

15% GST Rate Change

The 15% GST rate came into effect on 1 October 2010. This means that the 15% GST rate will generally apply to supplies made by GST registered persons on or after 1 October 2010.

Tips for Calculating new GST Rate

If you know your GST exclusive price, multiply it by 15% or 0.15 to get the GST content:

$$[\text{GST exclusive price}] \times 15\% = \text{GST Amount}$$

If you know the GST inclusive price and want to work out the GST content, multiply the GST inclusive price by 3 and divide the answer by 23:

$$[\text{GST inclusive price}] \times 3 \div 23 = \text{GST Amount}$$

GST Rate Change Adjustment

GST BASIS	ADJUSTMENT
Payments (cash) basis	You need to make an adjustment for your Debtors and Creditors at 30 September 2010.
Hybrid basis	You need to make an adjustment only for your Creditors at 30 September 2010.
Invoice basis	No adjustment required.

For those on the Payments or Hybrid basis, the adjustment is required because you will have sold or purchased goods and services prior to 1 October 2010 that have had GST applied at 12.5%. When the cash is paid or received after 1 October 2010, it will be included in your GST return and GST paid or claimed at 15%. The adjustment that is made will correct this imbalance.

What we can do for you!

Planning & Advice:

- Tax planning
- Asset protection and succession planning
- Exploring opportunities overseas
- Trusts
- E-commerce
- New business set-up and advice
- Organising and assisting with loan finance
- Feasibility studies
- Business plans
- Budgeting and cashflow forecasting
- Advice on buying or selling a business
- Valuations of shares and business
- Business structures and company formation
- Matrimonial property dissolutions
- Employment incentives, contracts and redundancy
- IRD investigations and audits
- Company taxation, dividend and imputation credit issues

Computer Services:

- Supply, installation and support for accounting software packages
- Systems evaluation
- Computer hardware support

Ongoing Support:

- Business management support and advice
- Monthly and periodic reporting
- Cost and management accounting
- Preparation of annual financial statements
- Tax accounting and compliance
- GST and FBT return preparation

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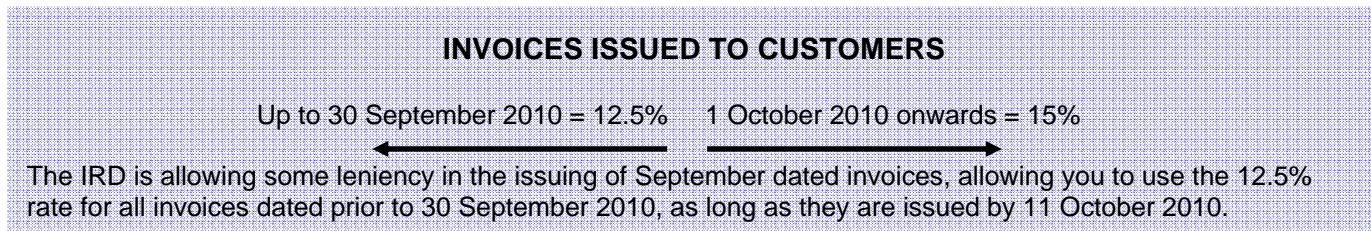
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Time of Supply

To determine the correct GST rate to use, you will need to identify the “time of supply”. In most cases the time of supply will be the earlier of the time an invoice is issued, or a payment is made in respect of a supply of goods or services.

If the time of supply occurs before 1 October 2010, the GST rate to use is 12.5%. This applies even if the goods are not delivered, or the services are not provided, to the customer on or after 1 October 2010.

If the time of supply occurs on or after 1 October 2010, the GST rate to use is 15%.



Special “Time of Supply” Rules

There are special “time of supply” rules for specific transactions and there are changes being made to the GST Act to alter the rules for these transactions. Some common examples of special “time of supply” rules are listed below:

Agreement to Hire – Earlier of payment due date or date payment made.

Finance Leases/Hire Purchase Agreements – Earlier of payment due date or date payment made. Finance leases will be able to use the 12.5% rate for 5 years so long as the lessor notifies the lessee it has elected to do so.

Lay-by Sales – Time of supply for Lay-by sales occurs when goods are uplifted by the customer. The GST rate that applies to the entire sale is the GST rate prevailing at the last payment, for example lay-bys collected prior to 30 September 2010 will be at 12.5% and after at 15%.

Periodically Billed Services (e.g. Electricity) – Earlier of payment due date or date payment made. If the invoices are issued before 1 October 2010 and payment is due within 60 days they are able to use the invoice date as the time of supply and only charge GST at 12.5%.

Successive Supplies (e.g. Insurance Premiums paid in instalments) – Earlier of payment due date or date payment made. As long as the contract is for 12 months or less and there was an option to pay upfront, GST will only be charged at 12.5%. You will continue to claim the payments as they are made and will have to include all outstanding payments at 30 September 2010 in your GST rate change adjustment.

How do I file my GST?

