

BC'S BUSINESS BRIEFS

The end of 2008 – bring on 2009

2008 has been a watershed year in very many ways. Some of the things that have impacted on all of us this year are:

- 1 The world economic downturn of 2008 could easily be rated in history as the most significant economic downturn since the 1930's great depression. In all likelihood it will be a significant contributor when any review at the end of 2009 is also conducted.
- 2 The price of oil has never seen such fluctuations rising as high as nearly \$US150 a barrel earlier this year and now less than \$US50.
- 3 Our interest rates (and exchange rates) have dropped dramatically over the last 6 months in response to the world economic decline which has to some degree insulated our dairy farmers from the decline in world commodity prices which has been as dramatic as was the increase over the previous 12 months.
- 4 A new order is appearing around the world with many old established icons either disappearing totally or at least becoming far less dominant and new names appearing from countries and industries that were in some cases not even in existence 10 years ago. Would you want shares in General Motors today and 10 years ago had you heard of Google?
- 5 Retail is currently undergoing the most difficult period in living memory and the next 12 months is likely to produce further rationalization with combinations and mergers of in many cases, well known retailers. As a country, New Zealanders have got used to huge choice for a population our size. One of the side effects of the current downturn may be the rationalizing of product lines within retail outlets and perhaps less choice than what we have become accustomed to.
- 6 We as New Zealanders are having to get accustomed to our net wealth either remaining stagnant or decreasing as a result of decreasing house prices.
- 7 One of the shining lights of this year has been the uptake to our national savings program, Kiwisaver. While the new government have signaled some changes to the program, the uptake has been encouraging, with approx 25% of the members being aged 25 or under.
- 8 The election produced a result that was encouraging from the point of view that no matter who finally won, the result was clearcut enough to enable the new government to govern, without always having to ensure their legislative program needed support from a minority party exercising power beyond what it's support justified. Here's hoping they make decisions that are positive for business and by implication the economy.

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Tax rates from April 2009

With the change in government, we are set to have a further revision to personal tax rates applying from 1 April 2009. Additionally there will be further reductions through to April 2011.

	Existing rate		New rate
Income to \$14,000	12.5%	Income to \$14,000	12.5%
\$14,001 - \$40,000	21%	\$14,001 - \$48,000	21%
\$40,001 - \$70,000	33%	\$48,001 - \$70,000	33%
\$70,001 & over	39%	\$70,001 & over	38%

The tax cuts have been passed, along with the creation of an Independent Earner Tax Credit ("IETC") which provides a rebate of \$10 per week to all low and middle income earners not benefitting from the Working for Families tax credits. Examples of the changes are as follows:

Income per year	Tax saving inclusive of IETC from April 2009
\$ 30,000	\$ 520pa
\$ 40,000	\$ 520pa
\$ 50,000	\$ 960pa
\$ 60,000	\$ 960pa
\$ 70,000	\$ 960pa
\$ 80,000	\$1,060pa
\$ 90,000	\$1,160pa
\$100,000	\$1,260pa

Xmas Greetings

To all our friends and business associates we wish you a Merry Xmas and Happy New Year and best wishes for a profitable and fulfilling 2009. From the lower base at this time, 2009 must have a good chance of being better than 2008. To our clients, we thank you for your business this year. Our office will be open on all days other than the statutory holidays, while Ross will be away between the 7th January and the 16th January.

Please feel free to contact the writer should you wish to discuss any of the contents above further.

Ross Baigent

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