



CLIENT UPDATE – TAX SPECIAL

MARCH 2010

The resident withholding tax (RWT) rates and prescribed investor rates (PIRs) are changing on 1 April 2010 to align them with personal income tax rate changes introduced last year. These changes are likely to affect us all, and may benefit you, depending on the mix of your income.

Further tax changes have been signalled by the Government and details of these should be available after the May budget.

CHANGES TO RWT RATES

These changes relate to interest received from bank accounts, term investments, bonds, capital notes and debentures. Changes to RWT tax rates for individuals from 1 April 2010 are:

- New rate of 12.50% available where total (gross) income is \$14,000 or less.
- Current 19.50% rate is replaced by a 21% rate.

A comparison between the current and new RWT rates for individuals is summarised below:

<i>Current RWT Rates (to 31 March 2010)</i>		➔	<i>New RWT Rates (from 1 April 2010)</i>	
<i>Tax Rate</i>	<i>Income Threshold</i>		<i>Tax Rate</i>	<i>Income Threshold</i>
19.50%	\$0 - 48,000		12.50%	\$0 - \$14,000
33.00%	\$ 48,001 - \$70,000		21.00%	\$14,001 - \$48,000
38.00%	More than \$70,000		33.00%	\$48,001 - \$70,000
			38.00%	More than \$70,000

The Trust RWT rate remains at 33% and the Company RWT rate is 30%.

What do you need to do?

Institutions that you hold interest-bearing investments with will be in contact directly asking you to check your RWT rates:

- If you expect your income to be less than \$14,000 → elect the 12.50% RWT rate
- If you have been on a 19.50% rate and your income is between \$14,000 and \$48,000 → the 21% RWT rate will automatically be chosen, therefore no action is required.
(this will be the most likely rate for retirees receiving NZ Superannuation and some interest)
- If your income is between \$48,000 and \$70,000 → check that the 33% RWT rate is chosen.
- If your income is more than \$70,000 → check that the 38% RWT rate is chosen.

If you do not select a RWT rate, or the institution does not have your IRD number, they are obliged to deduct RWT at the 'no notification' rate of 38%.

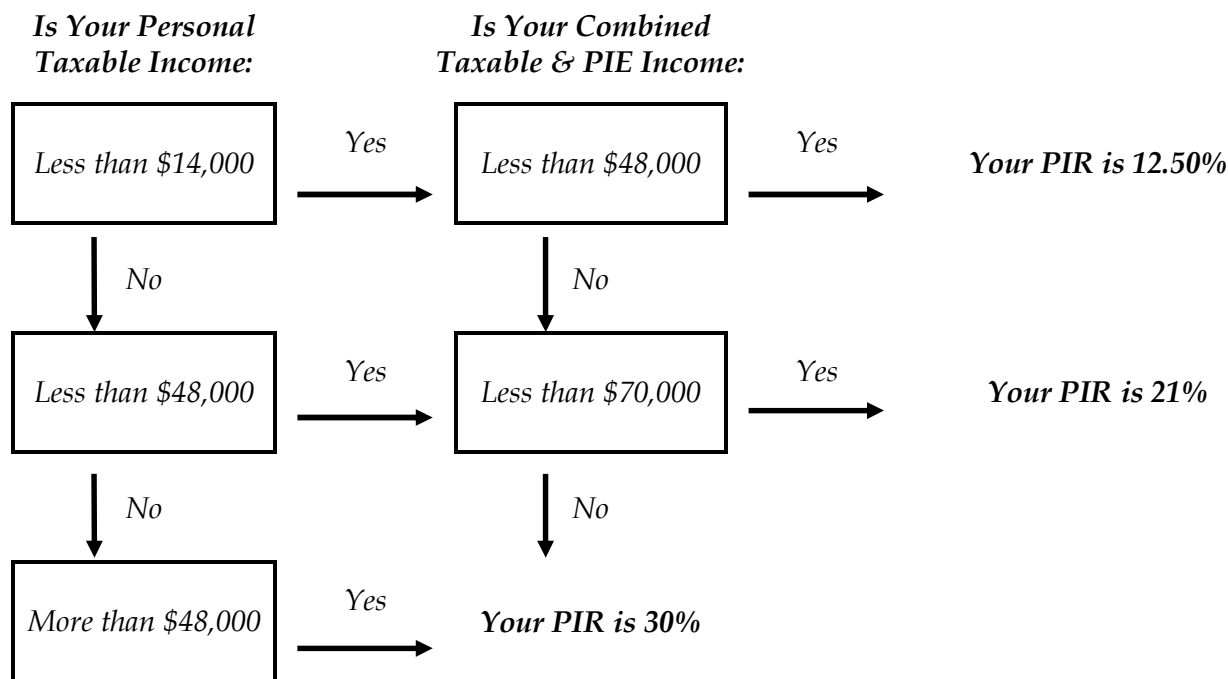
For direct fixed interest investments where Camelot is the addressee, we will receive the notification from the financial institutions, check them and send them on to you for signing if any changes are required.

CHANGES TO PRESCRIBED INVESTOR RATES (PIRS)

These changes relate to income earned within PIE investments such as managed portfolios, managed corporate bonds, income and cash portfolios. A summary of the changes which take effect from 1 April 2010 are:

- New rate of 12.50% is available to individuals whose non-PIE income is less than \$14,000 and combined PIE and non-PIE income is less than \$48,000.
- Current 19.50% rate is replaced by a 21% rate.
- New 21% rate is also available for Trusts where income is distributed to beneficiaries.

The following flowchart will assist you in determining the appropriate PIR for you:



The above rates are for NZ resident individual investors. PIRs for other investors are:

- Non-Residents – 30% PIR
- Companies – 0% PIR
- Trusts – 0%, 21% or 30% PIR, depending on allocation of Trust income.

What do you need to do?

If your gross (non-PIE) income is less than \$14,000, please contact us to discuss changing your PIR to 12.50%. Otherwise, no action is required by you.

If you have any questions regarding these changes and how they relate to your personal financial circumstances, please don't hesitate to contact Steve, Michael or Roger.

OUR CONTACT DETAILS

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