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## Terminal Tax Reminder

If you have terminal or final wash up tax to pay for the year ended 31 March 2010 then this is due by **7 April 2011**. Check the letter we sent at the end of your last tax work to see if you owe anything. If in doubt please get back to us.

Remember there are penalties for late payment – 1% if you are one day late and 5% if up to a week late, then 1% each month, plus interest...

## Provisional Tax Reminder

The third and final provisional tax payment for the year ended 31 March 2011 is due **7 May 2011**.

For those taxpayers on the standard option the amount to pay will be set out in the letter we sent you last year.

For those who pay tax of more than \$50,000 a year or an estimated provisional tax payer it is important to ensure you have been paying enough provisional tax during the year so that Inland Revenue doesn't charge interest on underpayments. Please check our last year's letter to you and let us know if there has been a significant increase in your income since then.

Please contact us if you need to check the amount you should pay.

## Tax changes from 1 April

A raft of tax changes come into effect from 1 April 2011.

Amongst these are changes to tax rates with the company tax rate reducing from 30% to 28%.

Personal rates will now be as follows:

Tax rates:	
individuals	2011/12
0 - 14,000	10.50%
14,001 - 48,000	17.50%
48,001 - 70,000	30%
70,001 upwards	33%

These changes bring the top personal tax rate in line with the trust tax rate, which remains unchanged at 33%.

The building depreciation rate decreases to 0% from 1 April 2011. This change will significantly reduce the amount of expenses claimed against both residential and commercial rental income as well as sales for those businesses which own their buildings. This change could discourage businesses from buying premises as there is no longer any ability to claim any of the building cost against taxable income whereas rent or lease costs continue to be fully tax deductible.

This change may also have an impact on residential property investors who will also no longer receive any tax benefit from the cost of buying a building.

On the flip side depreciation recovery will only be incurred on depreciation claimed to date if a property sells for more than its book (or depreciated) value and there may be wider claims for repairs and maintenance.

Another major change taking effect from 1 April is the demise of the Loss Attributing Qualifying Company (LAQC) and this is discussed in more detail in the next paragraph.

## LAQC changes

LAQCs cease to exist from 1 April 2011 and any LAQC at 30 September 2011 which hasn't made an election to become an LTC will default to a Qualifying Company (QC), backdated to 1 April 2011.

The major difference between an LAQC and a QC is that losses incurred in an LAQC are allocated out to the shareholders according to their shareholding whereas losses incurred in a QC are retained in the company and carried forward to future years until absorbed by profits.

For those shareholders in small companies which will continue to make a loss after building depreciation cannot be claimed and who are not interested in transferring an existing property into a trust or changing the shareholding in the company in the future, an election to become an LTC may be a good option. The LTC (Look Through Company) enables losses to be allocated out to shareholders. Unlike an LAQC though, all profits must also be allocated out to shareholders each year.

A late change to the legislation provided more time to make a decision. Companies whose shareholders don't make an election to become an LTC by 30 September 2011 will revert to a QC. But the shareholders can still make an election by 30 September 2012 to become an LTC. If they wait till 2012, any loss for the 2011 year will be retained in the company and carried forward to the next year. Our understanding is that the loss will then be allocated out to the shareholders in the 2012 year.

## Change to employment laws

Major changes to employment legislation have also been enacted from 1 April 2011.

These include an increase in the minimum wage from \$12.75 an hour to \$13 per hour and the optional extension to the 90 day trial period to organizations employing more than 20 staff. More information is available at the following:

<http://www.dol.govt.nz/er/pay/minimumwage/index.asp>,  
<http://www.dol.govt.nz/er/starting/relationships/agreements/trialperiod.asp>.

## Tech Corner

If you are a Windows user then you will have anti-virus and probably anti-spyware software installed on your PCs. If you are paying for it – **don't**. There are free anti-virus/spyware programs that work at least as well as the Norton's of this world, and with considerably less overhead on your PC. Our favourites are Avast (free for home use) and Microsoft Security Essentials (free for home and small businesses with up to 10 PC's). You can find links to these products and other free software on the resources page of our website.

## Investments

The Wellington branch of the NZ Shareholders Association meets on the second Tuesday of each month at Turnbull House on Bowen Street, Wellington. For the April meeting Ray Jack (Portfolio Manager for Australasian equities at ANZ National Bank) will look at the outlook for the New Zealand and Australian equity markets in a global context, in May David Ware and Geoff Davis from Teamtalk will be along to tell us more about the business, and in June it will be Gordon MacLeod from Ryman Healthcare. Guests are welcome so if you are interested in coming along email [martin@dowsemurray.co.nz](mailto:martin@dowsemurray.co.nz). There is more information at [www.nzshareholders.co.nz](http://www.nzshareholders.co.nz) on the Wellington branch page.

## Holidays

Martin and Baubre will be out of the office from 11 April till Easter as Baubre is running the London marathon. The office will still be "personned" if you have any queries but if you need to discuss anything urgently with either of them please do so before Friday 8 April.

Have a safe and happy Easter!