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NEWSLETTER SPRING 2010

Dear Clients

As there have been major changes to GST and other tax matters we thought it was timely and appropriate to send out a special newsletter to try and help you with the various issues.

GST

As announced in the Budget, the rate of GST is increasing from 12.5% to 15% from 1 October 2010. As a result the majority of GST registered taxpayers will be required to prepare transitional GST returns and / or adjustment calculations. Inland Revenue will identify the taxpayers requiring the different forms and supply information on how each is to be completed. However if at anytime you need any further clarification or assistance please do not hesitate to contact us. If you do wish us to complete the return that incorporates the rate change on your behalf please contact us early in the month so that we can plan our work flow to ensure timely filing of returns.

If you are issuing invoices for goods or services supplied during September you have until **11 October** to prepare the invoices providing the invoice is dated on or before 30 September.

If you are registered on the 'Payments' basis the calculation adjustment will require you to have a complete list of all your outstanding Debtors (Accounts Receivables) and Creditors (Accounts Payables) as at 30 September. It is important that care is taken to make this list as comprehensive as possible. **We will ask for this list when preparing your annual accounts in 2011.**

There are some transactions that are a little out of the ordinary and are treated differently for GST timing purposes. If you are involved with any of the following activities on or around the 30th of September and have doubts as to the specific GST treatment, we ask that you contact us:

- Hire Purchase Agreements – date of contract and invoice is important.
- Periodic Supplies eg equipment lease/insurance premiums – payments made / received prior to 1 October can be at the lower GST rate.
- Lay-by sales.
- Gaming Machines / Drink Vending Machines.
- Finance Lease Contracts.
- Grants paid by Government or Public Authority.
- Property purchases around 30 September and the date the deposit is applied for the benefit of the vendor.

Other considerations:

- New invoices will be required for 'continuous supplies' ie vineyard / building leases.
- Logistics of re-pricing stock for 1 October if you are a retailer.
- Care should be taken on the issue or receipt of credit notes after 1 October at the old rate that the GST is accounted for correctly.
- If you complete a private use capital adjustment for a vehicle, then it will need to be recalculated for the new GST rate.

FORESTRY

While joining the Emissions Trading Scheme is voluntary, there are some benefits to be gained. There are deadlines looming for forestry owners to get certain credit entitlements. If you have pre - 1990 forestry you can receive an allocation of credits or an exemption, both of which have value. A forest is considered to be an area of 1 hectare minimum. Give us a call if you need assistance or contact MAF on 0800 254 628.

ACC LEVIES

Some self employed people are receiving ACC levy invoices that are incorrect. If you are a sole trader or a partner in a partnership, the Inland Revenue Department have changed everyone's status to fulltime and have charged accordingly. If you think your ACC Levy may be incorrect, either contact ACC on 0508 426 837 or let us know and we can assist. For those of you on ACC CoverPlus Extra (CPX), there has been a recent change for shareholder-employees - if your activity is not the same as the company's, until now, you have been charged at the higher rate. Now ACC have decided that you will be charged according to your activity - not that of the company. For instance, if the company is a building company and you never do any building, but you carry out administration - there is a form to fill out to let ACC know. There will be refunds available - so let us know if you need help.

QC & LAQC COMPANIES

The recently announced budget has changes for those of you operating one of these Companies. At this stage the Government have not fully detailed the changes which will apply from 1 April 2011. We will contact those of you who will be affected.

PAYE

Personal tax rates have been reduced effective from 1 October 2010. You need to start using the new rates to calculate the correct amount of PAYE to deduct from your employees' salaries and wages for pay periods ending on or after 1 October 2010. Please find changes on the Inland Revenue Department website.

All automatic payments for salaries will need to be updated.

New Certificates for Special Tax Codes: Employees who are affected by the change will be issued with a new certificate, which they'll give to you prior to 1 October 2010. The new certificate will include the new tax rates and thresholds.

CAE: For casual agricultural employees and Election Day workers the tax rate (inclusive of ACC earner levy) will drop for both from 23% to 19.54%. This is effective from their first pay period that ends on or after 1 October 2010.

COMPUTER SOFTWARE

Software providers will be sending out upgrades to cope with the GST/ PAYE etc changes. If you do not have a current software package (i.e. working on out-dated or pirated software) you may not have automatic access to these upgrades and you may need to think about purchasing the latest software. Some programs have the facility to make the GST changes without upgrading. Give us a call if you need assistance with this as it will affect your transitional GST calculations.

There are some programs that don't charge for upgrades - we support Banklink and Xero. Both of these are simple to use and our staff can give full training. The monthly charge for these programs is between \$30-\$45 a month plus GST. *Once you are trained to use the system there are no other ongoing costs.* So if you have a program you're not really happy with, call us about alternatives. For those of you using Banklink, you have been notified that the new software is ready to be downloaded.

