

Budget 2008

22 May 2008

The Minister of Finance, Michael Cullen, introduced his ninth budget to Parliament today.

This budget brief concentrates on personal taxation cuts.

The Long Awaited Tax Cuts Arrive

The carrot has been dangled to electors in the form of a three year phased programme of personal tax cuts. The first tranche is effective from 1 October 2008. Taxpayers will then wait another 18 months for the second cuts.

Coupled with support for families the greatest tax cuts are achieved by low income workers with children.

Personal Tax Cuts and Thresholds				
Current	15.0%	21.0%	33.0%	39.0%
	to \$9,500	38,000	60,000	60,000
Proposed	12.5%	21.0%	33.0%	39.0%
from 1 October 2008	14,000	40,000	70,000	\$70,000+
from 1 April 2010	17,500	40,000	75,000	\$75,000+
from 1 April 2011	20,000	42,500	80,000	\$80,000+

CHARTERED ACCOUNTANTS

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Current Rates		Income	Tax
Up to \$38,000	19.5%	\$ 38,000	\$ 7,410
\$38,000 to \$60,000	33.0%	\$ 60,000	\$ 14,670
above \$60,000	39.0%	\$ 100,000	\$ 30,270
New Rates		Income	Tax
\$0 to \$20,000	12.5%	\$ 20,000	\$ 2,500
\$20,000 to \$42,500	21.0%	\$ 42,500	\$ 7,225
\$42,500 to \$80,000	33.0%	\$ 80,000	\$ 19,600
above \$80,000	39.0%	\$ 100,000	\$ 27,400

At a glance – in 2011

Income	Old Tax	New Tax	Benefit
\$40,000	\$ 8,070	\$ 6,700	\$ 1,370
\$60,000	\$ 14,670	\$ 13,000	\$ 1,670
\$100,000	\$ 30,270	\$ 27,400	\$ 2,870

So a person earning \$40,000 per annum receives \$16 per week extra from 1 October 2008. This increases to \$18 per week from 1 April 2010 and \$22 per week from 1 April 2011.

A person earning \$80,000 receives \$28 per week from 1 October 2008. This increases to \$40 per week from 1 April 2010 and \$55 per week from 1 April 2011.





Other Business Tax Incentives

Budget 2008 is introducing a number of business tax thresholds changes which will be of benefit to taxpayers although no start date for these has been advised. These include:

- increasing the PAYE once a month filing and payment threshold from \$100,000 to \$250,000
- increasing the Fringe Benefit Tax annual return filing threshold from \$100,000 to \$250,000
- increasing the provisional tax use-of-money interest safe harbour threshold for individuals from \$35,000 to \$50,000
- increasing the low value trading stock threshold from \$5,000 to \$10,000
- increasing the GST registration threshold from \$40,000 to \$50,000
- increasing the GST six-monthly return filing threshold from \$250,000 to \$500,000
- allowing non-individuals, subject to certain thresholds, to return income tax for financial arrangements on a cash accounting basis, and
- increasing the threshold for allowing financial arrangements to be accounted for on a straight line basis from \$1.5 million to \$1.85 million (based on the total level of financial arrangements).

Other Budget Highlights

- Superannuation will increase in line with the tax cuts from 1 October 2008
- 10 year plan to support the roll out of high speed broadband to businesses, institutions and areas where the provisioning of services are underserved
- 5% Operational Grant increase for schools and increased capital expenditure
- Lowering of class sizes for new entrant classes to 15
- \$9 million over the next three years to provide assistance to the racing industry and boost feature race stakes

Remember when paying Tax was simple

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Not so long ago business taxpayers were told that paying tax was too complex.

Provisional Taxpayers had to remember 3 main dates, 7 July, 7 November and 7 March. Terminal Tax was due 7 April, with PAYE due on the 20th and GST at the end of the month.

Along the way the dates have been simplified and with the recent changes effective 1 April 2008 payment dates have increased to

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The Dates of your GST payments determine your Provisional Tax dates, as GST and provisional tax have been aligned.

For the majority of taxpayers provisional tax dates are now 28 August, 15 January and 7 May.

For taxpayers registered for six monthly GST provisional tax payments are now only due twice a year.

The reality is that tax collection has become anything but simple!

