McIntyre Flannery Tait
Chartered Accountants & Business Coaches

Special Alert: Budget 2015

All measurements are level

This year's Budget is more housekeeping than rock and roll. There's a distinct aroma of homebaking and 'there'll be no pudding until you eat your greens'.

Room temperature has been adjusted and some social development investments covered and put to rise in a warm place. The piping hot property market has been set to cool off somewhat (if it can).

Promises of a surplus in 2016 and tax cuts in 2017 are firmly predicated on realising the projected growth averaging 2.8% per year. There's a strong focus on acknowledging realities for householders, particularly those with lower and middle incomes. Apart from the social benefits, this may also encourage more vigorous activity in the retail and services sectors of the economy.

Lest anyone be fooled that that wooden spoon is just for licking the bowl, Inland Revenue's budget has been beefed up with an additional $74m over the next five years for compliance and enforcement targeting aggressive tax planning (is it just me or does that mean 'evasion') and the hidden economy of New Zealand's 'cashie culture'.

(A)mending the safety net

The government is giving explicit support for children in hardship. They've tried hard to balance this so as not to undermine incentives to work.

Benefit rates will increase for families with children by $25 per week after tax. Beneficiaries who work part-time will be expected to find 20 hours' work each week rather than the 15 hours currently required. And while most sole parents and partners of beneficiaries are now expected to be available for part-time work after their youngest child turns five years old, they will now be expected to make themselves available after their youngest turns three.

Childcare assistance for low-income families will increase from $4 an hour to $5 an hour for up to a maximum of 50 hours of childcare a week for each child.

Working and studying for families

Student Allowances for families with children will increase by $25 a week.

Both the Working for Families (WFF) in-work tax credit and the WFF tax credit abatement rate will increase from 1 April 2016:

- Low-income working families earning $36,350 or less a year, before tax, will see an extra $12.50 per week and some very low-income families will receive $24.50 extra
- Working families earning more than $36,350 will receive more from WFF, but the amount is dependent on each family's income and it won't be more than $12.50 a week
- Families earning more than $88,000 a year will see slightly lower WFF payments, with the average reduction being around $3 a week

Swings and roundabouts

Border Clearance Levy

A new Border Clearance Levy is expected to be introduced from 1 January 2016 to fund biosecurity and Customs activities. Subject to consultation, the levy will be around $16 for arriving passengers and around $6 for departing passengers.

ACC levies

ACC levies will continue to fall, with cuts of $375m forecast for 2016 and a further $120m in 2017. If cut as forecast the average motor vehicle levy, including the annual licence fee and petrol levy, could fall to around $120 in 2016.

KiwiSaver

The $1,000 kick-start incentive payment is no longer available to people enrolling in KiwiSaver. However, this does not affect existing KiwiSaver members in any way.

More flexibility on child support debt

From 1 April 2016, new measures on child support debt mean Inland Revenue can use their discretion more on a case-by-case basis to write off penalties for non-payment of child support. The aim remains to encourage parents to pay what they owe for their children and the new measures strengthen Inland Revenue's ability to work with parents on controlling and managing their child support debts.

Social housing providers

Payments made to social housing providers will be GST-exempt if the government goes ahead with its proposed changes to the GST legislation.

Safe as houses

The suspense about whether and when a capital gains tax would be introduced to New Zealand seems to have been drawn out for well over a decade. OK, the suspense is over now. Are you relieved?

The focus in this budget is on damping down property speculation rather taking a slice off the family home.

There will be a two-year window for sales of residential property. If residential property is bought and sold within two years, it will be subject to tax. This does not apply for:

- taxpayers selling their family home
- inherited property, and
- property that is being transferred as part of a relationship property settlement

The new rules will apply to properties bought on or after 1 October 2015. More detail is expected to come out in July.

It's important to note that if you intend to sell a property outside of the 2 year timeframe, the sale may still be subject to tax, as it may still fall within other rules relating to the taxation of property. Please contact us if you are selling a property to see what rules apply.

IRD numbers

In addition, anyone buying or selling land - both New Zealand residents and non-residents - will have to provide an IRD number as part of the land registration process. All sales of land - other than sales of the main family home - will be subject to this requirement.

In addition to providing a New Zealand IRD number, non-residents will also have to:

- provide their country's equivalent of an IRD number, and
- open a New Zealand bank account

MFT McIntyre Flannery Tait
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Like Us On facebook Alexandra 03 448 8060 www.mftca.co.nz