

20 June 2007



We are pleased to enclose our Winter newsletter for 2007.

BUDGET 2007

The highlights of the tax reforms announced on 17 May are:

- A cut in the company tax rate to 30%, with effect from the 2008/09 tax year;
- A 15% refundable tax credit for Research and Development which will apply from the 2008/09 tax year;
- Changes to KiwiSaver including compulsory employer contributions and tax credits for members and employers (see below);
- Tax incentives to boost charitable giving including the removal of the current rebate threshold for individuals and the deduction limits for companies and Maori authorities. This will generally mean that the total of all donations made in a tax year will be limited only by the amount of the donor's net income.
- Increased funding for IRD to strengthen the auditing of property transactions. This is mainly aimed at property speculators who are avoiding paying tax on the sale of properties.

The changes in the company tax rate and KiwiSaver members' tax credit have already been passed by parliament. The remainder are currently at the submission stage.

KIWISAVER

KiwiSaver comes in to force on 1 July 2007. If you are an employer you should have already received a KiwiSaver Employer Guide from IRD explaining your obligations and a supply of Employee Information Packs. Employees should be given an information pack if they begin working for you from 1 July on or if they request one.

KiwiSaver basics:

- \$1,000 kick-start from government.
- You and your employers contributions can be applied towards a first home deposit after three years.
- Ability to take contribution holidays.
- Mortgage diversion option (in some schemes).
- First home deposit subsidy of up to \$5,000 (with qualifying criteria).
- Government contribution available to members between 18 years and age of entitlement (currently 65 years) to match their contributions up to \$20 per week or \$1,040 per year.
- Compulsory employer's contribution starting at 1% from 1 April 2008 increasing 1% annually until it reaches 4% from 1 April 2011.
- Tax credit for employers to reimburse contributions made up to \$20 per week per employee.

The Government will also pay \$40 a year into each members' account to subsidise the fees charged by scheme providers.

The Retirement Commissioner's website www.sorted.org.nz is a great source of information for both employers and employees. We recommend that you visit this site and make good use of the resources available. The Government's KiwiSaver website www.kiwisaver.govt.nz also has a lot of useful information.

ACC LEVIES

Administration

We can act as your agent for all ACC related matters for a fixed annual fee. The advantages to you are:

- All ACC related information will come to us;
- We will review the invoices and ensure they are correct;
- We will advise you immediately of payments due;
- You can rest assured in the knowledge that your levies are correct, and have been minimised;
- We will advise you on the best options available to you for your ACC Cover; and
- We will keep you up to date with any changes in ACC legislation that may affect you.

If you would like to take advantage of this service, please contact this office.

Types of ACC Cover

ACC CoverPlus

Standard cover for sole traders, partners in a partnership and those receiving withholding payments. The levies and weekly compensation are based on your previous year's earnings from self-employment.

ACC CoverPlus Extra

Provides the self-employed and shareholder-employees (non-PAYE deductions) with alternative cover to ACC CoverPlus. Cover is for an agreed amount.

ACC TimeOut

Income protection cover in case of injury when you take a break from work such as for study leave, travel (not overseas travel for more than six months) or to become a temporary caregiver. You can purchase cover in blocks of three months (up to a maximum of 24 months). It is available to anyone over the age of 16 who is employed or self-employed.

ACC WorkPlace Cover

Provides cover for both PAYE employees and shareholder-employees for work related injuries. As an employer you are required to provide work-related personal injury cover for all your employees, whether they're full-time, part-time or casual workers.

ACC WorkPlace Safety Management Practices

Programme developed to encourage employers to create and maintain safer workplaces. In return for putting in place systems and processes for managing and improving workplace safety, you receive discounts on your standard ACC WorkPlace Cover levy.

ACC Partnership Programme

This programme offers significant levy discounts to employers who take responsibility for their own workplace health and safety and the management of workplace injuries including delivery of all statutory entitlements, such as weekly compensation for lost earnings.

Yours sincerely

SIMPSONS

Chartered Accountants Limited



Ronald W Sasse
Principal

