

The LO Down



Special Alert: The 2013 Budget

Go boldly! Where no tax-break has been before...

The budget will provide tax relief for six areas of so-called 'black hole' business expenditure. This will make some items tax deductible where there have previously been no tax breaks at all. The changes will reduce compliance costs for some businesses and may stimulate business activity in those areas.

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For companies, there'll be some relief, although it's a fine line as to what is and is not deductible:

- § All direct costs associated with the payment of dividends by a company to its shareholders will be deductible
- § Annual fees for listing on a stock exchange will be deductible. However, the initial costs of listing on a stock exchange and the costs of additional share issues remain non-deductible
- § Annual shareholder-meeting costs are immediately tax deductible, while special shareholder meeting costs remain non-deductible

For developers and, indirectly, those businesses in or allied to the construction industry, the changes around resource consents may bring an upswing in activity:

- § Previously expenses incurred with resource consent applications have only been deductible when the application has been completed and lodged. From 2014, the expenses will be deductible even where the application has been abandoned prior to lodgement. The deduction can be claimed in the income year in which the taxpayer decides to not proceed with seeking the resource consent
- § Fixed-life resource consents granted under the Resource Management Act 1991 to do something that otherwise would contravene s 15A (dumping of waste in coastal areas) or s 15B (discharging hazardous substances from ships and offshore installations) of that Act will be made depreciable for tax purposes

Businesses with assets that include intellectual property may find the path for research and development a bit smoother:

- § Capitalised expenditure on legal and administrative fees that would have been part of the depreciable cost base of a patent application or plant variety rights, but where no depreciable asset is recognised for tax purposes, will now be tax deductible. The deduction can be claimed in the income year in which the taxpayer decides to no longer proceed with seeking the registration of the applicable intellectual property right

It has also been announced that small start-up companies with tax losses from Research and Development expenditure may be able to get these refunded in cash. Further details are expected in June.



Meridian next off the block

Earlier this year, shares in Mighty River Power were available for purchase and, as announced in the budget, Meridian Energy is next off the block. In the second half of this year, up to 49 percent of the company's shares will be offered for sale, dependent on market conditions.

The sale, along with that of Mighty River Power, comes as part of the Government's asset sell down programme, focused on selling shares in state owned companies. Mighty River shares were listed on the IPO at \$2.73 each, at 9.2 per cent premium on the listing price. These sales have established a market value for the company of about 3.8 billion dollars.

The purpose of the sell down scheme is to contribute to the Government's Future Investment Fund. Thanks to the sales with the likes of Mighty River Power, the fund has allocated spending of 1.5 billion over the next few years. A percentage of this will go to schooling, KiwiRail and to assist with the Christchurch rebuild.



'We must consult our means rather than our wishes.' George Washington

Limited time to get smart



The Government is cracking down on Student Loan borrowing and has announced a number of changes to the scheme in this year's budget.

If you are nearing 65 or older and were intending to study, you might want to think again. The Government has decided to remove eligibility for over 65s and if you're over 40, stricter limits will be put in force when you're applying for a student loan.

That's not the only area where the government is tightening the reins. Those with student loan debt, who are living overseas, are now in the firing line too. Overseas-based borrowers with higher loan balances will have a higher repayment obligation. It will now be an offence for a borrower to knowingly default on an overseas-based borrower repayment obligation.

For more information on student loans and allowances schemes, visit the [StudyLink](#) website.

A little relief for businesses

ACC Levy rates for households and businesses will drop by up to 40%, staged over the next two years.

The final decisions on levies for 2014/15 will be made later this year, following public consultation.



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