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Points of interest

- Income Tax cuts for all - effective 1 October
- GST increases to 15% from 1 October 2010
- Depreciation rate on buildings reduces to 0% from 1 April next year
- Changes are coming for LAQCs - these have not been finalised yet

The long-awaited budget

Finance Minister Bill English delivered his budget on 20 May 2010. There were not too many surprises and you will no doubt have seen plenty of comment in the media.

The three areas included in this budget which are likely to be of most interest to our clients will be the GST rate increase to 15%, decreases in Income Tax rates and changes to depreciation of buildings and new assets.

GST

The new rate of 15% will apply from 1 October. The divisor to calculate the GST on a GST inclusive total is 3/23 or 15/115 if you find that easier!

There are a number of transitional issues to consider ...

[Turn to page 3 for more information...](#)

Personal Income Tax Rates

Significant tax cuts take effect on 1 October 2010. The new rates will change the amount of PAYE you pay if you receive salary or wages. If you are self employed or receive shareholder salaries, then a transitional rate will apply for the full year.

[Turn to page 2 for more information...](#)

Depreciation

The depreciation rate on most buildings will change to 0% from 1 April next year - there will be no adjustment required for any depreciation previously claimed at the time of the change, however there will still be a depreciation recovery or loss on sale crystallised at the

time of sale, whenever it eventually occurs.

You may also have heard that a special depreciation rate can be applied for if the estimated useful life of the building is less than 50 years. Please note that this is the total life of the building, not the life left in your building when you buy it, so will only apply in rare circumstances.

The 20% depreciation loading on other assets purchased new was removed with immediate effect on Budget night.



Have a look at our revamped website

www.millarmiller.co.nz

for news, updates and information to help you manage your business

LAQCs — what's happening?

In short, nothing is definitely happening - the government wants to do a bit more work in this area before finalising its intentions.

What does seem clear is that the Government is not targeting solely rental property LAQCs as was expected - all LAQCs are affected by the proposed new rules.

The change proposed in the Budget is that LAQCs will be taxed as Limited Partnerships - limited liability will be retained but income and losses from the business will both flow through to the shareholders. Previously, profits could be retained at the discretion of the shareholders. There may also be some limitations to the amount of loss that can be claimed.

We will be reviewing all of our LAQC clients and getting in touch with you once the legislation is finalised and enacted, but if you have any questions in the meantime, please get in touch.

New Rates for:

- Income Tax
- PAYE
- FBT
- RWT

Stop Press

The Law Commission will next month issue a paper on the subject of Trust law - there is a suggestion that there might be registers and controls established to ensure that Family Trusts are well managed and Trustees are fully aware of their responsibilities and obligations. There may be some statutory penalties imposed where Trusts appear to be either a sham arrangement, or Trustees are not fulfilling their duties adequately.

We'll keep an eye on developments and let you know how you may be affected.

Keep an eye on our website for more when it comes to hand.

Personal Income Tax Rate Reduction

There are significant decreases at each income level and these will flow through to various other areas of taxation.

For those of you paying Provisional Tax in three installments over the year, your first installment will be calculated using the normal uplift of 5% on the previous year's residual income tax (RIT). Installment two will be calculated using 95% of last year's RIT with two thirds of the new total needing to be paid over the first two installments.

If you pay only two installments, then both will be calculated using the new rate.

Those of you using the ratio method will be sent a new ratio before your first return after the rate change falls due.

If this all seems a bit confusing, rest assured that we'll be telling you the right payment to make at the right time!

Snippets...

- The company tax rate falls from 30% to 28% from 1 April 2011. This will impact on provisional tax payments for the 2012 tax year. There will be no uplift - provisional tax will equal prior year RIT.
- New GST ratios will be advised for Companies using this option for paying Provisional Tax.
- Fringe Benefit Tax rates have been reduced to align with the new personal tax rates.
- There are flow through implications for companies attaching imputation credits to dividends. A two year transitional period will apply to use up credits earned at the 30 cent rate.

The New Rates at a Glance

Income Range	To 30 Sept 2010	From 1 Oct 2010	Transitional Rate
\$0 - \$14,000	12.50%	10.5%	11.50%
\$14,000 - \$48,000	21.00%	17.50%	19.25%
\$48,001 - \$70,000	33.00%	30.00%	31.50%
\$70,001 and over	38.00%	33.00%	35.50%

GST—the practical details

If your registration is on a payments basis, then any payments that you make after 1 October 2010 will be accounted for using the new 3/23 fraction. Likewise, any payments you receive after that date will require GST of 3/23 to be paid.

An adjustment will be required on your September return to account for the effect of the GST rate change on your debtors and creditors so that you are not advantaged or disadvantaged by the rate change on goods and services made or received prior to 30 September, but not paid for until October.

