

Clip the ticket: getting the most out of the rate change

How you can benefit from the change in the corporate tax rate

Who will get the corporate tax rate reduction?

From 2011/12 (1 April 2011 for standard balance date taxpayers), all companies, unit trusts, and incorporated societies will be taxed at the new reduced corporate tax rate of 28%.

How do I benefit from the tax rate reduction?

Paying tax at the new rate of 28% will provide a significant reduction and real cash savings. However, in some situations this benefit may only provide timing advantages. For example, when company profits are ultimately distributed to the shareholders, tax will be payable at the shareholder's marginal tax rates.

Could I pay too much tax?

As the shareholder of the company, you could be taxed twice if the retained earnings of the company (which in previous years was taxed at 30%) are distributed by way of dividends after 31 March 2013. This is because the company will only be able to attach imputation credits (company paid income tax) at the new ratio of 28:72 as opposed to 30:70.



What can Grant Thornton do to ensure I don't pay more tax than I need to?

Our tax specialists have the expertise and resources to review your organisation's current situation. In working with you, we will:

- Consider the timing of your income and expenditure to make the most of the tax rate reduction
- Calculate the tax paid on retained earnings that exist before 1 April 2011 and provide you with an effective distribution plan to make sure you, as a shareholder, are not taxed twice
- Determine the value and timing of when the distributions (if any) should be made
- Manage any additional tax obligations that you may have as a result
- Consider whether your existing corporate structure is appropriate for your needs.

When do I need to act?

Contact us as soon as possible to discuss your options further and plan the way forward to meet the deadlines of the end of the 2010/11 tax return, and then again on 31 March 2013.

Contact

If you would like more information on any of the above please contact:

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