

CONTACTS	Derek Hargreaves	353 1020
	Rick Hill	353 1040
	Bev Stott	353 1046
	Ravi Prasad	353 1045
	Cheong Ng	353 1044
	Sonia Bird	353 1041
	Amanda Cullen	379 7484

BUDGET FACT SHEET

Changes to Personal Tax

Personal Tax Cuts

Taxable Income	Current Rates	New Rates
\$0-\$14,000	12.5%	10.5%
\$14,001 - \$48,000	21%	17.5%
\$48,001 - \$70,000	33%	30%
\$70,001 and more	38%	33%

The Budget delivered reductions to all personal tax rates, effective from 1 October 2010, with the main surprise being the reduction of the 33% rate to 30%. The reduction to the rates means that someone earning \$45,000 p.a. would receive an additional \$26 in the pocket each week, while someone earning \$70,000 stands to gain \$41 a week. These increases do not take into account the effect of the GST increase.



The top personal tax rate was reduced from 38% to 33% to align with the trustee tax rate. This has effectively removed the tax savings that could be achieved for income earned above \$70,000 p.a. by having a trust instead of an individual deriving the income. With the tax changes it may be timely to review structures that are in place. The benefits of a trust, such as asset protection and estate planning, still remain and need consideration.

*To calculate your tax savings, go to the Beehive Budget Calculators website:
<http://www.taxguide.govt.nz/>*

Working for Families Changes

The Budget has made a number of changes to the qualification criteria for Working For Families ('WFF') assistance. The automatic increasing of the Family Tax Credit abatement threshold (to compensate for inflation) has been removed. The abatement threshold will remain at \$36,827 unless the Government makes a change to the threshold. One effect of this change is that over time fewer families will qualify for WFF assistance as families' incomes exceed the qualification threshold.

The Government has proposed that from 1 April 2011, investment losses will not be taken into account when determining a family's income for WFF purposes. This will prevent a person from using losses, for example from a rental property, to increase their WFF entitlement. It is also likely that from 1 April 2011 all distributions from trusts will be taken into account, as well as PIE income and the value of fringe benefits received from employment. This will further reduce the amount of entitlement families are eligible to receive.

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