MEAD STARK - UPDATE NEWSLETTER

A quick overview of 1 April 2013 changes.

MEAD STARK LTD

CHARTERED ACCOUNTANTS

If you would like to discuss any of these matters and how they affect you please don't hesitate to contact us.

KiwiSaver Changes

As from the first pay period starting on or after 1 April 2013 both the minimum employee and compulsory employer contributions will increase from 2% to 3% of gross salary or wages. This change will apply to existing and new members.

Employers remember, you must deduct ESCT (Employer Superannuation Contribution Tax) from employer contributions using the prescribed rate for the income band e.g. 17.5% for income between $16,801-$57,600.

There is now a number of KiwiSaver members who qualify for NZ Super (currently aged 65 or over), or who joined KiwiSaver between ages 60 and 65, **and** have been in KiwiSaver for five years who are now eligible to withdraw their savings. If you have employees in this category they may continue to make contributions to the scheme but employers are no longer required to make Kiwisaver employer contributions on their behalf.

If an employee asks you what they need to do to upon becoming eligible to withdraw their savings, please tell them if they haven't already received information about their eligibility, to contact their scheme provider directly.

Employers

Employing School Children

Children who earn less than $2,340 are now required to complete a Tax code declaration (IR330) and have PAYE deducted from their earnings. If they are a KiwiSaver member their employer also needs to make employee deductions at 3% of gross salary or wages. However, if the employee is under 18 years old, they are not subject to automatic enrolment into the Kiwisaver scheme nor is the employer required to make employer contributions.

ML and ML SL Tax Codes

The tax credit for employees earning less than $9,880 is no longer available. Employees that previously used the "ML" or "ML SL" tax codes will need to complete a new IR 330 amending their tax codes to "M" or "M SL" .

Student Loan Scheme From 1 April 2013 the rate for standard student loan repayments increases from 10% to 12%.

Taxing Cashed Up Annual Leave If an employee and employer agree, employees can cash up a week of their annual leave. This payment is treated as an extra pay or unexpected bonus and PAYE calculated using the rates for extra pays. Doing so may affect your employee's Child Support liabilities and Working for Families Tax Credits entitlement, as it changes their family income.

2014 PAYE Tax Tables The PAYE tax tables for the 2014 tax year including the updated Kiwisaver and Student Loan deduction rates are now available at http://www.ird.govt.nz/forms-guides/keyword/employers/paye

Minimum Wage From 1 April 2013, the adult minimum wage will increase to $13.75 an hour. The new entrants' minimum wage and the training minimum wage will increase to $11.00 an hour.

Working for Families Tax Credits

- The current abatement threshold for 2014 is $36,350.
- When applying for the Working for Families Tax Credit you need to ensure that you include any income you receive from the following sources: Attributable trustee income; Attributable fringe benefits; PIE income; passive income of children; income of a non resident spouse; Tax exempt salary or wages; Pensions and Annuities; and Income Equalisation Scheme Deposits (excluding 'Adverse Events" deposits).
- For those currently receiving Working for Families Tax Credits you are required to complete a form IR 215 and this is filed together with your income tax return to ensure you receive your correct entitlements.

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Charitable Donations, Childcare and/or Housekeeper Tax Credits

Individual tax payers can claim 1/3 of all charitable donations made up to the value of their taxable income (by completing an IR526). You can claim a rebate for school or kindergarten fees, church donations or donations to a recognised registered charity, and supported by a receipt with the word 'donation' on it.

(for a list go to www.ird.govt.nz/donee-organisations).

For 2012-2013 and future tax years individuals can no longer claim a tax credit for childcare and housekeeper payments.

Companies making donations can claim it as a standard deduction in their financial statements to the extent that the donations do not exceed the company's net income for that year.

Family Trusts & Residential Care Subsidies

Family Trusts
If you have settled a trust in New Zealand for the benefit of your family and either your children have gone offshore or you yourself are looking at moving overseas you need to seek advice on the tax consequences as the tax treatment of your trust may have changed.

Residential Care Subsidies
With the abolition of gift duty the criteria for qualifying for residential care subsidies has come under the spotlight.

Many couples had in fact been gifting $54,000 per annum ($27,000 each) in the belief they would over time qualify for this subsidy. The Ministry of Social Development who assesses applications say that for subsidy purposes it is $6,000 per year in the five years leading up to an application for a residential care subsidy being made and $27,000 of allowable gifting per annum per couple during the prior period. And furthermore, when a single application is made the applicant's spouse or partner's assets are included in the applicant's means assessment.

If You're Unable to Pay Your Tax

If you find yourself in the position of being unable to meet your tax payments on due date it is important that you contact either us (or the Inland Revenue) prior to due date to inform IRD of the situation. By taking this step you can avoid many of the late penalties imposed. IRD will work to set up a payment plan. Please note the Inland Revenue's use of money interest rate is currently 8.4%.

Vehicle Expenses

If you have a vehicle (not a company vehicle) which is used for business and private purposes, there are several options for claiming the business portion of expenses:

- If your business running in the vehicle is less than 5,000 km per year, you can use pre-determined Inland Revenue rates (the current rate is 77c/km). You must keep a record of all business journeys to substantiate your claim.
- Keep a log book for 90 consecutive days recording all journeys. Based on the business use percentage from the logbook, you can claim this proportion of all vehicle expenses. You can continue to use this percentage for three years, provided that the actual business use in any month does not vary by 20% or more from the percentages established by the logbook.
- Actual records of all business use, distances and costs.

Recap of Tax Rates

Personal tax rates	$0 - $14,000 $14,001- $48,000 $48,001 - $70,000 $70,000 and over No Tax Code Declared	10.5% 17.5% 30% 33% 45%
ACC Earner Levy	1.7%	
Company Tax Rate	28%	
Trust Tax Rate	33%	
GST	15%	

If you have any tax or business related questions contact your local Mead Stark office.

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