

BEHIND THE NUMB3RS—2010

September /October 2010 —Issue 36

Are you ready for the tax changes on the 1st October 2010?

Income Tax

Personal tax rates are changing on the 1st October 2010. Below is a table showing the current tax rates and the tax rate from 1st October 2010.

Income Band	Current Tax Rate	New Tax Rate
\$0 - \$14,000	12.5%	10.5%
\$14,001 - \$48,000	21%	17.5%
\$48,001 - \$70,000	33%	30%
\$70,000 and over	38%	33%

Please note that the new calculation will start from the first pay period that ends on or after the 1 October 2010. The personal tax changes won't affect Kiwisaver contributions, student loan obligations or the current year's assessment for Child Support.

If you require assistance with your PAYE or employment issues please don't hesitate to contact us.

The company tax rate will not change until the 2011-2012 year and will reduce from 30% to 28%.

Working for Families Tax Credits (WFFTC)

WFFTC entitlements are changing from 1 October 2010. The IRD advise that if you receive your payments weekly or fortnightly you will receive an updated notice of entitlement in September. This will tell you how much your new payments will be after 1 October 2010. If you receive your WFFTC annually in a lump sum, your entitlement for the current year will be worked out using an average of the current and new entitlement amounts.

Really! How are we peddling?

As Accountants we believe we are in a better position than many to observe and provide comment on the general business climate. Given that we act for a variety of small to medium sized businesses we witness, observe and hear about reality at the coal face so to speak.

The confidence surveys that rear their dubious heads, what are these? Are they just survey's conducted at the pubs after the patrons have had a few.

So where are we?

For some clients it's just business as usual but for many it has been, and still is, a struggle. There is a real unpredictability out there in the landscape and we need something more than the Rugby World Cup next year to stimulate things. And what if we don't win that cup? We last got our hands on it in 1987 (23 years ago) 23 years ago 24% of New Zealand's population were not even born.

Do we let more people into the country?

Do we raise the minimum wage to \$50 per hour?

Do we plot a coach to take over Australian Cricket and the League like we did for Rugby and then maybe droves of Aussies will come back our way.

Our resident cows can only do so much?

New Zealand leads the world in growing grass perhaps we need to sell the wild stuff?

Send us your thoughts on how you would stimulate our economy and we will publish them in our next newsletter. In fact we will send the best ones on to John Key.

The Canterbury Earthquake

Many of us came away with properties pretty much unscathed, but for all the clients of Perriam and Partners, their extended families and friends who have had some major damage to their property our thoughts go out to you and we trust your resilience will help you through this ordeal.

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Joke of the Month

Instead of "Joke of the Month" we thought we would go with "Good responses to bad pick up lines" (obviously for those single clients of ours)

Good Responses to Bad Pick Up Lines

If your polite, respectful responses aren't being heeded, feel free to send a little snarl back his way.

Him: "Hi. I'd like to call you. What's your number?"

You: "It's in the phone book."

Him: "Haven't I seen you someplace before?"

You: "Yes that's why I don't go there anymore."

Him: "Your face must turn a few heads."

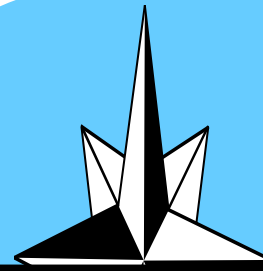
You: "And yours must turn a few stomachs."

Him: "Your place or mine?"

You: "Both. You go to yours and I'll go to mine."

Him: "Is this seat empty?"

You: "Yes and this one will be too, if you sit down."



STAFF ROOM

In August the team at Perriam's set off for a weekend trip to Greymouth on the TranzAlpine. It has been on our tracks since 2000, so we finally did it and can now see why it is one of New Zealand's top tourist attractions, we thoroughly recommend it.

The trip involved:

1. Who could purchase the best value item for less than \$5.00 from the Warehouse in Greymouth.
2. A team competition to see who could build/create the best sculpture from the drift wood and other items that are washed up on the west coast shores.
3. A bundle of laughs over there and on the way back.

Great as team building exercise or just a relaxing weekend and no sign of rain while we were there.



Celebrating Success



This is a new initiative on our Website we call "Celebrating Success"

Life's very much about achieving that balance, balance between our work, families and other interests. We figured "why can't we share with you the success of our clients other interests?" So we have done just that.



Fruit's rotten antics prompt complaints



NOT SO FLASH: A pear and strawberry run from the banana.

This was an advertising campaign featuring a banana flashing a strawberry and a pear which has been referred to the Advertising Standards Authority. Yet the company Director for Habitual Fix, a fresh food and juice company based in Auckland wasn't too worried—as he said “its getting good penetration”.

How's your next advertising slogan looking?

Taxman After Cash Economy.

If you're a painter here's a tip: don't even bother trying to understate your earnings—the taxman is on to how much paint you're using.

The Inland Revenue Department had revealed more details of its strategy for cracking down on the “hidden economy”- jobs done for cash and similar activities designed to disguise how much income is really being earned.

The department recently released its second annual compliance focus report, and once again it has the hidden economy in its sights. It plans to use around a third of the extra \$119 million allocated to it in the Budget for investigation activities on tracking under-the-table earnings. It had already hired more staff, group manager Assurance Martin Scott said.

