

# BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

Issue No 9 • June 2010 • IR 381

## Budget 2010 – a quick summary

The Government announced tax changes in the Budget on 20 May 2010 that will affect you and your employees.



We'll have more about the changes in the July issue but here's a brief summary of some of the main changes:

- GST will increase from 12.5% to 15% from 1 October 2010.
- Personal tax rates have been reduced, effective from 1 October 2010.

Income	Current rate	New rate
\$0-\$14,000	12.5%	10.5%
\$14,001-\$48,000	21.0%	17.5%
\$48,001-\$70,000	33.0%	30.0%
Over \$70,000	38.0%	33.0%

- A zero depreciation rate has been set on buildings with an estimated useful life of 50 years or more, effective generally from the 2011-12 income year.
- Depreciation loading on new plant and equipment will be removed for assets purchased after 20 May 2010.
- The company tax rate has been reduced from 30% to 28% from the 2011-12 income year.
- There have been changes to improve the integrity of Working for Families Tax Credits.
- Tax rates on investments and savings have been reduced (some effective from 1 October 2010 and others effective from the 2011-12 income year).
- There will be stricter tax rules for foreign-owned companies, effective from the 2011-12 income year.

To find out more about how you'll be affected by these changes check out the Budget information on our website [www.ird.govt.nz](http://www.ird.govt.nz)

For more technical detail about the tax changes go to [www.taxpolicy.ird.govt.nz](http://www.taxpolicy.ird.govt.nz)

## Our online overseas currency calculator now removed

You may have noticed we've removed the overseas currency calculator from our website.

We've changed our source for this information and now provide a direct link where you can find the latest figures. The tables on our website will continue to be updated monthly.

Find out more about the rates at [www.ird.govt.nz/how-to/overseas-currency](http://www.ird.govt.nz/how-to/overseas-currency)



**Inland Revenue**  
Te Tari Taake

## Welcome to Business Tax Update

In this issue: Budget 2010, online overseas currency calculator, GST rules for international travellers, valuing FBT for motor vehicles where previously owned, child support deduction notices, changes to disputes resolution process, making tax easier, CPI adjustment for childcare and boarding service providers, and our updated home page.

If you have any suggestions for topics you'd like covered in this newsletter, email [BusinessTax.Update@ird.govt.nz](mailto:BusinessTax.Update@ird.govt.nz)



## REMINDERS

### Combination tax payment codes:

If you're making a combined tax payment make sure you use the correct code:

- GAP for combined GST and provisional tax payments (when filing a GST 103 return)
- DED for combinations of PAY, CSE, SLE, KSE, KSR or ESCT (SSC code) payments
- ARR for paying off debt arrears.

Examples of single tax payment codes are:

- GST for GST-only payment (when filing a GST 101 return)
- INC for income tax (including provisional tax) payment
- PAY for PAYE-only payment.

For a list of all the tax codes go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: allocation codes).

## GST on goods for international travellers leaving New Zealand

We've had some questions from retailers on whether GST is charged on goods sold when an international traveller is leaving New Zealand.

As a general guide if you're a GST-registered retailer selling goods to a tourist or person leaving New Zealand, you must charge GST on the goods sold. Even if the international traveller has airline tickets this does not exempt you from charging GST.

One area that has caused some confusion is what was known as the "sealed bag system". A small number of retailers thought their sales were zero-rated for international travellers if the goods were placed in a sealed bag and the bag wasn't opened until the traveller had departed New Zealand. This is not correct. International travellers can't take possession of goods that are zero-rated when leaving the store.

However, goods purchased by international travellers are zero-rated when a retailer:

- sells goods to a tourist and arranges to send the items overseas to them
- arranges to send the items to an overseas customer
- arranges to send goods to the airport for a traveller to pick up at the time of departure.

Goods sold by duty-free shops that are licensed as export warehouses and that operate within the Customs processing area at international airports are also zero-rated.

For more information on GST go to [www.ird.govt.nz/gst](http://www.ird.govt.nz/gst)

## Valuing motor vehicles for FBT if previously owned by the employer

We've recently been asked how a motor vehicle provided by an employer to an employee is valued for fringe benefit tax (FBT) purposes.

Where a vehicle provided to an employee has been owned by the employer or an associated person of the employer in the two years prior to the employer acquiring the vehicle, the value of the vehicle will be determined using either:

- the tax value method, which is the cost price less depreciation, or
- the cost price method using the highest of the cost prices paid for the vehicle by the employer or associated person.

There are a number of rules for determining the cost under the tax value method.

You can read the full response "QB 10/03: Fringe benefit tax – value of motor vehicle previously owned by the employer or by an associated person of the employer" in the *Tax Information Bulletin* Vol 22, No 5, June 2010, at [www.ird.govt.nz/tib](http://www.ird.govt.nz/tib)

## Child support deduction notices issued July/August

If you've been asked to deduct child support on behalf of an employee you may receive a new child support deduction notice from us in late July or early August.

We send out new notices for every employee who's had a change in the amount of child support they're required to pay. This happens because liable parents may be reassessed as part of our annual assessment process, which starts in February each year. We calculate a liable parent's assessment based on their earnings from April of the previous year to January, and an estimate of their expected earnings for February and March. Then in July we compare our estimate to the liable parent's actual full year earnings.

