



This supplement outlines the changes in the Taxation (Business Tax Measures) Bill which has now passed into law. These changes can now be found in the Taxation (Business Tax Measures) Act 2009.

## Provisional tax changes

### Reducing provisional tax payments

The provisional tax uplift rate for calculating provisional tax using the standard method has reduced for the 2008–09 and 2009–10 income years. It applies to provisional tax instalments payable on or after 1 April 2009 for payments of 2009 provisional tax and to all instalments for 2010 provisional tax.

- the 105% rate reduces to 100%
- the 110% rate reduces to 105%.

For provisional tax payers who pay tax at the company tax rate of 30%:

For 2009

- the 95% rate reduces to 90%
- the 100% rate reduces to 95%.

For 2010

- provisional tax will be based on 2009 RIT x 100%, or
- 2008 RIT x 95%.

We're recalculating all assessments of 2009 and 2010 (for early return filers) provisional tax already issued under the standard option. Reports will be issued shortly confirming the revised details to tax agents who use direct mail. Updated statements will be issued to any of your clients who are used to receiving statements directly from us.

**Note:** You'll find provisional tax formulas for the 2008–09 and 2009–10 tax years at [www.ird.govt.nz](http://www.ird.govt.nz)

### Reducing provisional tax use-of-money-interest (UOMI)

The threshold for charging provisional tax UOMI for clients using the standard option has increased from \$35,000 to \$50,000. This takes effect from the 2009–10 income year.

## PAYE changes

### Increasing the threshold for paying PAYE twice-monthly

The PAYE/ESCT (employer superannuation contribution tax) threshold requiring employers to pay PAYE twice-monthly has increased from \$100,000 to \$500,000.

Employers whose gross annual PAYE and ESCT payments were less than \$500,000 in the previous tax year ended 31 March are no longer required to pay PAYE twice-monthly.

Employers under the new \$500,000 threshold are also entitled to the payroll intermediary subsidy if they use a listed PAYE intermediary.

**Note:** The threshold to file electronically using ir-File remains at \$100,000. If you are over this threshold you are required by legislation to file your IR 348/EMS and IR 345/EDF electronically using ir-File. To find out what it's all about, talk to your payroll provider or go to [www.ird.govt.nz/online-services](http://www.ird.govt.nz/online-services) to register and view an online demonstration.

We will notify affected employers about these changes.

## GST changes

### GST registration

The threshold for compulsory GST registration has increased from \$40,000 to \$60,000.

### Filing GST six-monthly

The threshold for filing six-monthly GST returns has increased from \$250,000 to \$500,000.

### Using the payments basis

The threshold to use the payments basis to account for GST has increased from \$1.3 million to \$2 million.

**Note:** Applications to file and pay GST six-monthly and/or to use the payments basis to account for GST need to be made in writing.





## FBT changes

### Minor benefits threshold

The threshold for exempting minor benefits from FBT has increased from \$15,000 to \$22,500 a year for an employer, and from \$200 to \$300 a quarter for an employee.

### Filing FBT annually

The threshold to file and pay FBT annually has increased from \$100,000 to \$500,000 (based on annual PAYE).

### FBT and “closely held businesses”

Owner-employees of “closely held businesses” are now eligible to file FBT returns annually, regardless of the annual PAYE and ESCT deducted, when the only benefit provided is the use or availability of a motor vehicle for private use and the FBT liability is for no more than two vehicles.

Elections to file FBT annually can be made using our **Fringe benefit tax election form** at [www.ird.govt.nz/online-services](http://www.ird.govt.nz/online-services)

Elections need to be received by 30 June in the tax year the election first applies. For example, elections must be received by 30 June 2009 to file an annual return for the year ended 31 March 2010.

Existing companies which have shareholder-employees and file and pay FBT quarterly can elect to file income year returns. Elections need to be received by the last day of the first FBT quarter in the income year the election applies. For example, elections must be received by 30 September 2009 to file an FBT return for the year ending 30 June 2010.

## Other changes

### Accounting for financial arrangements

The threshold for the straight-line basis of accounting for financial arrangements has increased from \$1.5 million to \$1.85 million, based on the total level of financial arrangements. Non-individuals subject to certain thresholds will also be allowed to return income tax in relation to financial arrangements on a cash accounting basis.

### Increase in low-value trading stock threshold

The low-value trading stock threshold has increased from \$5,000 to \$10,000, based on the value of trading stock.

### Business-related legal expenditure

Businesses with business-related legal expenditure up to \$10,000 will be able to fully deduct the expense in the year it was incurred, without having to distinguish between revenue and capital. If the business-related expenditure is more than \$10,000 there must be a distinction made between capital and revenue on the full amount and not the amount above the \$10,000.

## Note from the editor

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