“We make use of a number of different data sources to identify suppressed income.”

For example, a painter would buy his raw materials from certain places that offered a trade discount. “Based on how much paint you buy we can determine, broadly speaking, what your income should be.”

People also had to do something with the suppressed income, and IRD could track it through major purchases such as a boat.

“The crackdown on the cash economy would follow a similar pattern to the way IRD focused on internet trading”, he said.

First, the department wanted to make people more aware of their responsibilities.

Secondly, it would contact individual taxpayers and ask them to come forward with their correct position. Then it would investigate.

There had been concern from small retailers that people were undercutting them by trading online and avoiding tax. “We now regularly download about 3 million transactions at a time off the internet. We're then able to compare those to the records that we have.”

Traders who were “at the very far end of some significant sales and no return” were investigated straight away.

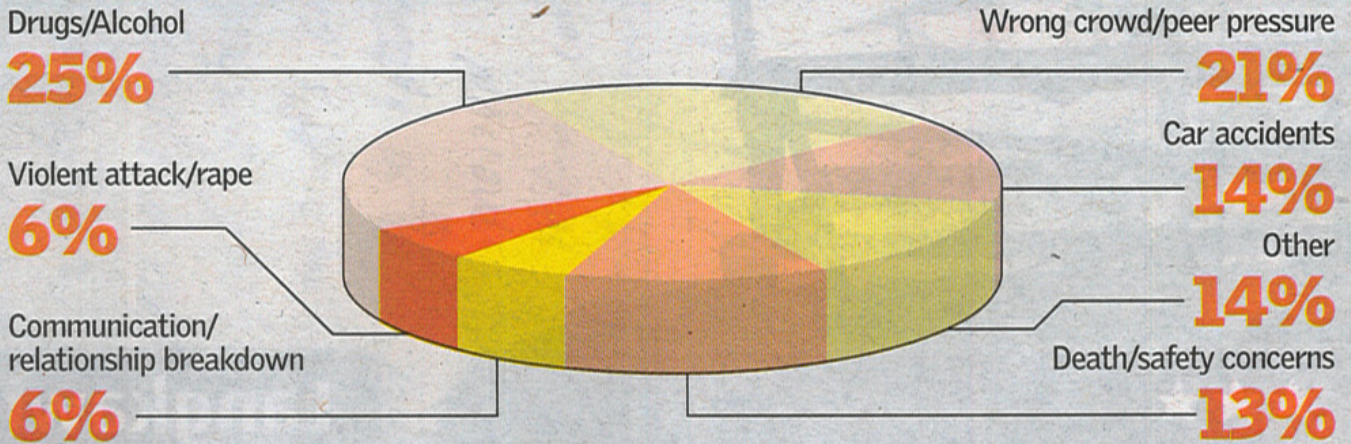
IRD received a lot of anonymous information and it always followed up on that by contacting the taxpayer concerned directly.

It encouraged people to voluntarily put things right because tax evasion or fraud attracted penalties of 150 per cent. “If you come and disclose to us there are substantial reductions on those penalties.”

Scott also urged consumers to always demand a legitimate invoice. Without it they have no comeback if anything went wrong, and in the case of things like house repairs it could have insurance implications.

People did try to massage their income to remain eligible for benefit payments, and IRD keep an eye on that: “If we think it would lower people's perception of the integrity of the tax system then we focus on it.”

Parents' greatest fears for their kids



Source: Non-specific poll of readers of APN publications with children aged 20 years or younger in the Auckland region.

ACHIEVERS CLUB

We are pleased to announce that the latest inductee to the Perriam and Partners Achievers Club is:



Olivia McLeod

Well done Olivia, your outstanding effort in Hockey has been recognized. Olivia has received a certificate and a \$25 voucher.

Don't forget to visit our Achievers Club section on our website. If your children have been excelling or have done a good thing of late then we want to acknowledge this and make them feel special.

Born to coach

Scott Talbot New Zealand's Head Swimming coach comments about his job. "I could easily do this from 5am to 11pm every day without pay. **I'd be in heaven.**

Do you feel this way about your job?

COUNT DOWN TO PAYE AND GST CHANGES

You'll need to ensure that:

- ◆ You're ready to update your payroll system for software with the new PAYE rates from 1 October
- ◆ You've considered updating your prices and advertising for 1 October
- ◆ You've thought about letting your customers know how the GST increase affects how much they will pay for your goods and services after 1 October
- ◆ You're testing your newly updated accounting and payroll systems or software.

1 October 2010 onwards

You'll be:

- ◆ Using the new 15% GST rate
- ◆ Processing some invoices and issuing credit and debit notes at the old GST rate of 12.5%
- ◆ Issuing and processing tax invoices at the new GST rate of 15%.
- ◆ Aware of time of supply rules about GST and may need to make a one-off GST rate change adjustment in your GST return
- ◆ Getting notice from Inland Revenue if you need to file the one-off GST transitional return if your return spans the rate change on 1 October
- ◆ Using the new PAYE rates, and if they apply, the new fringe benefit and employer superannuation contribution tax rates.

Please go to our website for more information on the GST changes and how they might effect you.

