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The Client Link

October 2006

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Inland Revenue is working towards changing GST and Provisional Tax payment dates so both will be payable at the same time.

One of the reasons given is that the change may help you with your cash flow by aligning the payment of provisional tax more closely to when you earn your income.

Fortunately they haven't been able to get fully organised at this stage and so are implementing this in two phases.

Firstly effective from 1 April next year GST returns and payments will be **due 28th of the month**, not the last day.

Provisional Tax payment dates will be unchanged.

From 1 April 2008 taxpayers will have the option to base their Provisional Tax on their GST turnover, and pay the Provisional Tax at the same time as their GST.

Details on how this will be calculated have not been released yet.

Rates Rebate Scheme

The Rates Rebate Scheme was established in 1973 to provide a subsidy to low-income homeowners on the cost of their rates. The Government is increasing the rates rebate thresholds – more people than ever before will be eligible for the rebate.

The following changes came into effect on 1 July 2006:

- Maximum rebate increased from \$200 to \$500
- Income threshold increased from \$7,400 to \$20,000
- Additional income allowance for dependents increased from \$156 to \$500 per dependent.

(This means the income threshold for a full rates rebate for the 2006/2007 year is \$20,000, and is increased by \$500 for each dependant in the household.)

Homeowners can apply for the new rebate from 1 July 2006, for the 06/07 rating year. The old rebate can still be claimed for rates paid in the 05/06 year until 30 June 2006.

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Tax Credits on Dividends from the United Kingdom

In line with the standard New Zealand treatment of foreign-sourced dividends, tax credits on dividends from the United Kingdom can no longer be claimed.

Just as franking credits on Australian dividends cannot be claimed as a tax credit in New Zealand, as they represent tax paid by the company, tax credits on dividends from the United Kingdom cannot now be claimed as a foreign tax credit in New Zealand.

IMPORTANT: This is not advice. Clients should not act solely on the basis of the material contained in **The Client Link**. Items herein are general comments only and do not constitute or convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. **The Client Link** is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval.

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Are you treating your Employees as Contractors?

As an employer it's important you know whether the people who work for you are employees or self-employed, because tax, student loan and Accident Compensation laws treat self-employed people differently to employees. If you fail to meet your responsibilities as an employer this may result in prosecution and a fine.

So, who is an Employee?

If you have control over the work and how and where it is done, the worker is most likely an employee and you are responsible for deducting PAYE. As well as being full-time, employees can include fixed-term or seasonal employees and casual or part-time employees. If someone is not an employee, you may be required to deduct withholding tax from payments you make to them.

Withholding payments

The *Tax code declaration (IR330)* and the *PAYE deduction tables (IR340)* and *(IR341)* list the activities that are subject to withholding tax, and the amount of withholding tax to deduct. If you have a self-employed contractor working for you, who performs work that falls under the withholding payment regulations, you need to deduct withholding tax at the specified rate unless they give you a current certificate of exemption.

Cancelling GST Registration

Do any of the following situations apply to you?

- **Your business has ceased trading**

If your taxable activity has stopped you can cease your GST registration. If you intend to start another taxable activity within the next few months you can choose to keep your GST registration open. Remember to file your GST returns, even if they are nil.

- **Turnover is now under \$40,000**

If your taxable supplies for the next 12 months will be less than \$40,000, you can choose to cease your registration. If you do this you'll no longer be able to charge GST on your sales and you won't be able to claim GST on your purchases. You'll still have to declare your business income for income tax though—its just the GST registration that you can cease.

KiwiSaver - a new work-based savings initiative

Parliament recently passed legislation with the aim of making it easier for New Zealanders to save, particularly for retirement.

Employers have a key role with KiwiSaver. While KiwiSaver is voluntary, from 1 July 2007 all new employees aged 18 to 65 will be automatically enrolled in the new work-based savings scheme - unless they opt out.

IRD have been actively working with employers and employer groups to ensure the processes are workable and costs to employers are minimised. From late October 2006, IRD will be sending you more information about the initiative.

Key features:

- IRD will provide a comprehensive information pack for you to give to your new employees.
- For most new employees, contributions will start from their first pay and will continue unless they "opt out".
- You'll deduct KiwiSaver contributions from your employee's gross pay and send this to us along with the PAYE.
- You will advise IRD of each new employee's name, IRD number and address on a new form to be sent in with your *Employer Monthly Schedule (IR348)*.
- If you make contributions on behalf of your KiwiSaver employees the contributions will be exempt from tax (Specified Superannuation Contribution Withholding Tax) if the employer contribution is the same as the employee's contribution, or 4% of the employee's salary or wages, whichever is less.
- Existing registered superannuation schemes will be able to continue operating independently of KiwiSaver, convert to a KiwiSaver scheme or establish a KiwiSaver scheme within their existing scheme under their existing trust deed.

For further information go to www.ird.govt.nz/kiwisaver



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