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Welcome to our Client Seminar

The GST increase
and other post Budget matters.

18 August 2010

The Tax Fraction

$$\frac{1}{9}$$

$$12.5/112.5 = 1/9 \text{ (approx 11\%)}$$

$$\frac{3}{23}$$

$$15/115 = 3/23 \text{ (approx 13\%)}$$

Pre pricing v. Break Point

	Pre 30 Sept	Post 30 Sept
Current Ticket Price	9.95	
GST Excl	8.84	
Current with extra GST	10.17	10.17
Adjust to new price	10.50	10.50
GST Content	1.17	1.37
GST Excl Sale	9.33	9.13

Loyalty Clubs

Gift vouchers will drop in buying power



This coffee shop will lose margin



Layby Sales

Normal position

= GST triggers when goods uplifted / last instalment

Amendment Proposed

= GST payable on old rate for instalments pre 30 Sept

Systems Update

Can your system (Accounting and POS) cope with two different GST rates at the same time?

Can your Accounts Payable system process invoices received at both rates

Can your Accounts Receivable system raise tax invoices and credit notes at both rates?

You must write bad debts off at the GST rates originally charged

Templates will need updating – invoices, reconciliations, quoting, etc



Accountable Technology



Collateral materials

Advertising materials

Brochures

Catalogues

Website



Time of Supply

At the earlier of cash receipt or issue of invoice.

What about doing your September invoices on 3 October
and posting them to clients on 7 October!



You've got until 'on or before' 11 October

Credit Notes after 1 October 2010

To reflect GST on original invoice



Term Payments

Rates – GST rate will increase on instalments after 1 October

HP – no change. GST triggered at start

Insurance – transitional rules

All up front if premiums 'financed'

Finance Leases – transitional rules

New perpetual invoices required

Deposits – ensure it covers GST cash flow

GST period straddling 30 September

Special GST return with 2 sections

September @ 12.5%

October @ 15%

GST 104A and GST104B

Must keep a reconciliation
of treatment of Debtors and creditor adjustments *

Refer template GST 105

Clear all vending machines on 30 September



* Adjustment = (Creditors – Debtors) / 51.75 [diff btwn 3/23 & 1/9]

Invoice Basis straddling 30 September

Pretty much “Business as usual”



Watch - GST Inclusive contracts will auto lift to 15%

FBT, Entertainment

Calculation for pre and post 30 September
relating to 50% add back for non deductible adjustment
(even if adjustment done annually)



Government hand outs

There is no automatic adjustment to grants or subsidies from Public Authorities

An advertisement with a blue background and a white curved banner at the bottom. The text is in yellow and light blue. A large blue dollar sign is on the right side.

**Get \$5,000 to \$5,000,000 In
Government Money To Start
Or Expand Your Business**

**Get Official Applications To
Send In For Money Now!**

Importing

Does the DPS* account limit with Customs need lifting by 20%

*Deferred Payment Scheme



Te Mana Arai o Aotearoa

Still GST registered but ceased business?

Then deregister before 30 September

Property

Recommend “plus GST”

From 1 April 2011 new zero rating rules between registered persons



Anti Avoidance

IRD can intervene on any pre 30 September rush at 12.5%
(watch pre billing!)