We expect that Inland Revenue will provide clear instructions on how the adjustment is to be done, but if you

would like our help, please contact us early in October. We are happy to do the adjustment calculation for you, or simply check your calculation, so that we can reassure you that you've got it right!

We are likely to get quite busy close to the return due date (28 October) so the earlier you get in touch the better.

If you are on an invoice basis, you will need to keep separate lists of payables and receivables arising prior to the rate change and those arising afterwards.

And lastly, if you do not have a return period that ends on 30 Sep-

tember, there will be special arrangements to cover the period that spans the rate change.



How we can help...

GST return changes, of course, aren't the only matter you will need to address in the lead up to 1 October.

We are offering our clients a one-off review of the effects of the GST rate change on their business. We will schedule an appointment with you and work through the things that affect you most.

We'll cover pricing & invoicing, and marketing opportunities that may arise from

the rate change.

We'll look at your GST systems and procedures and make sure that they are set up to manage the new rate and the transition.

We'll help you to create a 'to do' list to make sure all of your paper work is in order - which contracts need reviewing and which automatic payments need to be changed.

We will also answer all of your questions!

Within one week of our meeting, we'll send you a comprehensive action plan to use throughout the transition period.

We're offering this service at the special price of \$450 (plus GST) - we recommend you book your appointment NOW!

Software — is yours ready for the GST rate change?

Most software providers are working to ensure their products are compliant and that they are ready to go in time for your September return (when the adjustments will need to be made, if you are on a payments basis).

Online software products such as Xero, Banklink and MYOB Online will update their programs and issue instructions to assist you to manage the transitions.

If you have purchased Cashbook or accounting software, then you are likely to need to install an upgrade.

Accomplish CashManager has released their upgrade and

it is available to clients who have subscribed to their support programme. If you are not on support, please contact us for advice on your options.

We are partners to most software providers, and we are able to assist you with implementation.



We're here to help

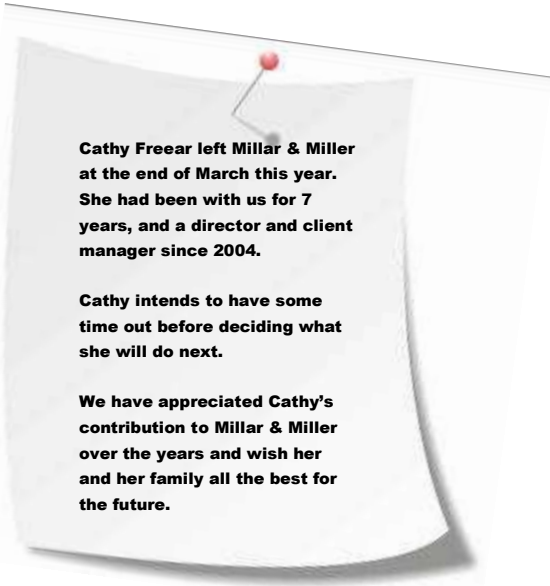
With so many changes happening over the next few months, we will be reviewing all of our client files closely in order to identify the impact of the changes on each individual business. If there are significant matters to consider, we may invite you to meet with us to discuss the issues and implications and plan a way forward.

Of course, you're welcome to call us if you have questions and issues you'd like to talk about.

Once we have clarity around the new LAQC rules we'll be presenting a special offer to our clients with affected entities, to help you manage the transition to the new rules.

We'll carry a full evaluation of the structure that you are currently using, and provide a written report detailing the impact that the new rules will have on your business, and recommending any changes we feel would be beneficial.

Watch out for more details soon!



Cathy Freear left Millar & Miller at the end of March this year. She had been with us for 7 years, and a director and client manager since 2004.

Cathy intends to have some time out before deciding what she will do next.

We have appreciated Cathy's contribution to Millar & Miller over the years and wish her and her family all the best for the future.



Do your ACC Levies seem too high?

Do you find your invoices complicated and difficult to understand? Millar & Miller are developing a new service for our ACC-paying clients that will take all the hassle out of ACC for you. Our aim is to ensure that you have the correct cover, and the amount you pay correctly reflects your current business situation. We will do this by working with you and directly with

ACC to review, correct and communicate the business information that goes towards generating the ACC invoices. More information about this new service opportunity will be sent to you.

Offer extended - pay by the Due Date and receive a 5% discount

It has been a year since we introduced our new terms of trade and updated letters of engagement. At the time we offered a 5% discount on your invoice if paid within 14 days to assist you with the changes. As the country continues to grind its way

through the economic recession we have decided to continue to offer this discount until 31 March 2011. We hope that this will help you to manage the cash-flow in your business during these tough times.

This Newsletter has been prepared for the general information of clients of Millar & Miller Limited based on legislation and information available at 9 August 2010. While every effort has been made to ensure accuracy, no liability is accepted for errors of fact or opinion herein. Decisions on matters referred to should be made only after consultation with us.