



**MaximsAccounting**  
BUILDING BETTER BUSINESS

## May/June 2011 News

*We know we tell you to always talk to your accountants, but a couple of tax changes that took effect at 1 April 2011 mean you should definitely talk to us if these affect you!*

### New GST rules apply for goods and services acquired after 1 April 2011

New rules replace the old change-in-use rules with an approach that apportions input tax deductions (input tax credit) in line with the actual use of the goods and services. In summary, the rules operate as follows:

- ▶ When goods or services are acquired, the portion of GST a registered person can claim a deduction for is based on the intended taxable use of the goods or services with some exclusions applying.
- ▶ In subsequent periods, when a change to the actual taxable use occurs from what was first intended, a GST adjustment within an

adjustment period must be made. A number of exemptions may apply.

- ▶ Specific periods known as “adjustment periods”, are where a GST adjustment must be made if there has been a change in use, if applicable.
- ▶ A maximum number of adjustment periods apply based on the asset’s value or estimated useful life.
- ▶ Special “wash-up” rules apply when goods and services that have been subject to the apportionment rules are sold or the person deregisters.

### Applying the old adjustment rules for goods and services acquired before 1 April 2011

GST-registered persons must continue making GST adjustments using the old rules for non-taxable use based on the market or book value of those goods and services before 1 April.

Adjustments under the old rules for goods and services other than land will cease on the following dates:

- ▶ \$5,000 or less, no adjustment after 1 April 2011

- ▶ more than \$5,000 but not more than \$10,000, no adjustment after 1 April 2013
- ▶ more than \$10,000, no adjustment after 1 April 2016.

Once these dates have passed, no further adjustments for change in use can be made, even though an asset may still be held after these dates.

**These rules don't apply to land.**

### Changes to the Holidays Act

*The Government recently made some changes to the Holidays Act, most of which came into effect on 1 April 2011.*

It's important for employers and employees to be aware of the changes and how they may affect their income tax deductions and entitlements. The main changes include:

- ▶ the ability for employees to cash in a maximum of one week of annual holidays
- ▶ transferring public holidays worked to an alternative day's leave
- ▶ the method of calculating daily pay for holidays and paid leave.

### Hot hints

#### CHANGE IN COMPANY TAX RATE

From 1 April 2011 the company tax rate changes from 30% to 28%

#### LAND TRANSACTIONS

From 1 April 2011 land transactions will be zero rated for GST purposes.

#### CHANGE IN MILEAGE RATE

The mileage rate for expenditure incurred for the business use of a motor vehicle has been increased to 74 cents per kilometre for both petrol and diesel fuel vehicles for the 2011 income year. You are allowed to use the actual cost if you feel the IRD rate does not reflect the true cost.

#### CHANGE IN DEPRECIATION RATES

From 1 April 2011 most buildings with an estimated useful life of 50 years or more are no longer able to be depreciated for tax purposes.

“ Always treat your employees exactly as you want them to treat your best customers ”

STEPHEN R. COVEY

## Key dates

### ONGOING

20th each month PAYE due

### 28 JUNE 2011

April/May 2011 GST

### 20 JULY 2011

Quarterly FBT return and payment due

### ASSOCIATE PROFILE

## Mortgagelink Hawke's Bay

Working with Registered Financial Advisers is now the only option and with Judy Steiner and Nigel Watkin at Mortgagelink Hawke's Bay you have the best team available to you. With Nigel's Experience in Commercial and Asset Lending, he will be able to find the right finance package for you and your business. The banks are saying not now, but through us at Mortgagelink, we are saying yes, we can right now.

Judy Steiner also has many years of working through this difficult market, and she has extensive knowledge in all forms of mortgage lending, from 1st home owner, to second home, 3rd and also Investment property lending.

Call either Judy or Nigel and see how we can help you with all aspects of finance.

mortgagelink

06 8433899

Judy 0275 984 797

Nigel 021 472 175

## Welcome Andrea Wilton

### ACCOUNTANT/AUDITOR

Armed with a degree in accountancy, Andrea has experience in a large firm delivering accounting services including audit. When she's not crunching numbers at work Andrea enjoys spending time with her family at the beach.

**CONTACT ANDREA:** andrea@maxims.co.nz | 06 843 2876 ext 213



## Welcome Tess Lincoln

### ADMINISTRATION

Tess has worked in a range of sole charge accounts and administrative positions predominantly in Ag & Hort sector. One of the reasons she joined Maxims was to be part of a team environment, and Tess is enjoying working alongside other positive, proactive people. Out of work Tess enjoys spending time with friends and family, and everything the Hawke's Bay lifestyle can offer.

**CONTACT TESS:** tess@maxims.co.nz 06 843 2876 ext 204



## Working for families changes

**The definition of family income for Working for Families Tax Credits has been amended. From 1 April 2011 people receiving Working for Families Tax Credits will no longer be able to use investment losses, such as from rental properties, to reduce their family income.**

The changes mean that you will now need to do a lot more work to work out what your family income is under the new rules. While they are designed to try and make things fairer they have definitely made it more complicated to work out.

The definition will also include an extra nine income types:

- ▶ attributable trustee income – including income of a company controlled by the trust – if you're a settlor of a trust
- ▶ attributable fringe benefits – when 50% voting is held by shareholder employees or their associates
- ▶ PIE income – excluding superannuation funds or a retirement savings scheme
- ▶ passive income of children – includes interest, dividends and rent. Amounts over \$500 a year (per child) are included as family income. Wages of children will not be counted as family income.
- ▶ income of non – resident spouse – worldwide income

- ▶ tax exempt salary or wages – under specific international agreements in New Zealand (eg, United Nations)
- ▶ main income equalisation scheme deposits – made by you, your trust or a company controlled by you or your trust
- ▶ certain pensions and annuities – includes 50% of payments from life insurance policies or a superannuation fund (excluding NZ Super)
- ▶ other payments – received from any person or entity and used for the family's day-to-day living expenses. This is only included if the total amount exceeds \$5,000 per family. For example: someone paying your care or rental payments, power or phone bills, or grandparents paying school fees.

If any of these circumstances might apply to you then you may already be receiving WFF payments that you are not entitled to and may need to repay. Give us a call to discuss.

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