

## **BUDGET POINTS**

### **Personal Tax Rates Reduced**

Personal tax rates have been reduced, as follows:

#### **Current and New Tax Rates**

\$0 - \$14,000	12.5%	11.5%	10.5%
\$14,001 - \$48,000	21.0%	19.25%	17.5%
\$48,001 - \$70,000	33.0%	31.5%	30.0%
Over \$70,000	38.0%	35.5%	33.0%

\* In 2010 / 2011 the rates are composite rates.

#### **Tax Payable – New Rates versus Current Rates**

\$20,000	\$3,010	\$2,765	\$2,520
\$30,000	\$4,590	\$4,170	\$3,750
\$48,000	\$8,890	\$8,155	\$7,420
\$60,000	\$12,850	\$11,935	\$11,020
\$90,000	\$23,750	\$22,185	\$20,620
\$120,000	\$35,150	\$32,835	\$30,520
\$150,000	\$46,550	\$43,485	\$40,420
\$200,000	\$65,550	\$61,235	\$56,920

Generally these changes apply from 1 October 2010.

### **Company Tax Rate**

The Company tax rate is being reduced from 30% to 28%.

The top tax rate for people saving through PIEs — including KiwiSaver funds — and other managed funds will also be reduced from 30% to 28%.

For Companies, and for investments through other managed funds, the reduction in the tax rate to 28% will apply for the 2011 / 2012 and subsequent income years.

## **GST Rate Increase**

The rate of Goods and Services Tax (GST) is being increased from 15% from 1 October 2010, as part of a switch in the tax mix from income tax to consumption tax.

## **Depreciation and Capital Contributions**

The Bill introduces the following changes to the depreciation rules:

- The annual depreciation rate for buildings will be set to 0% if they have estimated useful lives of 50 years or more, as determined by the Commissioner.
- This new rate will apply regardless of when a building was acquired.
- Building owners that have previously claimed a depreciation deduction on their buildings will still be required to pay depreciation recovery if they sell a building for more than its tax book value.
- No depreciation loading for assets acquired after 20 May 2010.
- The new rules for building depreciation will generally apply from the beginning of the 2011 / 2012 income year.

## **Working for Families**

As part of the Bill, the indexation of the income threshold for Working for Families (WFF) tax credits will be removed. This means that the income threshold at which WFF begins to abate will be set at the current threshold of \$36,827 and this threshold will no longer be automatically indexed to inflation.

However, the amounts of Family Tax Credit will continue to be automatically indexed to inflation. The amendment to remove the automatic indexation of the income threshold for WFF tax credits will take effect on 20 May 2010.

In addition, as a first step to improve the integrity of social assistance, the Bill will exclude investment losses, such as losses from rental properties, from the calculation of income for WFF tax credit purposes. This measure is intended to prevent higher income people gaining access to assistance they would not normally be entitled to.

The amendment to exclude investment losses for the purposes of calculating WFF tax credit entitlements will take effect on 1 April 2011.

## **Disclaimer**

This document is provided by Coombe Smith as general guidance only and does not constitute the provision of accounting, legal advice, tax services, investment advice, or professional consulting of any kind. The information is provided "as is" with no assurance or guarantee of completeness, accuracy or timeliness of the information and without warranty of any kind, express or implied, including but not limited to warranties of performance and fitness for a particular purpose. In no event will Coombe Smith or its professionals be liable in any way to you or to anyone else for any decision made or action taken in reliance on the information or for any direct, indirect, consequential or other damages related to you or your use of information, even if advised of the possibility of such damages. Before making any decision or taking any action, you should consult a professional adviser who has been provided with all the pertinent facts relevant to your particular situation.