

# Budget 2010



# Big Picture

- Tax Cuts
- GST Increase
- Government Spending – contained??
- Deficit 8.6 Billion - \$2000 per head
- Targeted Property investment as a source of Tax Revenue



# AIM

- Economic Stimulus
- Encourage Saving!!
  - Where do you save?
    - Payoff Personal Debt
    - Finance Co
    - Shares
    - Banks
    - Property



# Inflation Projected to be 5.9%

Contributors are:

Emission Trading Scheme  
GST increase

- How do we hedge against?
  - Precious Metal – Gold?
  - Fancy Financial Instruments?



# So What does this mean for me?

## TAX CUTS - Individuals

	<b>2010</b>	<b>2012</b>	<b>Savings \$</b>	<b>Savings %</b>
<b>\$48,000</b>	<b>8,890</b>	<b>7,420</b>	<b>1,470</b>	<b>16.5%</b>
<b>\$60,000</b>	<b>12,850</b>	<b>11,020</b>	<b>1,830</b>	<b>14.2%</b>
<b>\$90,000</b>	<b>23,750</b>	<b>20,620</b>	<b>3,130</b>	<b>13.18%</b>



# So What does this mean for me?

## TAX CUTS

	<b>Old</b>	<b>New</b>
Company	30%	28%
Trusts	33%	No Change

So is my Trust still worth having?

Yes.

Asset Protection → Creditors  
→ State  
→ Control Family \$

Intergenerational passing of Assets



# GST



# GST

\$

	OLD	NEW
COST	100.00	100.00
GST	12.50	15.00
	112.50	115.00

TAX Fraction

$\frac{1}{9}$	$\frac{1}{7.666666667!!}$
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Divide **Gross** by 1.15 to **Net**



# Systems /Processes

GST processes and controls must accurately capture GST obligations given the higher stakes. – Your bi-monthly payments will increase by 20%

Staff training scripts for price increases.

Updating the GST Rate in you Accounting Software

Testing – make sure that all software is updated  
e.g. Pricing spreadsheets, Quotes, Point of Sale

Review long term contracts - If the contract is silent on GST or the price is expressed as “inclusive of GST”, the GST Act only gives a limited right to gross up to the price.



# Compliance

## Split GST Returns

Where the rate change occurs part way through a taxpayer's return period, two GST returns are required.

## Adjustments

Special adjustments rules apply to taxpayer who account for GST on a payments (cash) basis.

**MUST DETERMINE DEBTORS AND CREDITORS AT  
30 SEPTEMBER 2010\***

*An Advisory panel has been set up by government to advise IRD.*



# Pricing

A GST rate increase does not automatically mean a price rise because the market sets the price! Consider Short/Medium/Long Term

B2B - Ensure all pricing is expressed as "plus GST".

Update pricing on packaging, shelves, advertising materials, website.

Consider impact on margins.

Consider promotional prices and deals.

10 things to consider before increasing prices. For info contact us.



Make sure your price is Fair to your Customer and to Yourself.

# Marketing

Possible increase in demand before the rate increase.

Consider promotional prices or customer payment plans in Advance of the rate increase.

Potential subdued demand in months after rate increase – how can you fill that hole?



# GST Opportunities

## 1. B2B

Price Increase

Buying 2<sup>nd</sup> hand goods – delay 1/10

## 2. B2 Retail

Sales – Increase Price Now – discount in October.

High cost assets looking to sell? – do so before as GST inclusive won't automatically increase MV.

	MV of Car	20,000	20,000	<b>Difference</b>
	GST	2,222	2,609	= \$387



### 3. Household

Timing of significant Purchases before 30th September.

Maybe take advantage of interest free deals – only if you pay off on time.

