

# Client Newsletter

February & March 2009

## Tax Highlights

### New Thresholds for SMEs

A new Taxation Bill, introduced in the 2008 calendar year, proposes a number of threshold changes for SMEs (small and medium-sized enterprises).

The changes are aimed at reducing tax compliance costs for SMEs and if legislated, will come into force from 1 April 2009.

Some of the key changes include the following:

- Increase the threshold for filing PAYE once-a-month from \$100,000 to \$250,000
- Increase the threshold for filing FBT on an annual basis from \$100,000 to \$250,000
- Increase the threshold for the application of use-of-money interest on provisional tax for safe-harboured taxpayers from \$35,000 to \$50,000
- Increase the threshold for GST registration from \$40,000 to \$50,000
- Increase the threshold for filing GST on a six-monthly basis from \$250,000 to \$500,000
- Increase the threshold from \$5,000 to \$10,000 for not requiring a physical stock count at year-end if certain criteria is met by SMEs

### Personal Tax Rates

Changes to the personal tax rates from 1 October 2008 remove the low-income rebate by introducing a new lower tax rate of 12.5% on an increased level of income of \$14,000. The income thresholds for the higher progressive tax rates also increase over the next 3 years provided the current government does not change. The changes can be best illustrated by comparing them to the pre-1 October 2008 tax rates in a tabular form shown below:

### Pre-1 October 2008 (with low-income rebate)

<i>Income</i>	<i>Rate</i>
0 - \$9,500	15%
\$9,501 - \$38,000	21%
\$38,001 - \$60,000	33%
> \$60,001	39%

### From 1 October 2008 to 31 March 2010

<i>Income</i>	<i>Rate</i>
0 - \$14,000	12.5%
\$14,001 - \$40,000	21%
\$40,001 - \$70,000	33%
> \$70,001	39%

### From 1 April 2010 to 31 March 2011

<i>Income</i>	<i>Rate</i>
0 - \$17,500	12.5%
\$17,501 - \$40,000	21%
\$40,001 - \$75,000	33%
> \$75,001	39%

### From 1 April 2011

<i>Income</i>	<i>Rate</i>
0 - \$20,000	12.5%
\$20,001 - \$42,500	21%
\$42,501 - \$80,000	33%
> \$80,001	39%

For provisional taxpayers (individuals) who are on the "standard uplift" method, the calculation remains the same but residual tax of the prior year will reduce by a flat \$730 to reflect the reduction in tax rates.

For PAYE taxpayers, composite tax rates (actual income tax amount applying to the 2008-2009 income tax year) will apply since the changes were introduced part-way through the 2009 income tax year.



Those employers who have not received the new PAYE tables sent out by the IRD in October 2008 can request them from the IRD. The composite rates are as follows:

<i>Income</i>	<i>Rate</i>
0 - \$9,500	13.75%
\$9,501 - \$14,000	16.5%
\$14,001 - \$38,000	21%
\$38,001 - \$40,000	27%

<i>Income</i>	<i>Rate</i>
\$40,001 - \$60,000	33%
\$60,001 - \$70,000	36%
> \$70,001	39%

## Protection from Scams

With scams, if anything “looks too good to be true”, it is. We have heard of many deception scams over the years and despite knowing about them, we are sometimes tempted to take on “great offers” that are never delivered.

There are a number of ways to protect yourself from such scammers:

1. Do not respond to offers, deals or requests.
2. Do not give your bank account number or other personal details to anyone who makes unsolicited offers.
3. Do not rely on glowing testimonials provided with the offer.
4. Do not click on a link provided in an email offer or use telephone numbers provided with a deal/offer – these are probably fake websites or connections to entice you.
5. If you want to check whether the offer is genuine or not, look up the telephone number in an independent directory.

For more information, go to [www.scamwatch.govt.nz](http://www.scamwatch.govt.nz).

## From the Legal Arena...

### Enduring Power Of Attorney

Enduring Power of Attorney is usually granted by a person (donor) to another person to enable that other person to act as a decision-maker in case the donor is mentally incapacitated. In order to increase the protection of the donor on passing the Enduring Power of Attorney, new rules were legislated last year which are hoped to ensure the interests of the donor.

These changes include:

- Only solicitors and registered legal executives can witness an Enduring Power of Attorney.
- In some cases, the donor may be required to seek advice from another solicitor.
- Detailed advice on the implications of granting an Enduring Power of Attorney will need to be given to the donor.
- The donor will need to provide more information on his/her personal and financial situation.
- Health practitioners and witnesses certifying the loss of mental capacity will have to follow new certification procedures.

Unfortunately, the new rules that are designed to protect the donors come with increased legal costs and lengthy paperwork; this should not matter, however, if the intention of the law is achieved.

### Wills

In our January 2008 newsletter, we had noted the changes that were legislated in late 2007. The thrust of the new legislation was to give proper effect to the actual intentions of the Will Maker making a Will at present day which would otherwise have rendered it invalid under the then existing (almost 200 year-old) law.

Further points to note –

- It is good practice to make Wills in the presence of only the solicitors of the Will Maker.
- By not having any family members or friends (especially if they are listed as beneficiaries) at the time of making the Will, the Will Maker will not be influenced unduly.
- If the Will is disputed later by other claimants, the person alleging “undue influence” has to prove it.
- “undue influence” has been tested by the courts – it does not include persuasion as such; rather, it is coercion or pressure of any kind on the Will Maker to have certain terms in the Will that are contrary to his/her wishes.

In case of disputed Wills, the courts will determine the case on circumstantial facts such as the Will Maker’s mental capacity, physical health, dependency on others for his/her day-to-day living/caring etc.