If your employee is a liable parent they'll only receive a new assessment if their income changes by more than \$500.

The new deduction notice you receive tells you when to make deductions for your employee and the amount to deduct.

If you don't receive a new notice for an employee, continue to deduct child support at the existing rate.

If you'd like to talk to us about your deduction notice please contact us on 0800 220 222.

If your employees have any questions about their new assessment or deduction amount, they can call us on 0800 221 221.

Find out more about child support deductions at [www.ird.govt.nz/childsupport/employers](http://www.ird.govt.nz/childsupport/employers)

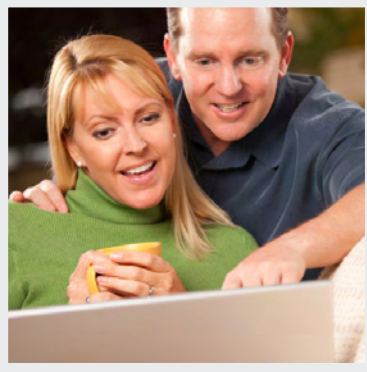
## We've revised our disputes resolution process

If you disagree with how we've assessed your tax you can follow a formal disputes procedure. We're committed to providing a good service and have made some improvements to the disputes process, which came into effect on 1 April 2010.

The changes include:

- making notices of proposed adjustment (NOPAs) more concise
- offering independent facilitators at conference meetings to promote and encourage discussion and resolve the dispute where possible
- introducing new criteria for "opting out" of the disputes process where a dispute can be resolved at a hearing authority
- making every effort to issue statements of position (SOPs) within three months of either the end of the conference phase or decline of an opt-out request.

## Making tax easier – consultation coming



The Government has been looking at ways to simplify PAYE and tax returns, provide faster, more efficient online services, and reduce people's paperwork and compliance costs.

Proposed changes to Inland Revenue's systems and

processes would make it easier for businesses to manage their tax obligations online. You'd spend less time filling out forms, filing paper records or following up queries with us, and have more time to devote to your business.

Before any changes are made, the Government wants to hear New Zealanders' opinions of the proposals.

The Minister of Revenue says he expects to consult with New Zealanders later this month about the way people might interact with the tax system in future. He plans to invite comment through a public online forum and discussion document.

The online forum would be managed for the Government by Inland Revenue and is likely to remain open for six weeks.

Once consultation opens, you'll be able to weigh up how simpler tax processes could work for you by visiting [www.ird.govt.nz/makingtaxeasier](http://www.ird.govt.nz/makingtaxeasier) and commenting on the proposals.

Businesses that have difficulty accessing the internet will be able to write to Inland Revenue Policy Division, PO Box 2198, Wellington 6140, or phone us on 04 890 1404 and ask for a copy of the *Making tax easier* discussion document. You can then write in with your comments.

We'll let you know on our website when the consultation and online forum are open. Or add the link [www.ird.govt.nz/makingtaxeasier](http://www.ird.govt.nz/makingtaxeasier) to your favourites so you can be one of the first to join in the discussion.

## CPI adjustment for childcare and boarding service providers

The standard-cost components for childcare and boarding service providers have been increased retrospectively from 1 April 2009 in line with the annual movement of the CPI.

### Childcare providers

The variable standard-cost component increased from \$3.09 to \$3.15 per hour per child.

The administration and record keeping fixed standard-cost increased from \$301 to \$307 per annum for a full 52 weeks of childcare services provided.

### Boarding service providers

The weekly standard-cost for one to two boarders increased from \$227 to \$232 each.

The weekly standard-cost for third and subsequent boarders increased from \$185 to \$189 each.

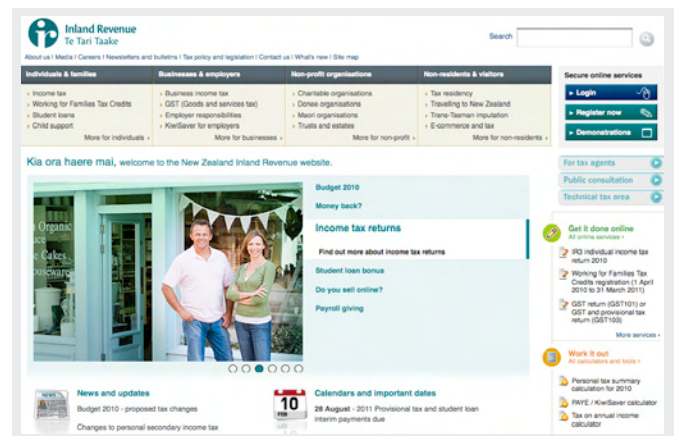
Full details are given in the *Tax Information Bulletin* Vol 22, No 5, June 2010, which you can read at [www.ird.govt.nz/tib](http://www.ird.govt.nz/tib)

## We've updated our home page at [www.ird.govt.nz](http://www.ird.govt.nz)

You may have noticed we've made some changes to the home page of our website. If you haven't already, you'll see a fresh, more colourful approach that makes it easy to access topical information you may need.

This is just the first step to help you manage your tax online faster and easier. Our next changes will include refreshing the online registration and e-payments pages.

Here's a snapshot of our new home page.



To view the home page, go to [www.ird.govt.nz](http://www.ird.govt.nz). We'll keep you updated on website changes in our newsletters.