

A photograph of a white lighthouse with a dark top, situated on a dark, grassy cliff overlooking a vast blue ocean. The sky is a mix of light blue and yellow, suggesting a sunset or sunrise. The lighthouse is illuminated from below, casting a glow on the cliff edge.

TAX - A CHANGING LANDSCAPE

New Zealand Estate & Tax Planning Council

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BUDGET 2010 - Refresher

Personal Tax Cuts

New rates will apply from 1 October 2010

Income	Current Rates	New Rates	Composite Rates
\$0 - \$14,000	12.5%	10.5%	11.5%
\$14,001 - \$48,000	21.0%	17.5%	19.25%
\$48,001 - \$70,000	33.0%	30.0%	31.5%
Over \$70,000	38.0%	33.0%	35.5%

Composite rates apply to the 2010/11 income year

High income couple with property investments

Combined income \$300,000

10 Rental Properties, cost \$4mil, now worth \$6.5mil

Alex and Emily Weekly Income	Before	After
Regular income	\$5769.23	\$5769.23
Taxable investment income	\$0.00	\$769.23
Total taxable income	\$5769.23	\$6538.46
Income tax (regular income)	\$1790.38	\$1554.62
Income tax (investment income)	\$0.00	\$253.84
Tax-free income	\$769.23	\$0.00
Disposable income	\$4747.85	\$4729.77
Change in disposable income due to tax changes		-\$18.08
Extra GST		\$89.39
Change in net income		-\$107.47
Annual change in net income		-\$5588.44

High Income Couple

\$140k combined income, no rental property, large mortgage, no working for families

Paul and Laura weekly income	Before	After
Regular income	\$2692.31	\$2692.31
Total taxable income	\$2692.31	\$2692.31
Income tax	\$668.46	\$575.77
Disposable income	\$2023.85	\$2116.54
Change in disposable income due to tax changes		\$92.69
Extra GST		\$31.64
Change in net income		+\$61.05
Annual change in net income		+\$3174.60

www.taxguide.govt.nz

2010 BUDGET Tax Guide

- Home
- Tax factsheets
- Tax scenarios
- Media release
- What you need

Find out how Budget 2010 tax changes affect you.

Go I work and do not receive government income support

Go I work and receive Working for Families

Go I receive NZ Super or Veteran's pension

Go I receive a Benefit or Student Allowance

beehive.govt.nz
The official website of the New Zealand Government
Budget special feature

This website is a guide for determining the effects of Budget tax changes on most forms of personal income. It does not include business and property tax changes, neither is it a calculation of your statutory tax liabilities. If you receive income from a complex range of sources you may need to seek professional tax advice. For a full disclaimer view the [about this site](#) page.

THE TREASURY
Kaitiaki Takekapa Raua

Budget documents

Inland Revenue
Te Tari Taake

Budget special reports

MINISTRY OF SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

Info on Benefits & NZ Super

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Tax Cuts- Associated Reforms

- Reform of WfF - investment losses; eligibility criteria; and potential for trust income to be included.
- Savings Tax Changes - PIE rates
- RWT on Interest rates
- Employer Superannuation Contribution Tax
- Fund Withdrawal Tax to be phased out

BUDGET 2010 - Refresher

Company Tax Rate Reduction

Year	Rate
2010	30.0%
2011	30.0%
2012	28.0%

Dividends - IC's & RWT

Prior to 31/03/13	ICA 30%	ICA 28%
Gross Dividend	100	100
Imputation Credits	(30)	(28)
RWT	(3)	(5)
Net Dividend	67	67

RWT are refundable credits



GST Rate Increase - 1 October 2010

Transitional Provisions - 12.5% or 15%

- Annual contracts involving successive supplies
- Subrogation Payments
- Finance Leases
- Alignment issues involving successive supplies
- Lay by sales - when goods delivered

International Tax Changes

1. Thin Capitalisation

- Safe harbour reduces from 75% to 60% for 2012 income year for inbound investment
- Stays at 75% for outbound investments
- Generally for most NZ companies from 1 April 2011

2. Non Portfolio FIF Discussion Paper

3. New DTA's



Tax Update

Depreciation & Property

- No depreciation on buildings - 1 April 2011
- Removal of loading - 20 May 2010
- Depreciation Issues Paper:
 - Fit-outs for non-residential buildings
 - Grand parenting of loading on assets purchased under a commitment entered into before 20 May 2010.



QC & LAQCs Changes

- Treat LAQC's as 'look through' entities from 1 April 2011
- QC and LAQC's to be treated as a limited partnership
- Limited partnerships have a 'loss limitation rule'
- Sale of underlying interest

QC / LAQC - Loss Limitation Rule

Assume H&W farm LAQC \$100K. H has 75% and W has 25%. Company makes \$20K in Year 1 and distributes \$10K as a dividend to Husband's membership basis.

	\$
Investments	75,000
Income	15,000
Less Distributions	(7,500)
Less PY Deductions	-
Less Disallowed Amounts	-
	\$82,500

QC / LAQC - Loss Limitation Rule

In Year 2 Company makes a loss of \$120,000. Husband's share of loss is \$90,000, but loss limited to membership basis of \$82,500.

	\$
Allowed Loss	82,500
Disallowed Loss	7,500
	<hr/>
	\$90,000

QC / LAQC - Membership Basis

Investments defined to include:

- Market value of capital contributions; and
- Secured amounts

Who funded the \$120,000 loss in Year 2?

If bank debt was it secured with personal guarantees?



Taxation (GST and Remedial Matters) Bill

1. GST changes include:
 - Zero rating land transactions
 - Upfront change of use adjustments
 - New rules for transactions involving a nominee
 - Dwelling and Commercial Dwelling better defined

2. Various Remedial Matters.



Other Developments / Tips

- Trans-Tasman Savings Portability Bill passed.
- Repeal of Gift Duty on Agenda
- Income Sharing Bill
- Penny & Hooper Decision
- Krukzeiner Decision
- Consultation on Simplifying the Tax System

