

TAX ASSISTANCE PACKAGE ANNOUNCED 4 FEBRUARY 2009

On Wednesday, 4 February 2009, Prime Minister John Key announced a series of initiatives designed to provide some relief to small and medium-sized businesses (SMEs) as part of the Government's Job and Growth Plan.

This included a suite of 11 tax changes worth \$480 million over 4 years, targeted at small and medium businesses. This is aimed to help businesses with their cashflow and to reduce the compliance costs they face (in terms of both time and money).

Changes to the provisional tax rules will allow smaller businesses to hold on to tax monies longer. You will still have to pay the same level of tax in the end. Changes to the various tax thresholds will lower costs for businesses by reducing the number of tax returns they have to fill in, the number of calculations they have to perform and the number of tax payments they have to make.

How will it work?

Provisional tax uplift rates for the 2008/09 and 2009/10 income years will be reduced from 105% to 100% and the 110% rate to 105%. For transitional provisional taxpayers the rates go down from 100% to 95% and from 95% to 90%.

Use of money interest (UOMI) rate for underpayments of tax will be reduced from 14.24% to 9.73%. The rate for overpayments will reduce from 6.66% to 4.23%. This will apply from 1 March 2009.

The GST payments basis threshold will be raised from \$1.3 million to \$2.0 million.

The GST registration threshold will be raised from \$40,000 to \$60,000. This will allow businesses that turnover less than \$60,000 to de-register from GST if they wish.

Businesses with \$10,000 or less of business-related legal expenditure will be able to fully deduct the expense in the year it was incurred, regardless of whether it is capital in nature or not.

The PAYE once-a-month filing and payment threshold will be raised from \$100,000 to \$500,000, allowing more employers to file PAYE returns and pay PAYE once a month instead of twice a month.

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We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.

The FBT annual filing threshold will be raised from \$100,000 to \$500,000, allowing more employers to file FBT and pay FBT annually rather than quarterly.

The value of minor fringe benefits (such as flowers and chocolates) that can be provided to employees without attracting FBT will be raised to \$300 per quarter per employee and \$22,500 a year per employer. This will mean fewer businesses will be required to return FBT on certain minor benefits provided to employees.

The FBT prescribed interest rate applying to low-interest, employment related loans will be lowered from 10.9% to 8.05%. This is to be applied retrospectively from 1 January 2009.

Some thresholds relating to accrual expenditure adjustments (such as for certain prepaid advertising/travel/lease costs) will also be raised.

Where to from here?

The changes that involve law changes will be included in a taxation bill to be introduced this month for application generally from 1 April 2009, or from the 2009/10 income year where appropriate.

Non-tax related changes

Improved assistance for businesses including an enhanced 0800 help line operating 24-hours a day; free business health checks and a mentoring service.

Changes to the Disputes Tribunal aimed at reducing the amount of time small businesses spend in District Court battles. The claim levels of \$7,500 and \$12,000 will be increased to \$15,000 and \$20,000.

The export credit scheme will be changed to give greater access to short-term trade credit insurance, which is used as a guarantee to banks that an exporter will be paid. Previously the scheme only provided money for contracts with payment terms of more than a year but shorter periods will now be able to be covered. This means exporters will not have to turn down orders because of a lack of short-term credit insurance.

Lastly the Government has directed, and the State Services Commission has agreed, to pay bills promptly or early to help small and medium businesses with cash flow.

If you require further detail on how the announcements made in the Government's Job and Growth Plan may assist you, please contact your advisor at PKF Carr & Stanton Limited.

What can PKF Carr & Stanton Limited do for you?

Specifically we can help with:

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