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Provisional Tax Due

The first provisional tax payment for the year ended 31 March 2013 is due 28 August 2012. This applies to all provisional taxpayers except those companies or sole traders who are registered for GST on a six-monthly basis.

For those taxpayers on the standard option which bases provisional tax payments on the amount earned last year, the amount to pay will be set out in the letter we sent you recently when we completed your tax work for the year ended 31 March 2012.

The standard option may be used by those who earn less than $170,000 a year without PAYE deducted.

If we haven't completed your 2012 tax work yet then you will need to pay the same amount of provisional tax that you paid at each instalment date last year plus 5%.

For those who earn more than $170,000 a year from their non-salary business activities or pay tax of more than $50,000 a year excluding PAYE then you are an estimated provisional tax payer. It is important that you pay enough provisional tax during the year so that Inland Revenue doesn't charge interest on underpaid tax.

Because you can never "catch up" on any underpayment of the first provisional tax payment for the year, we recommend that you pay tax based on the maximum amount you expect to earn if you're likely to earn more than $170,000 gross a year. This allows you to reduce the subsequent payments if you earn less than the expected maximum.

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

GST is also due on 28 August for those registered for GST on a two-monthly basis.

Registering as an LTC

There is still time to register your old LAQC company as a Look Through Company (LTC).

The government has extended the time to register as an LTC to 30 September 2012 with registration backdated to 1 April 2012.

If you didn't elect for your LAQC to become an LTC by 30 September 2011 your LAQC would have defaulted to a Qualifying Company (QC). If it made a loss for the year ended 31 March 2012 and you now wish to register it as an LTC then the loss is "ring-fenced" and can only be offset against taxable income in future. However losses for the 2013 tax year and subsequent tax years can be allocated out to the shareholders.

To elect before 30 September 2012 you will need to complete an IR862 form available at http://www.ird.govt.nz/resources/6/e/6e15fa8045e0af989a99bb7747109566/ir862.pdf.

Making the most of your donation rebate

We have found many clients not getting the maximum tax rebate from their donations.

In the past you could only claim donations up to $1,890 and receive a maximum rebate of one third ie $623.33. Small companies couldn't receive a tax deduction for making donations.

From 2009 taxpayers (whether individuals, companies or trusts) can receive a tax benefit but this is limited to the amount of taxable income earned for the year. In the case of individuals this will still be 1/3 of the donations made of more than $5 each and the total is up to the amount of taxable income earned for the year. A cash rebate is direct credited to your personal bank account.

If a company or trust makes a donation then the expenses deduction available will be up to the amount of taxable income for the year. This means that there is no deduction for a family trust which makes donations from capital if the trust makes a loss for the year or has no income. This can happen if the trust owns overseas share investments subject to the FIF regime and there is some income or an increase in capital but no taxable income or only a small amount. It can also occur if the trust has capital assets that are sold to make donations.

Some tips:

- Some donations may be better made in your own name rather than through a company as you will receive a higher rebate at 33% than the company which will only receive a deduction from taxable income at 28%. This can amount to a significant amount with large sums. This may not be relevant if the company wishes to be seen to support certain charities.
- Similarly make sure a trust has taxable income before claiming a donation. If not then make the donation or claim in your own name.
- If you're a non-resident you cannot claim the donation rebate for donations made in NZ.
- Make donations in your lifetime rather than as a bequest when you're gone – your donation will go further. For example if you are planning to make a donation say of $10,000 to a hospice then make it before you die. The hospice will get $10,000 but you will get $3,300 back that you can give to another charity or back to the hospice.
- Use payroll giving through your employer. This involves a small contribution each payday to a charity and you instantly receive your rebate back in your pay packet. This makes it painless, you'll hardly notice the small deduction each payday and you won't have to fill out a claim form at the end of the year to get your rebate.
- File your personal tax return first or at the same time as your tax credit claim form (as it is now known). While you can file the tax credit claim form IR526 separately from your personal tax return the rebate won't be paid until your personal return has been filed and your taxable income level checked to ensure that you have earned sufficient taxable income to receive the tax credit.

Holiday home update

As highlighted in our last newsletter mixed use assets such as holiday homes will be subject to stricter expense deductibility criteria from 1 April 2013. In summary it will mean that there will be no tax benefit from making a loss and the loss will be limited to the amount of income received.

Scheduling your work

To ensure we can provide a timely turnaround for your year end tax work we need to schedule your work. For those clients who haven't sent in their tax details yet we will be contacting you shortly to schedule a time to get your work in. Please get back to us promptly to make sure you get your preferred date.

Our news

As mentioned in our last newsletter we have moved to an office at level 7, 166 Featherston St and as part of the move, we have updated our logo. Choosing a new one was very much harder than expected!

You may also be interested in our blog posts on our website http://blog.dowsemurray.co.nz/.