GST periods starting from 1 October 2010

You will need to use the new 15% GST rate in GST returns starting from 1 October 2010 if:

- you file your GST returns monthly, or
- you are a two or six-monthly filer that has a return period ending 30 September 2010.

You will need to:

- separate any goods and services you have purchased and sold before and after the rate change
- record these supplies on the appropriate part of the GST transitional return
- complete and file your GST transitional return and make any payment by the return due date.

GST periods spanning 1 October 2010

If a GST return period spans 1 October 2010, a special one-off transitional GST return with two parts will be required using:

- a) the 12.5% GST rate for the period up to and including 30 September 2010 (this will be Part 1); and
- b) the 15% GST rate for the period on and after 1 October 2010 (this will be Part 2).

Accounting Software

All accounting software will need to be updated to account for the GST rate change.

Most of the software companies have been in contact with their users advising them of the upgrade required.

If you have not heard from your software provider, please contact your PKF Carr & Stanton Adviser to discuss your requirements further.

Changes to FBT

The basic rates of attributed fringe benefits for the year 1 April 2010 - 31 March 2011 are as follows:

Income range	FBT rate
\$0 - \$12,390	12.99%
\$12,391 - \$39,845	23.84%
\$39,846 - \$54,915	45.99%
\$54,916 and over	55.04%

When calculating FBT you can use either a single rate or the alternate rate. Both these rates are changing.

On 1 October 2010, for quarterly filers, the single rate will change from 61% to 49.25% and the alternate rate will change from 49% to 43%.

For annual or income year filers not using an alternate rate calculation, the FBT rate for 2011 has changed to 55.04%.

The basic rates of attributed fringe benefits change again for the 2011-12 year. We'll keep you updated closer to the time.

Changes to PAYE

The changes to personal income tax rates mean new PAYE rates come into effect from 1 October. You must start using the new rates to calculate the correct amount of PAYE to deduct from your employees' salary and wages for pay periods ending on or after 1 October 2010.

The updated PAYE tables include the new secondary tax rates for employees who use a secondary tax code. Employees with a special tax code will give you a new certificate prior to 1 October 2010 with their new tax rate.

The IRD should have sent out to employers, the updated 2011 PAYE tables in mid-September. If you have not received a copy of these they are available on the IRD website. The IRD have also updated the online "PAYE/KiwiSaver calculator" which is located under "**Work it out**" on the IRD website.

If you use a payroll package and haven't heard from your payroll software provider, we suggest you contact them to ensure it's updated and ready to use from 1 October 2010.



ACC Earners Levy

The current ACC Earners Levy is 2% (GST inclusive). It increases to 2.04% on 1 October 2010 because of the GST increase to 15% on that date. The IRD have included the increase in the updated PAYE tables and calculators.

If you would like to discuss any of the tax changes and the impact on your business, please contact your PKF Carr & Stanton Adviser.

Proactive Accountant + Proactive Client =

High Value Relationship and Results

Like all relationships of significance... the relationship you have with your accountant must be two way with open communication as its foundation.

We often hear the phrase "I want my accountant to be proactive". There is no doubt this is what all business owners would like. The question arises, what creates a proactive accountant and where do you find them?

There are a number of ingredients which make a proactive accountant; they need to be experienced, responsive, motivated and personable. Equally as important, clients need to be open, driven, and willing to invest. The foundations of a good strong working relationship are laid with these ingredients.

From here developing the relationship depends on regular timely contact and a willingness to invest time and money.

Anyone who has invested in their working relationship with their accountant agrees that the return on investment is superb – often up to 1000%. Where else can you get that sort of return on investment?

I was talking with a friend the other day who had just been for a massage. They did it every month and were feeling pretty good about themselves. When I asked what they paid they said \$100 a session. Then

I asked them how often they visited their accountant. They said once a year. I asked them did they get much out of the meeting. They responded yes – every meeting had created additional value in their business. Think about it this way, the effects of a massage last a few hours, and they are happy to pay every month for this. The positive effects of meeting with your accountant can last your whole lifetime. So deciding to make this regular investment makes sense.

If you are serious about growing your business, developing a stronger working relationship with your accountant is key. What may seem like a non-essential meeting outside key tax periods may reward beyond your expectation in opening up ideas and benefits you may not normally realise.

At PKF Carr & Stanton we are committed to helping our clients grow and succeed in their business and lifestyle goals.

With regular scheduled meetings throughout the year, this would provide a forum to discuss past achievements and future plans giving us the opportunity to be proactive and add value to your business.

You too can unlock the return on investment that a proactive accountant can bring to your business.

Director Profile – Campbell Brenton-Rule



Campbell joined PKF Carr & Stanton in 1995. He has a broad understanding of many industries, with a particular interest in the primary sector - specifically sheep, beef and deer farming, orcharding, viticulture, cropping and silviculture.

His experience ranges from tax planning to business restructures, and includes succession planning which he considers a necessity, especially where family farms are concerned.

In his spare time Campbell most enjoys discovering New Zealand's backcountry, hunting and fishing with his wife Alison and children, Harry and Ella.