



NEWSLETTER JULY 2004

Staff Stuff

A fairly quiet few months at Oldershaws – Elaine Hosken who worked here in excess of 25 years has now retired and is wondering how she had time to go to work – we all wish her well. John and Jan Goudie are spending the next three months overseas visiting their children, most of whom have moved to England. Ash Oldershaw recently received an award from the Institute of Chartered Accountants for 50 years service to the Institute and Neil Edmundson once again played for NZ in the Masters Hockey – NZ beating Australia by a series win of 3-0. Other staff are in training for marathons or half marathons (not all staff members enjoy this form of activity, in fact some loathe it).

TAX AVOIDANCE INVOLVING LAQCS AND THE FAMILY HOME

Media release 19 July 2004- Inland Revenue Department

Inland Revenue has noted with concern that a group of taxpayers are selling their private home to a loss attributing qualifying company (LAQC), and then claiming tax deductions.

Selling your private home to a LAQC in order to claim a tax deduction for what are really private expenses, may be tax avoidance in some cases, says Margaret Cotton, of Inland Revenue. "Unfortunately, some investment advisors are telling their customers that they can claim a tax deduction by selling their residential property to a loss attributing qualifying company, renting the property back from that company and claiming a tax loss," said Ms Cotton, National Manager of Technical Standards.

"Inland Revenue considers that such arrangements will often be tax avoidance for the purposes of income tax," she said.

MS Cotton explained that Inland Revenue is currently considering several cases where a LAQC has been used to buy a residential property that the shareholders will rent as their residence. Even where a market rental is paid to the LAQC, a tax loss can still be generated to the advantage of the shareholders.

Where tax avoidance is proven, the taxpayer must pay the tax avoided as well as a penalty of 100% of the tax avoided. Use of money interest will also apply.

Ms Cotton says that if taxpayers are concerned about their position in respect of these arrangements, then they should contact their local Inland Revenue office or **seek professional advice**.

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SEMINAR

VENUE:

GLOBE ART GALLERY AND EVENT CENTRE
138 TENNYSON STREET, NAPIER

DATE:

24 AUGUST 2004

TIME:

5.30 PM TO 7.00 PM

Amendment to Holidays Act 2003

Wendy MacPhail (Partner) Langley Twigg

Tax avoidance involving LAQC's

Marc Nel (Principal) Oldershaw & Co Ltd

Compliance and your business

David Compton (Principal) Oldershaw & Co Ltd

Client/Bank relations

Steve Gittings (Commercial Manager) ASB

If you are interested in attending this **FREE** seminar on the subjects mentioned in this newsletter, do not hesitate to attend this seminar, phone our receptionist on 843 3058 to ensure a place.

Principals:
David Compton
Neil Edmundson
Marc Nel

ANNUAL HOLIDAYS

The Holidays Act 2003 ('the new Act') came into force on 1 April 2004. The new Act is intended to provide for minimum holiday and leave entitlements that are easier to understand and apply than those provided for under the Holidays Act 1981 ('the old Act')

However the new Act is not without its problems. A number of the new Act's provisions are open to interpretation and will inevitably require case law for clarification of what they actually mean.

FARMERS

Specified livestock determinations for 2004 have been released.

The national average market values of specified livestock determination 2004 is now available on the following website.

www.ird.govt.nz

This determination sets out the national average market values of specified livestock for the 2004 income year for the purposes of section EL 8(1) of the Income Tax Act 1994

COMPLIANCE AND YOUR BUSINESS

Research consistently shows that red tape is a major reason why many small-to-medium sized businesses (SMEs) do not reach their full potential. The media regularly features stories on businesses penalised for failing to comply with the law. Penalties can cripple a business's profit and brand.

Company's reactions to tax can vary; most people do not get excited at the thought of putting their tax affairs in order.

Making sure that you comply with your tax obligations for your business and your staff need not be a huge job. At first it may seem there is a lot to learn but once you have your systems up and running, it is quite straight forward.

TAX RESPONSIBILITIES FOR BUSINESSES:

If you own or manage a business you will have to account to the Inland Revenue Department for income tax. Most businesses will also have to account for GST and some businesses for RWT and NRWT.

If you employ staff it is your responsibility for PAYE, withholding payments and other wage deductions as well as ACC levies and FBT.

RECORDS CHECKLIST AS SUGGESTED BY INLAND REVENUE:-

For business income

Books of account
Receipts/invoices
Credit/debit notes
Bank statements
Worksheets etc

For business expenses

Books of account
Invoices/receipts
Bank statements/credit card vouchers
Legal documents

For business assets and liabilities

Debtors and Creditors
Stock take records
Fixed asset register
Year end profit and loss statements and balance sheets

IRD AUDITS

All businesses can expect to be audited at some time – Inland Revenue aims to audit business taxpayers at least once every 5 years. An audit is where Inland Revenue checks your tax records to ensure that they are accurate and support the returns you have filed, and that you are fulfilling all your tax obligations.

CHANGES IN PARTICULARS

Remember to let us know if any changes in:-

- * Physical address
- * E-mail address
- * Phone and/or fax number
- * Shareholdings
- * Directorships
- * Trustees

Disclaimer

The information contained in this newsletter is of a general nature only and is not to be a substitute for specific professional advice