DowseMurray

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Important Reminders

The first provisional tax payment for the 2009/2010 year is due 28 August 2009.

Taxes due reminder

The first provisional tax payment for the year ended 31 March 2010 is due for most taxpayers by 28 August 2009. If we have already prepared your tax return for the year ended 31 March 2009 then the payment schedule we sent you will outline the amount you need to pay.

If your 2009 tax return hasn't been completed yet then you will need to pay provisional tax at 28 August if you are:

- an individual who doesn't have PAYE deducted from your earnings and if you aren't GST registered,
- self-employed with 2 monthly GST registration,
- a company with 2 monthly GST registration.

Late payment will result in a penalty being charged by IRD so we recommend that you make payment on time.

If you are uncertain what you need to pay please contact us.

The next provisional tax payments are due on 15 January 2010 and 7 May 2010.

If you are either self-employed or a company registered for GST on a six-monthly basis then your provisional tax is due in two instalments, on 28 October 2009 and 7 May 2010.

New mileage rates

IRD has just advised an increase in the mileage rate from 62 cents per km to 70 cents per km.

Access to tax details

You can now access your tax details online. This will save you many wasted hours on hold with IRD. However to register you'll need to phone IRD to organise the online access. It will give you information about your PAYE earnings, provisional tax and GST paid and additional services are regularly being added.

Family assistance

If you have a child (or children) you may be eligible for a tax reduction through the working for families tax credits.

Rates and criteria are changing regularly and you can find out more through IRD's website www.ird.govt.nz. To determine your eligibility or to register please phone IRD.

Independent earner

A recent government initiative is the independent earner tax credit.

This is 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.

Future tax cuts

In the 2009 Budget it was announced that the tax cuts planned for 2011 and 2012 will not go ahead.

The government has also set up a tax advisory group to look at the future of taxes in NZ. Suggestions that have been raised so far are the raising of the GST rate to 15% and the imposition of a capital gains tax. Either (or both) of these would be done in conjunction with a reduction in the higher marginal tax rates.

Trusts

Trusts are separate entities. This means that if you sell your house to a family trust then you are selling the house to another party. If you are doing this for creditor protection, tax minimisation, access to government benefits, or relationship property concerns then you are relinquishing control over the property.

We recently heard of a case where a marriage breakup caused significant issues as the house was owned by a family trust. The family court was not able to organise the split of the family home as it was owned by a trust, not the individuals whose marriage was breaking up.

The trustees then had to agree upon the sale of the property. Two of the trustees agreed but the third trustee who wasn't happy with the sale refused to sign the deeds to register the change of ownership. The matter then had to go to court – a costly process.

The lesson from this is that trusts should not be created lightly and the memorandum of wishes should specify the approach to be taken in case of a marriage breakup. This should be organised while relationships are harmonious.

New associated persons rules

These long-awaited rules are about to be passed. They recognise much closer relationships than previous regulations and nullify arrangements which attempt to separate related parties into distinct legal entities.

This rule has a significant impact for property investors who may also have been developing or buying and selling land. Any capital gains on the sale of rental properties are generally not taxable whereas the profits on the sale of developments are taxable income. Till now investors have used separate legal entities such as companies for their investing or rental activities and trading trusts for their development activity.

These changes mean that the separate legal entity will no longer separate their activities and any new rental properties purchased will now be subject to tax on any capital gain when sold if a related party is a developer. It has been accepted by IRD that any rental properties held at the time the rules change will not result in tax being charged on any capital profit on sale.

Minor errors

Minor errors of up to $500 may now be corrected in the next tax return rather than amending the original return.

Areas IRD is looking at

IRD has published the areas it is now focussing its attention in the IRD publication "Helping you get it right, Inland Revenue's compliance focus 2009-10".

Areas of interest are profits from property transactions, evasion in the hospitality industry, offshore investments, and high wealth individuals among other matters. This is a reminder that it's a good time to check that your tax affairs are all in order.