate you get for overpayments will reduce from 6.66% to 4.23%.

- The GST payments basis threshold will be raised from \$1.3 million to \$2 million.
- Businesses with legal expenditure up to \$10,000 will be able to fully deduct the expense in the year 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.
- The FBT annual filing threshold will be raised from \$100,000 to \$500,000.
- 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 (\$1,200 a year) and \$22,500 a year per employer.
- All Government departments must pay their bills in a timely manner and no later than the 20th of the following month.

Market Salaries and the Surgeons Case

In a recent High Court decision, the court found that family companies don't have to pay market salaries to their owners – and can pay less.

IRD has always argued that this practice is tax avoidance and we expect IRD to appeal the decision as it has major tax implications for income splitting and tax reduction. In the meantime we recommend taking a restrained approach as paying below market salaries to

company owners may be costly to argue legally with IRD.

LAQCs: Change in shareholding

We have seen several instances recently where companies have lost Loss Attributing Qualifying Company (LAQC) status because the shareholders have changed and a new LAQC election (IR436 form) has not been completed, or has been incorrectly completed.

LAQC status could also be lost if the Companies Office strikes a company off its register because the annual Companies Office return has not been filed.

Losing LAQC status can have severe financial implications particularly if you regularly receive large losses from a rental property. To prevent losing LAQC status make sure that if there is a change in shareholder, you complete a new IR436 election to become a qualifying company and LAQC.

A new election is required when there is a change in shareholding but it is generally accepted that a new election is only required when there is a change in shareholders and need not be completed if there is just a change in the number of shares held by existing shareholders.

Remember too not to make changes in shareholding if the only purpose is to give a better tax advantage to one shareholder as IRD may see this action as tax avoidance, and reverse it.

If there is a change in shareholding you will also need to update the records at the Companies Office and you can do this online at www.companies.govt.nz.

The Companies Office has been proactively commencing action to strike companies who haven't completed their annual Companies Office return, off their register. This means the Company won't exist and has serious implications for funds held in bank accounts and for loans.

Companies Office annual returns are different to the tax return provided to IRD. A reminder to complete the annual return is generally emailed to company officers. Each company has a different filing month. You can contact the Companies Office on 0508Companies or via their website www.companies.govt.nz for further information.

The email reminder from the Companies Office will provide a link to the return and generally you will just need to update any company information, advise the date of the AGM and whether a resolution has been passed to not appoint an auditor for the year. If this latter resolution has not been passed then an audit will need to be completed and this can be expensive.

There is no cost for filing the annual return and it can only be done online. You don't need to have an AGM (annual general meeting) as all the company decisions can be completed by signed resolution in the company's Minute Book.

Remember that you will need a resolution for all major financial transactions.

Please contact us if your company's Minute Book is not up to date.

Remember that if you are a company director you have a statutory obligation to maintain proper records and to run a solvent business. There are penalties for operating a company recklessly.

Trustee Obligations

Trustees have similar obligations to directors and are required to properly administer and manage the assets in trust for the beneficiaries.

This administration role includes keeping a cashbook recording all the financial transactions of the trust and a Minute Book recording all the decisions of the trustees as beneficiaries can challenge the decisions of trustees.

Investments

There are many investors who have not yet got to grips with the new rules on taxing foreign investments that were introduced in 1 April 2007. It's not surprising as the rules are complicated and contain many special cases and exceptions. We have created a template spreadsheet that you can use to record information we need to work out what tax (if any) you need to pay on your foreign investments. You can download the "FIF Calculator Spreadsheet" from the Information for Businesses section on the resources page at www.dowsemurray.co.nz.

Tech Corner

Did you know that Wellington City Library web sites provides you with free access to the full digital editions (these are identical to the printed editions) of most major newspapers in the world including our own Dom Post and NZ Herald? To access them start your browser and go to <http://wcl.govt.nz/mygateway/newspapers.html> and click on 'Start search' under the 'Press Display' section. You will need to enter your library card number and surname to logon. Once logged on click on the Search or Select Title buttons.