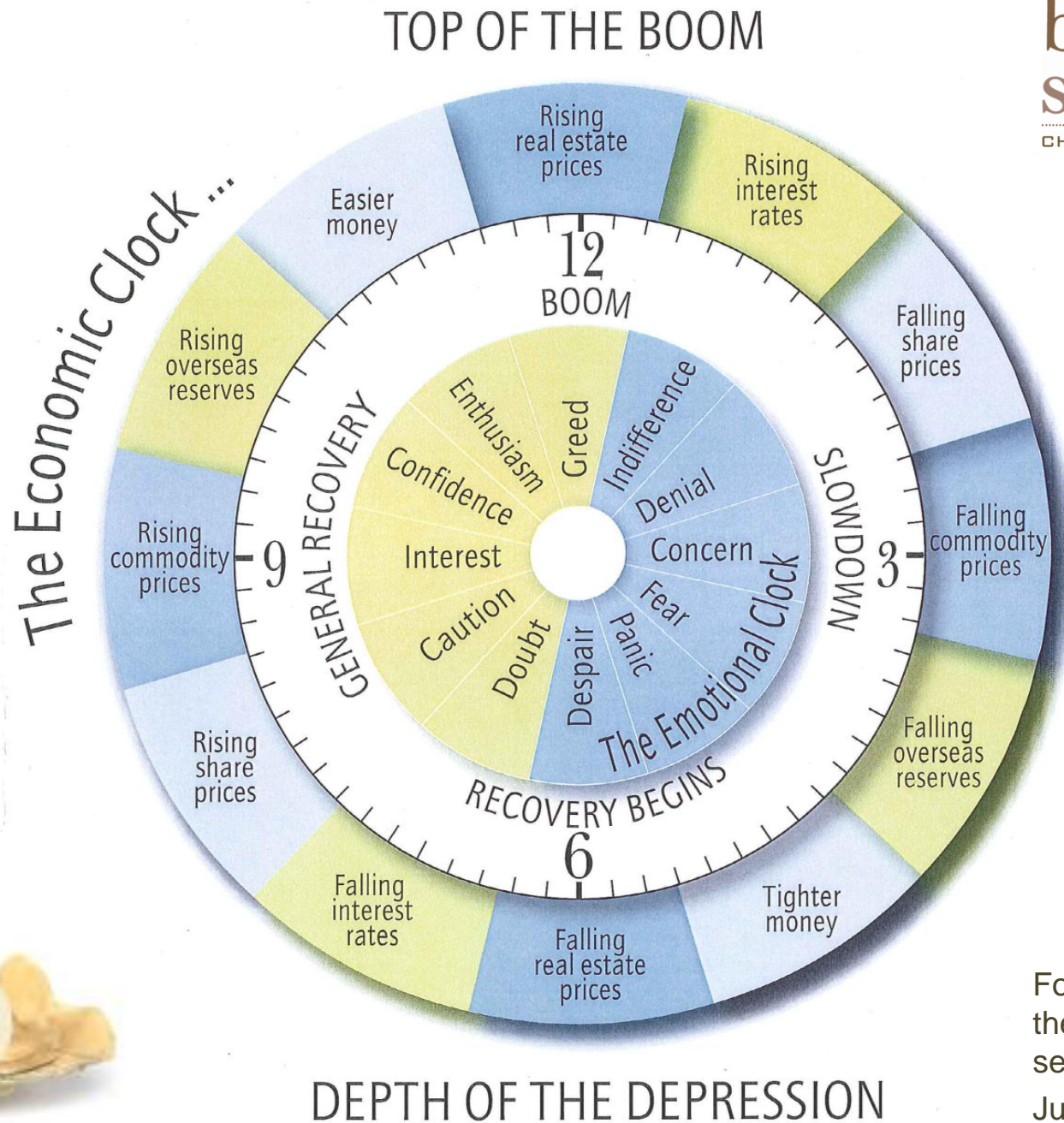
Update the household budget.

*Article on Household budget with some tips in the June issue of our enewsletter.*



# Property





DEPTH OF THE DEPRESSION

For information on the Economic time see our Website or June newsletter.

# No Depreciation on Buildings

- + Except for buildings with useful lives of less than 50 years – can apply to IRD!
- + No loss on Sale Available.



# L A Q C – Loss Attributing Qualifying Company

To be treated as a Partnership.

∴ Loss and Profits flow through to shareholders

The details are yet to be confirmed!

As soon as we know we'll tell you.



# Possible Impacts

Let's look at an Example :

Current		Balance Sheet	
Rent	\$15,000	Property	\$340,000
Interest	21,000		
Costs	<u>3,000</u>	Liabilities:	
Cash Cost	9,000	Bank Loan	350,000
Depreciation	<u>8,000</u>	Shareholders	90,000
Loss	17,000	Accum. Loss	<u>(100,000)</u>
<b>TAX Save (38%)</b>	<b>6,460</b>		<b>\$340,000</b>
<b>Net Cash (\$49/wk)</b>	<b>2,524</b>		



New Regime

Rent	\$15,000
Cash Cost	<u>24,000</u>
Loss	9,000

TAX Save	
LAQC – NIL	\$170/wk
Individual (33%)	\$3,000

LAQC

Losses Limited to Capital at Risk

Investment	\$90,000
	<u>(100,000)</u>
	(10,000)

No Capital at risk. No claim.

Investment	\$105,000
	<u>(100,000)</u>
	5,000

Can claim 5,000 of the 9,000 loss.



Thank you for coming

