



# MCA

MATHIESON CHARTERED ACCOUNTANTS LTD.



PROFIT



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## Newsletter – June 2016

### TAX CREDIT AVAILABLE FOR LOSS MAKING RESEARCH AND DEVELOPMENT COMPANIES

The Taxation (Annual Rates for 2015–16, Research and Development, and Remedial Matters) Act 2016 introduces new rules that will allow companies engaging in intensive research and development activities to cash out their tax losses for research and development expenditure. The new rules underpin the Government's Business Growth Agenda around encouraging business innovation and recognises that research and development is a key element in this process. Broadly speaking, for income years beginning on or after 1 April 2015, taxpayers can receive cash from the Tax Department for research and development tax losses if the company:

- Is a tax resident of New Zealand (not treated as a resident of any other country under a Double Tax Agreement)
- is in a tax loss position; and
- Has expenditure on research and development salary and wages which is 20% or more of the company's total salary and wages. The definition of research and development expenditure is based on accounting rules and apply widely to all business sectors, not just business in the IT space.

Certain entities are excluded, including companies wholly owned by the Crown. A key point to note is that the cash received is in effect an interest free loan from the Government, and one that will be repaid in the future when you pay tax on taxable income or if there is a repayment event such as the sale of assets or if you cease to be a company resident in New Zealand - the repayment events are directly linked to when you will have cash. The loss making company can "cash out" all tax losses from research and development spending. This means you will have early access to all or part of your tax losses in the form of a cash receipt, rather than carrying those losses forward and potentially losing the loss upon a change in shareholding.



### KEY DATE FOR KIWISAVER MEMBER TAX CREDIT IS APPROACHING

To receive the full KiwiSaver member tax credit of \$521.43 for the 2016 year, KiwiSaver members must ensure that they have contributed at least \$1,042.86 for the year ended 30 June 2016. The KiwiSaver member tax credit is the government's contribution to KiwiSaver accounts. The maximum credit available from the government is \$521.43. In order to receive the full tax credit amount of \$521.43 it is necessary to have been a KiwiSaver member for the full year 1 July 2015 – 30 June 2016, and to have contributed at least \$1,042.86 to your KiwiSaver scheme. Employer contributions do not count towards eligibility for this credit. Voluntary contributions can be made up to 30 June 2016 to ensure that total contributions of \$1,042.86 have been made so that the full member tax credit of \$521.43 is received. If you joined KiwiSaver part-way through the year (1 July 2015 to 30 June 2016), the member tax credit is based on the number of days in the year you've been a member.