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Newsletter

31 March 2009

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Important tax changes effective from 1 April 2009

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We give the best of services to our clients.

3 Directors (2 CA qualified) and 9 staff (1 also CA qualified) are ready to assist you.

Important taxation changes effective from 1 April 2009

Tax cuts will be phased in over three years.

1 Personal Rates

– Maximum income now \$70,000
for start of top tax rates (was \$60,000)

For 1 April 2009

<u>Income</u>	<u>Tax Rate %</u>
14000	12.5
14001 – 48000	21.0
48001 -70000	33.0
70001 +	38.0

From 1 April 2010

<u>Income</u>	<u>Tax Rate %</u>
14000	12.5
14001 – 50000	21.0
50001 – 70000	33.0
70001 +	37.0

From 1 April 2011

<u>Income</u>	<u>Tax Rate %</u>
14000	12.5
14001 – 50000	20.0
50001 – 70000	33.0
70001 +	37.0

The average personal rates for 2008/09 were:

<u>Income</u>	<u>Tax Rate %</u>
0 – 9501	13.75
9501 – 14000	16.75
14001 – 38000	21.0
38001 – 40000	27.0
40001 – 60000	33.0
60001 – 70000	36.0
70001 – higher	39.0

Australia's limit for maximum tax rates is A\$180,000.

2 Company Tax Rate

- Now 30% (was 33%)
(Trusts – no change – still 33%)

3 Child rebate

- Maximum now \$321.75

Maximum income from wages a child can earn (not interest, or dividends) is \$2340 pa tax free, \$45 per week.

If your children work for you, don't miss this very useful tax free claim.

4 Income Level for Student Loan repayments

- Now \$18,148.

5 Donations

Personal donations to registered charities from 1.4.08 all now qualify for the 33% tax refund/rebate (previous limit was \$1890 for \$630 rebate).

Company donations – from 1.4.09, all companies can claim the donation payment as a tax deduction, up to the nett income earned – ie treated the same as claimable expenses. No GST claim is available.

6 For ACC

– Maximum earnings for ACC levies
Self Employed \$102,922
Shareholders & Employees \$106,473
Above this, no ACC levies are charged.

7 Independent Earner tax credit

This is worth \$520 pa for 2009/10, \$780 pa for 2010/11 and later income years.

Available for those who do not receive an income-tested benefit, or NZ Super, who do not receive Working for Families assistance.

Net incomes must be \$24,000 - \$44,000, and decreases by 13 cents for each \$ earned over \$44,000.

Can be claimed from your employer, at \$10 per week, or as a year end tax claim – useful for self-employed, who can also claim.

8 Working For Families Tax Credit

The abatement threshold is now \$35,914 – of combined income.

Maximum entitlement per child

- oldest age 16-18	\$5069
- oldest child age 15, or under	\$4376
- additional child age 16, 17, 18	\$4536
13, 14, 15	\$3469
12 or under	\$3042

9 Research & Development Tax Credit

For 2008/09 (only) repealed from 1.4.09 15% of the Research & Development expenditure, for more than \$20,000 spent, or less if you use a listed research provider (LRP).

10 Interest changes by Inland Revenue (called Use of Money Interest UOMI)

- For late, or under-paid Provisional Tax.
- For Terminal Tax (TT) of all companies and trusts and individuals, \$35,000 or more of personal TT.
Now \$9.73% (was 14.24%).

Interest received on overpayments
Now \$4.23% (was 6.66%).

11 Redundancy Tax Credits (RTC's)

Available to employees who receive a redundancy payment, you can now claim a 6% tax credit after losing your job
- up to \$3600 maximum.

If your redundancy payment is:

		<u>Tax Credit</u>
\$20,000	(20,000 x 6)	\$1,200
\$60,000		\$3,600
\$65,000		\$3,600

A letter from employer is required, advising amount, date of termination. Fill out IR524 form – see the IRD website www.ird.govt.nz

12 Getting Profits out of Companies

- Salaries** – for 2008 \$60,000 each then higher tax rates apply – 39%. \$70,000 from 1.4.09.
- Interest** – (with no ACC levy to pay) at usual bank rates, and pay RW Tax or \$5,000 maximum, no RWT credit paid.

(c) **Dividends**

The Imputation Credit Account (ICA) is a record of all taxes paid attached to dividends declared, paid to 31/3.09.

Future dividends will have a 30% IC as the company tax rate has reduced to 30% from 2008-09. We have a two year period where we can use the 33% rate provided we have sufficient credit balance in the ICA at 31 March 2008.

This is still valuable, often tax free method, to obtain profits from companies. We will record ICA at 33% (up to 31.3.09) and also at 30% (for tax payments from 1.4.09).

We can declare dividends with 33% tax credits for 2009, 2010, using the ICA with 33% credits. Then it reverts to a 30% credit only.

This table shows the tax effect:

Year	Co Tax Rate	Max Imp. Credit	Top Personal Tax Rate	Tax top up Payment on dividends
2007-08	33	33	39	6
2008-09	30	33	39	6
2009-10	30	33	38	5
2010-11	30	30	37	7
2011-12	30	30	37	7

We have a choice when to use the 33% tax credits with future years' dividends declared from your company. The cheapest top up payment will be in 2009-10 when your personal income exceeds the \$70,001 maximum.

(d) Drawings can be made tax free from companies – not declared as salaries/interest/dividends, but to avoid Fringe Benefit Tax (FBT) you need to record interest paid by you to your company, and pay company tax on the interest income.

Our Services

We are proud of our record of service to all our clients.

We have very few Tax Audits. We file over 3000 taxation returns annually.

If a taxpayer in our region of Rodney – Otamatea County gets into arrears - or GST, Income Tax trouble, Inland Revenue Department staff have been known to tell them to see us.

That is a real recommendation!

Goods & Services Tax returns – monthly, 2 monthly, 6 monthly, processed and filed to IRD with no penalties.

- § Income Tax Returns, claims for tax refunds
- § Family Support, Working for Families tax credits and refunds
- § Donation rebate, refunds claimed (equal to 1/3 of those paid)
- § Formation of Companies – Companies Office registration, maintain registered office, share register and minute books, with annual minutes filed
- § Advice on Family Trust formation, and Trust Deeds contents, maintain Trust minute book, and annual signed trust minutes for income distributions, and capital decisions, and financing
- § File on line to Companies Office the necessary annual returns
- § For Absentees/those who are ill/or unable, secretarial services of paying all accounts/banking/paying wages and PAYE, rent reviews, managing rental properties, commercial and residential
- § Valuable advice on investments – for funds on deposit
Shares and fixed interest, through NZ Stock Exchange, we have access to two Auckland sharebrokers.
Advice on Investment Portfolio Management, to take the worry out of your investments
- § Computer advice for your home use – type of software, codes to use, set up and initial operation.

We have an experienced, dedicated team to assist you.

Years of Service

Simon Withers	41
Grant Blackburn	22
Grant Dixon	22
Cheryl Edwards	6
Lynley Preston	8
Sue Pallett	35
Davina Connolly	12
Mina Sharp	10
Jenni Vipond	19
Sue Bigwood	7
Gemma Barton	4
Krissy Letcher	1

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