

Broadbase International Ltd Newsletter – October 2010

We've enjoyed stunning sunny spring weather for the past couple of weeks in Christchurch, which fortuitously also happened to be the school holidays. There will no doubt be some cold snaps to come, but with the aftershocks settling down somewhat in the past few days it has been much more relaxed here in Christchurch

In our newsletter this month we remind you of the new New Zealand tax rates, take a look at the latest currency exchange rates, review some forthcoming road rule changes in New Zealand, and explain the changes to bank deposit guarantee scheme.

New Zealand Tax Rates Change

The 1st of October marked a couple of changes to New Zealand tax rates, as announced in the May budget.

- [GST](#) increased from 12.5% to 15%,
- [Superannuation](#) and other benefits increased by just over 2 to compensate for the rise in GST,
- [Personal Income Tax rates](#) were reduced for all tax brackets:

Income	Previous Rate	New Rate (from 1st Oct 2010)
\$0 - \$14,000	12.5%	10.5%
\$14,001 - \$48,000	21%	17.5%
\$48,001 - \$70,000	33%	30%
Over \$70,000	38%	33%

- RWT (resident withholding tax) and tax on PIEs also dropped in line with income tax rates.

There are a couple more changes set to take place with the new financial year in 2011, including:

- The company tax rate will be cut from 30% to 28%,
- The [tax rate for investments](#) such as unit trusts and superannuation funds will be reduced from 30% to 28%.

For a comprehensive guide to tax in New Zealand see the [Tax Section of our website](#), or download our updated one-page [Beginner's Guide to New Zealand Tax](#).

Currency Exchange Update

Our currency exchange partners HiFX noted a high of 2.1988 New Zealand dollars to the pound and a low of 2.0973 New Zealand dollars to the pound over the month of September, a movement of 4.84% (please note that these are wholesale rates – you would have received a slightly different rate as an individual using a currency exchange service).

HiFX notes that the main driver for the New Zealand dollar at the moment is international investor attitude to risk – “Stock markets are recovering strongly from recent lows, which helps the higher yielding currencies as investors pull money out of the US dollar and place riskier bets in more volatile currencies. Even during the recent stock market weakness the Kiwi didn't suffer much.” – it appears that for now at least current conditions are likely to prevail.

For more information on changing your pounds to New Zealand dollars, including historical rates and information on currency volatility and getting the best exchange rate, see the [currency exchange](#) section of our website.

The Right Hand Rule

It was announced late last month that New Zealand's unique right hand turn rule (where left-turning traffic at an intersection has to give way to right-turning traffic) is to be abolished from early in 2012. Check our [New Zealand Road Code](#) article, part of the [Driving in New Zealand](#) section on our UK website, to find out

whether there are any other quirky road rules you need to know about before you hit the road in New Zealand.

New Zealand's Retail Deposit Guarantee Scheme

New Zealand's initial bank deposit guarantee expired on the 12th of October, with few institutions opting to take part in the new Extended Retail Deposit Guarantee Scheme that has replaced it. The bank deposit guarantee scheme was introduced at the height of the credit crunch, following the introduction of a similar scheme in Australia. The wholesale deposit guarantee facility (designed to help New Zealand banks manage the liquidity crisis during the credit crunch) closed in April this year with little fanfare, and the government has made it clear that they do not intend to continue offering the retail bank deposit guarantee indefinitely.

The following changes have been made in the extended scheme, which is set to run until 31 December 2011:

- Guarantees have been reduced to a maximum of \$500,000 per depositor per institution for bank deposits and a maximum \$250,000 per depositor per institution for non-bank deposits with participating institutions (down from \$1 million per depositor per institution).
- Institutions will need to obtain a rating of BB or higher to be eligible to participate in the extended scheme.
- Collective investment schemes (such as Portfolio Investment Entities [PIEs], unit trusts and superannuation schemes) will no longer be covered.

Non-New Zealand residents are still covered for bank deposits under the extension, but as with the original scheme deposits with non-bank institutions (including finance companies) are only covered for New Zealand citizens and tax residents. For more information about the extended scheme and a list of participating institutions see the [New Zealand Treasury website](#).

Important Dates

British summer time ends on Sunday 31st October, when clocks will go back one hour.

New Zealand celebrates the eight-hour working day with **Labour Day** (a public holiday) falling on Monday 25th October.

Guy Fawkes Day (5 November) is widely celebrated in New Zealand, more as a way to celebrate the start of summer and an excuse to make a lot of noise than as any colonial commemoration of the gunpowder plot. Due to safety concerns fireworks are only allowed to be sold for four days (between November 2 and 5) and you must be 18 to buy them. Alternatively, try one of the many public fireworks displays held around the country for more bang for your buck!

Until Next Month...

Wishing you well until we are next in touch. Please feel free to contact us anytime if you have any questions about the financial side of life in New Zealand.

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