

# BUDGET UPDATE

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- ▣ GST
- ▣ Income Taxes
- ▣ Depreciation
- ▣ LAQCs

# GST

- ▣ Rise from 12.5% to 15%
- ▣ Price increases 2%
- ▣ From 1 October 2010
- ▣ Commercial investors – no affect
- ▣ Residential investors – costs such as rates, insurance, maintenance and assets will increase
- ▣ Largest cost – interest – won't change
- ▣ Residential investors may have to increase rents
- ▣ Purchase major assets before 1 October if feasible

# Income Taxes

- ▣ Company rate to decrease from 30% to 28%
- ▣ From 1 April 2011

# Individuals

From 1 October 2010

	2009/10 (old)	2010/11 (new)	Composite Rate
0-14,000	12.50%	10.50%	11.25%
14,001 – 48,000	21%	17.50%	10.25%
48,000 – 70,000	33%	30%	31.50%
70,000 upwards	38%	33%	35.50%

# Depreciation

- ▣ 20% loading not available for assets purchased after 20 May 2010
- ▣ Affects new chattels as didn't apply to buildings
- ▣ Chattels depreciation – no change yet
- ▣ Review to be completed by 1 April 2011
- ▣ No more depreciation on buildings with useful life > 50 years – most residential buildings
- ▣ From 1 April 2011
- ▣ Still available 2010/11 year

- ▣ Life > 50 years means won't apply to specialist buildings such as coolstores, car parking buildings, sheds etc
- ▣ Accumulated depreciation - add back depreciation to 31 March 2011 as depreciation recovery

# LAQCs

- ▣ Change because claiming losses at 38% but paying back depreciation recovery at 30%
- ▣ Limited partnerships from 1 April 2011
- ▣ Shareholders become limited partners with limited liability
- ▣ Losses limited to cost of investment
- ▣ Unused losses carried forward to next year
- ▣ Profits must be allocated to partners



- ▣ Partners still receive capital gains tax-free (unless a trader, developer or builder)
- ▣ Can still split shareholding in partnership deed or separate deed
- ▣ Existing holdings likely to carry over
- ▣ Complications of LAQCs eg management control overseas all gone
- ▣ Subject to issues paper – detail [www.taxpolicy.ird.govt.nz](http://www.taxpolicy.ird.govt.nz)
- ▣ Submissions by 5 July 2010

# Conclusion

- ▣ GST up
- ▣ Tax rates down
- ▣ Depreciation claim reduced – no 20% loading and no depreciation on building structure
- ▣ Chattels depreciation still available
- ▣ Can't use property loss to reduce income for benefit/ other tax purposes
- ▣ LAQCs in current form gone but losses still available
- ▣ No ring-fencing
- ▣ No capital gains tax on investment property