

Tax Changes as of 1 April 2009



There are some important changes happening from 1 April 2009, it is important that you understand these changes and how they might affect you. If you have any questions about what we have set out below, please feel free to give us a call and talk about your situation, Lindsay, Mike and the Team will be happy to assist.

Individual Income Tax changes

From April 1st, the new income tax brackets will be as follows:

Income	Tax Rates
\$0 to \$14,000	12.5%
\$14,001 to \$48,000	21%
\$48,001 to \$70,000	33%
\$70,001 and over	38%

The major changes to the current situation are the higher bracket limit, from \$40,000 to \$48,000 in the 21% bracket, and the 1% tax rate decrease in the over \$70,001 income bracket. These figures are set to change again in 2010 and 2011.

Salary and wage earners will not need to do anything; the new rates will be applied by employers as of 1 April 2009. However, another change happening at the same time may require some action. The new Independent earner tax credit will come into effect on this date, and anyone eligible will need to change their current Tax code with their employer.

The Independent earner tax credit (IETC) is for New Zealand residents who earn an annual net income of between \$24,000 and \$48,000 per year and who don't receive any other government support or tax credits.

These would include:

- Working for Family Tax Credits
- Any income tested benefit
- New Zealand Superannuation
- A veteran's pension
- Any other foreign equivalent of the above

If an employee is eligible, they will need to change their tax code. Employers are receiving information and new Tax code declaration forms from IRD to make these changes. For most employees the change will be simple enough. For example, it's a matter of changing the code from 'M' or 'M SL' to 'ME' or 'ME SL' respectively.

The minimum wage in New Zealand will also increase from \$12.00 to \$12.50 as of 1 April 2009.

KiwiSaver

KiwiSaver is also changing from 1 April. These changes are set to affect most people, whether you are enrolled in the scheme or not. The major changes are as follows:

- Employers will no longer receive a tax credit for the Employer contributions that they make.
- Employees will have the option of contributing 2% of their earnings as well as the current 4% or 8% options. This may mean that the scheme has a wider appeal.
- The \$40 annual fee subsidy is being removed.
- Employers will not be obliged to pay any more than a 2% contribution towards KiwiSaver schemes.

Student Loans

From 1 April 2009, student loan borrowers (NZ based or overseas) will receive a 10% bonus for making voluntary payments to their student loan of more than \$500 in one financial year. The \$500 minimum does not have to be made in a single transaction; it will be the total additional payments for the year that will be calculated.

This means that in the 2009/2010 financial year, all of the voluntary payments made over and above the required minimum will be added up, and the government will pay an extra 10% of this total on the borrowers student loan once these payments have reached the \$500 threshold. This could mean significant benefits for those looking at paying off their student loan quickly.

Changes to Provisional Tax calculations

Due to the current economic environment, Inland Revenue is kindly reassessing the standard uplift rates used to calculate provisional tax obligations. Essentially these have been dropped by 5%. We will be using these rates to calculate your provisional tax obligations for the 2010 financial year, so we won't give you a full run down here. If you have any questions at all about your specific situation, please give us a call.

Another token from the current government is the lowering of Use of Money Interest rates from 14.24% to 9.73% on overpayments and from 6.66% to 4.23% on underpaid tax. Use of Money Interest applies to under or over paid tax.

Previously, individuals with residual income tax under \$35,000 were subject to the 'safe harbour rule', meaning that they were exempt from Use of Money Interest. As of 1 April 2009 the level of residual income tax to be eligible for exemption from Use of Money Interest will rise to \$50,000.

GST Threshold

The threshold for mandatory GST registrations has also been increased. Now only those with an annual turnover of \$60,000 are required to register for GST. This may be a good time to reassess if you still want to be GST registered voluntarily if turnover is below this point. If you're unsure about this, or would simply like to discuss your options going forward; please let us know.

Other Changes

There are also some other changes coming into effect on 1 April, however these will only effect specific situations, if we believe that you will be seriously effected on these matters we will contact you directly.

Once again if you have any queries please get in touch, we look forward to hearing from you.

*Kind Regards
Lindsay and the Team
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