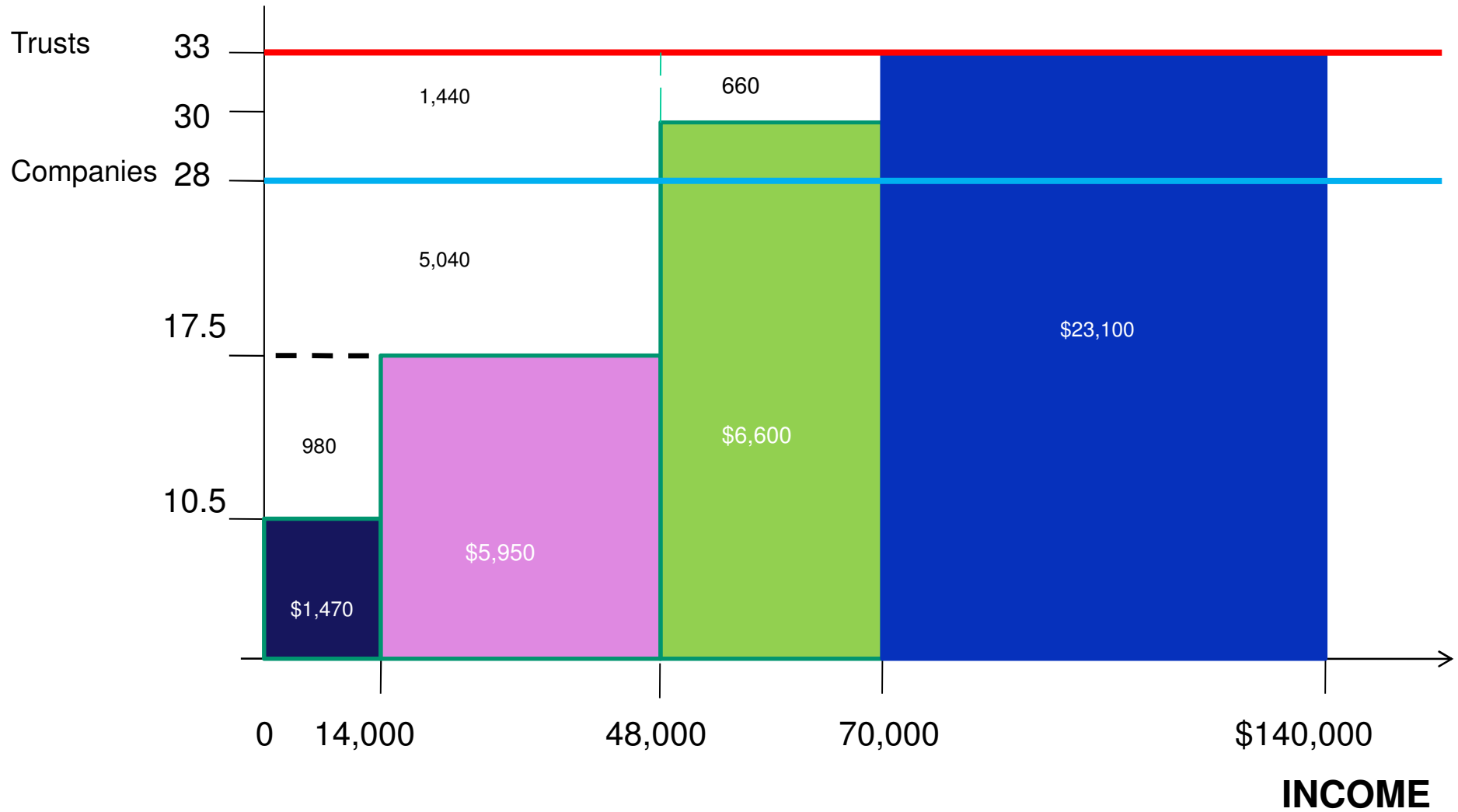


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New Tax Rates

TAX RATES from 1 October 2010

Income	\$70,000	\$140,000
Total Tax	\$14,020	\$37,120
Average Rate	20.03%	26.5%



\$8,120

Provisional tax uplifts - individuals

Method	Years			
	2010-11	2011-12	2012-13	2013-14
<i>Standard method adjustment</i>				
110% payment decrease to:	95%	95%	100%	
105% payment decrease to:	95%	95%		
<i>GST ratio method adjustment</i>				
Two years before preceding year RIT decreases to:	80%	80%	85%	90%
Year before preceding year RIT decreases to:	85%	85%	90%	
Preceding year's RIT decreases to:	90%	90%		

PIR tax rates

Taxable income	Taxable + PIE income	PIE tax rate
\$0-\$14,000	\$0-\$48,000	10.5%
\$0-\$14,000	\$48,001-\$70,000	17.5%
\$14,001-\$48,000	\$0-\$70,000	17.5%
\$48,001 and over	Any	28%
Any	\$70,001 and over	28%

RWT

Income Tax Rates	Current RWT Rates	New RWT Rates
1 October 2010		1 October 2010
10.5%	12.5%	10.5%
17.5%	21.0%	17.5%
30.0%	33.0%	30.0%
33.0%	38.0%	33.0%

Payrolls straddling 30 September

Pay periods spanning 1 October – when do new rates apply?

FBT rates

– single rate (49.25%)



FBT rates

Income range	Tax rate
<i>FBT rates for the 2010-11 income year</i>	
\$0-\$12,390	0.1299
\$12,391-\$39,845	0.2384
\$39,846-\$54,915	0.4599
\$54,916 and over	0.5504
<i>FBT rates for the 2011-12 and subsequent income years</i>	
\$0-\$12,530	0.1173
\$12,531-\$40,580	0.2121
\$40,581-\$55,980	0.4286
\$55,981 and over	0.4925

Bonuses

Timing is everything!

Best post 30 September



Company tax rate changes

From 30% to 28% from 2011/2012

Imputation Credits – transitional rules

28/72





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Depreciation

Depreciation

Buildings > 50yrs



Depreciation withdrawn

from 2011/2012 Income Year

20% Loading on all assets withdrawn

from 21 May 2010

Impact on Cash Flow and Financial
Statements?

Depreciation

Definition of a Building?

Definition of Fit out?

- missed the boat?

Transitional rules – IRD proposals



Depreciation

Grandparented Structures

Improvements treated as separate assets





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QC / LAQC's

QC / LAQC

To QC or not to QC ? – that is the question!

Proposals to take effect from 1 April 2011

- flow through status for income tax
- limitation on losses
- allocation of income like a partnership



QC / LAQC

Company structure remains

Company Law & Financial Reporting
requirements continue

Opting out - normal company tax rules



QC / LAQC

Watch disposal events - could be very costly!

Review existing QC/LAQCs before 31 March!



Detailed seminars to follow



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More at:

These slides at:

pkfrossmelville.co.nz

“News and Information”

See what the IRD are saying at:

ird.govt.nz/gst

gstadvisory.govt.nz