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BUDGET FACT SHEET

Changes to Company Tax

Company Tax Rate Change

The company tax rate will drop from 30% to 28% at the start of a company's 2011/2012 income tax year. This could be as early as October 2010 for companies with early balance dates.

The change in the corporate tax rate means the standard uplift rates for provisional tax are on the back-burner once again. If you are basing 2011/2012 provisional tax on last year's tax return there is no uplift (i.e. use 100% of past year's RIT). If you are basing 2011/2012 provisional tax on your 2009/2010 tax return then use an uplift of 105%.

There will be a two year transitional period during which dividends can be imputed at 30%. Companies will need to track tax paid at 30% and tax paid at 28% to ensure correct imputation of dividends at 30%. Imputing a dividend at 30% when there are insufficient 30% imputation credits will result in an imputation credit penalty being imposed at the end of the transitional period. Resident Withholding Tax (RWT) on dividends paid remains unchanged at 33%. A 'top-up' of RWT to 33% will still be required. For a dividend imputed at 28%, this will mean an additional RWT cost of 5% on the gross dividend.