



March 2010

Director News

We are pleased to report that Craig Taylor joins us as a shareholder and Director of Candy Gillespie Ltd on April 1st 2010. Craig will bring his experiences from the private sector, national accounting firms and the rural sector to us and we look forward to his input.

End of Financial Year

Over the next four months virtually all of you will pass your 2010 balance date. The correct recording of end of year financial data is crucial to determining your trading profitability and taxation liability. Please take time to fill in your Annual Financial Questionnaire, this may well save you and us time when we are preparing your Financial Statements and Taxation Returns.

Donations

Qualifying charitable donations cut off at March 31st irrespective of your balance date. The only limit to claiming the 33% rebate is the limit of your net income. This means that in some cases the IRD will not process your rebate claim until your tax return has been filed.

RWT and PIE'S

New RWT (resident withholding tax) rates commence on April 1st 2010 to align them with the individual tax rates. This may result in changes to the rate of RWT deducted from the interest received from your bank investment. If your income is under \$14,000, there is a new RWT rate of 12.5%. This may be applicable for your children's savings account.

If you are unsure whether your investment should be in a PIE account or not then please give us a call. Basically interest from PIE investments does not get included in your tax return provided you have selected the correct rate. This sounds good in theory but, in some circumstances refunds are lost because of being in the wrong investment structure. If your PIE investments are in your Trust, then the 30% rate will not be appropriate if your Trust makes distributions to beneficiaries who are taxed at a lower rate.

Wage Rates

New minimum wage rates come into effect on April 1st 2010. The adult minimum wage increases from \$12.50 to \$12.75 per hour. This applies to all employees aged 18 and over and includes 16 and 17 year olds who are not new entrants or trainees. The rate for the latter category increases from \$10.00 to \$10.20/hour.

Be careful if you are paying an employee a salary that you are not in breach of the hourly rate rules particularly if they work seasonal or industry related longer hours.

PAYE

For the first pay day after April 1st 2010, all employees' wages should be recalculated with the new PAYE tax tables. Some staff may also need new IR 330 forms completed if they qualify for the new low income secondary tax code "SB".

If you have any employees using secondary tax codes (SB S SH ST) then new calculations are required and you should refer to the new tables or the IRD website.

The ACC earner levy also rises which means a small pay cut for everyone.

Anzac Day – this year falls on Sunday, what are my employee's entitlements?

1. For those employees who normally work week days, there is no entitlement to the public holiday.
2. Employees who normally work Sundays are entitled to a paid day off.
3. If the Sunday would otherwise be a working day for them and they work on ANZAC day, they are entitled to time and a half for the hours they work plus an alternative holiday (day in lieu).
4. If Sunday is not a normal working day for them but they work ANZAC day, they are entitled to time and a half for hours worked.

If you have any queries with regard to this, please contact us or visit the Department of Labour website which is very useful.

KiwiSaver

There are no changes required to deductions and contributions for KiwiSaver members. The minimum employee contribution remains at 2% as does the employer contribution.

We continue to recommend KiwiSaver as a worthwhile savings scheme for clients and their families.

Dairy Farmer Incomes

Following the boom year for dairy farmers in 2008, a number of clients took advantage of the Income Equalisation Reserve Fund to defer tax for that income year. Most of those funds have now come out again and will be treated as taxable income in the current year.

We expect farm net profits to rise this year as a result of the increase in payout and better budgeting and control of farm expenditure. Farmers have had a tax holiday from the low profit year of 2009 and any surplus funds have gone back to the bank.

Farmers may well have to budget for higher tax payments in the coming year. Options for tax deferral by way of prepayment of expenditure and purchase of farm stores prior to the end of balance date should be considered.

We will be in touch with those of you who we believe are in this position prior to your next provisional tax payment to revisit your tax plan and avoid IRD "use of money interest".

If the bank is requesting a 2010/11 cashflow forecast then we can assist you with this. This appears to be happening more frequently now as banks are putting the responsibility back on you to own and prepare your budget.

If you have a budget and want to compare your actual vs budget as part of your monthly reporting, please contact us to discuss this option.

Interest rates

It is anticipated that the economy will grow by around 3% this year which means that at some point the Reserve Bank Governor will increase the OCR and interest rates will rise.

If you have the luxury of having options available then for the present you should carry on with your floating or short term fixed rate and use surplus funds to repay principal.

Looking ahead

Once upon a time the Government budget was a secret document and all the bad news came at once. Now we know all about it well in advance. What we can look forward to is:

- Ø Income Tax rates will come down to be more in line with our friends across the ditch.
- Ø To help pay for this GST will rise to 15%.
- Ø The owners of residential property will lose their depreciation claims (who will recover this by putting up rents).
- Ø There may well be an attack on LAQC losses.