

# Budget 2010: Business tax guide

By [Anne Gibson](#) NZ Herald  
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## Sixty to 70 per cent of depreciation claimed is for non-residential property. Photo / Supplied

### WINS

\* The company tax for most firms falls from 30 per cent to 28 per cent next April, stealing the march on Australia and worth \$340 million to business next year and \$450 million the following year before falling to \$305 million in 2013/14. This has the effect of spreading a general benefit over the country's 360,000 companies.

\* The savings industry gets a boost with the top tax rate for most portfolio investment entities (PIEs) including KiwiSaver accounts being cut from 30 per cent to 28 per cent. The tax rate for savings vehicles - unit trusts and superannuation funds - will also fall. The changes will cost the Government \$15 million in 2010/11, rising to \$60 million a year by 2013/14.

\* Personal tax cuts from October 1 will fuel more spending. Someone on the average wage of \$50,000 a year will get an extra \$29.40 a week, reducing to a net gain of \$13.70 with the new 15 per cent GST rates.

### LOSSES

\* From next year there will be no depreciation deduction allowed on buildings with a useful life of 50 years or more for commercial and industrial buildings. This will be introduced from April 1 and raise \$455 million a year from the commercial sector by 2013/14.

It will also apply to rental houses and cost landlords \$235 million by then.

\* Businesses will no longer be able to claim 20 per cent accelerated depreciation on new plant and equipment from yesterday. This is aimed at widening the business tax base while lowering overall rates. Changes will raise \$135 million next year rising to \$345 million in 2013/14.

\* Many small- and medium-size businesses in particular may not be able to justify a price increase following the GST rate rise, depending on price points. There are also administrative costs.

\* Under changes to thin capitalisation rules foreign-owned companies will be able to claim tax deductions for interest payments on debt of only up to 60 per cent of their local asset value rather than 75 per cent at the moment. This will raise \$200 million next year.

**QUANTIFIABLE WINS OVER THE NEXT FOUR YEARS:** \$1.1 billion through the company tax rate cut plus the stimulatory impact of personal tax cuts and Government spending targeted at business.

**QUANTIFIABLE LOSSES:** \$2.7 billion through depreciation and thin capitalisation threshold changes.

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