



10 August 2005

S05.41

**Submission to the Finance and Expenditure Select Committee on the
Taxation (Depreciation, Payment Dates Alignment, FBT
and Miscellaneous Provisions) Bill**

Introduction

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 40 nationally organised societies. It has 33 branches throughout the country attended by representatives of these societies. The Council's function is to serve women, the family and the community at local, national and international levels through research, study, discussion and action.

Members support the majority of measures included in this bill because they are largely taxpayer friendly and slightly reduce compliance costs. The major change to current taxation law is to the calculation of provisional tax and the timing of the payment of provisional tax and GST. These measures are hugely complex and will not be offset by the use of provisional tax for longer as claimed in the commentary. It is seen as imperative that the current method of calculating provisional tax on previously filed tax returns be retained to minimize compliance costs.

Specific Issues

Part 2

Clause 28 – Business Tools

NCWNZ supports the intention of the bill to remove from the calculation of Fringe Benefit Tax business tools that are provided to employees mainly for business use and cost the employer less than \$5000. eg laptop computer.

Clause 54 – Economic rate for certain depreciable property

NCWNZ supports the change in the formula in calculating the economic rate of depreciable assets as it increases the amount of the depreciation deduction. This is most applicable to plant and equipment which have short economic lives.

Clause 56 – Items of Low Value

NCWNZ supports the raising of the threshold from \$200 excluding GST to \$500 excluding GST for expensing of assets in the year of acquisition on the grounds that it reduces compliance costs. We suggest the application date be 1 April 2005 not 19 May 2005 being the date of the introduction of the bill for ease of compliance by taxpayers.

Clause 89 – Rebate in certain cases for children

While this clause offers a sense of fairness to the younger workers, NCWNZ would be concerned if such was seen as an incentive by children and their parents to allow them to work longer hours. Our members agreed at the National Conference in 2004,





'That NCWNZ support the implementation of regulations protecting children from work that threatens their health, education or well-being.'

Teachers have expressed concern about tiredness of children who hold part-time positions; that many are too tired to attend to their school work therefore their health, education and well-being are at risk. NCWNZ would ask that the Select Committee consult with the Commissioner for Children to ensure that current regulations governing the paid employment of children are strictly enforced

Clause 99 – Alignment of dates of payment for provisional tax and GST and Clause 100 – Provisional tax, liability, calculation methods and payment schedules.

The current method of basing the calculation of provisional tax payments on the last filed tax return or the taxpayers estimate of income has the advantage of being simple to understand and administer.

NCWNZ believes that the preamble to the Bill is incorrect in claiming that provisional tax is paid later using the proposed method instead of the current method. Quite clearly paying the third provisional tax by 28 February for a two monthly GST return period taxpayer is 40 days earlier than 7 April as currently used by the majority of taxpayers who have extension of time arrangements as they use tax agents.

The proposals in the Bill are complex and will not apply in our opinion to the majority of taxpayers for various reasons. These include small businesses operating through closely held companies.

It is assumed that most provisional tax is calculated by tax agents and most GST returns prepared by taxpayers. This pattern will therefore preclude most taxpayers from changing to the proposed system as their compliance costs will far outweigh any perceived advantages. For this reason taxpayers must have the choice of remaining on the current system of calculating provisional tax.

Clause 100 MB8 Schedule 13 Part A

The Bill proposes that GST payment dates be aligned to the 28th for ease of remembering as the current system of the last date of a month being either the 28th, 29th, 30th or 31st is confusing. NCWNZ suggests moving it to the 1st is more practical as it is easier to remember. The effect of this for revenue collection is offset by provisional tax being collected earlier.

Example Section MB 14 - The Bill requires new taxpayers to pay their first provisional tax within an unrealistic time frame. The example shows a business start date of 1 January and the first provisional tax due on 28 April of the same year. As the tax return to 31 March will not have been due or prepared the taxpayer will have to incur extra accountancy fees in most cases to establish the GST ratio and therefore the provisional tax due. The return isn't due to be filed until the following 31 March.

NCWNZ is also concerned with the size of the payment due for GST and provisional tax if due on the same day. It is suggested that a better system would be to allow taxpayers to calculate provisional tax using the GST ratio method if they elect to but that the provisional tax payment be due say a month later. For small businesses the size of the payment will be too difficult to manage and will be a significant factor in not electing to use the GST ratio method.

Clause 119 – Calculation and payment of subsidy to certain listed PAYE intermediaries

The Inland Revenue Department's role is to administer taxation legislation and ensure compliance to protect the tax base. NCWNZ does not believe it should be in the business of providing taxpayer funded subsidies to private businesses as proposed in this section.



The subsidy will be available to intermediaries who process PAYE for small employers whose gross tax is less than \$100,000 in any year. \$100,000 tax can equate to wages of \$500,000 which can come from businesses with turnover exceeding \$5,000,000 per year. This is not in our view a small business. Businesses of this size can afford the cost of PAYE preparation without subsidies paid for by other taxpayers.

Clause 126 – Unclassified benefits

We support the raising of the FBT thresholds for unclassified benefits.

Conclusion

NCWNZ supports many of the measures proposed in the Bill but has deep concerns about proposals to align payment dates. For the above reasons the proposed timelines are seen as neither beneficial to, nor practicable for, small businesses where cash flow can be critical at times. There is concern also regarding the possible deterioration of the well-being of children whose families see the increased non-taxable threshold as an incentive for the child to work longer hours.

Thank you for the opportunity to comment.

Christine Low
National President