



# NEWS & VIEWS

SUMMER 2011

## ■ ■ RECREATION CENTRE

The Clutha District Recreation Centre is taking shape and should be in use by July.

Jeff Seymour chairs the community committee responsible for the project and together with Irene Mosley has worked tirelessly in bringing together the concept for the centre, establishing the site, working on building plans and liaising with community and sporting groups to ensure the centre benefits the whole Clutha District.

After successfully securing the majority of the funding, the building is under construction and community fundraising is in progress. At \$5 million, this is the biggest community fund raising project ever in the Clutha District. The committee reports that fundraising is going well with \$300,000 now required to reach the total needed.

Jeff Seymour, Bill Thomson and Gaye Cowie are part of the community fundraising efforts and anyone wanting to contribute to this worthwhile project should contact them or Irene.



Jeff Seymour and Irene Mosley reviewing progress at the site of the Clutha Recreation Centre.

## IN THIS ISSUE

- Important LAQC Alert: The Legislation is now Final
- KiwiSaver for Children
- Gift Duty
- Employment Checks Necessary
- The Grapevine
- Gabriel's Gully Goldrush 150th

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**Our thoughts are with family members, friends and clients who are affected in any way by the Christchurch earthquake.**



## ■ ■ IMPORTANT LAQC ALERT: THE LEGISLATION IS NOW FINAL

On 20<sup>th</sup> December 2010, legislation was enacted to effectively remove the attribution of losses for all LAQCs (Loss Attributing Qualifying Companies), with effect from 1<sup>st</sup> April 2011 (or the start of your 2011/2012 tax year).

### Broad Options

Very broadly, clients will have several options available to them. These are:

- Become an LTC (Look Through Company).
- Remain as a QC (Qualifying Company), but without the ability to attribute losses to shareholders.
- Exit the QC regime and revert to an ordinary company.
- Transition the ownership of their business/assets to a partnership, a limited partnership or a sole trader.

We are undertaking a review of all client LAQCs and QCs and we will be in contact with our advice to those affected before their 2011 balance date.



### Look Through Companies (LTC)

The following is a summary of the characteristics of Look Through Companies:

- Look Through Companies are a new tax entity available from 1<sup>st</sup> April 2011.
- Profits and losses (but with some limitations) in LTCs are passed on to shareholders directly. This means that LTC losses **and** profits will be effectively form part of the shareholder's income and be taxed at the shareholder's marginal tax rate.
- Losses in LTCs will only flow through to shareholders to the extent of the shareholder's investment in the company (including the share of any debt guaranteed by that shareholder).
- The shareholders of an LTC will be treated as holding the assets of that LTC directly. If they sell their shares they will be treated as disposing of their interest in the underlying company property (subject to some exceptions) and will be exposed to any associated tax consequences. Examples are depreciation recovered and gains on the sale of trading stock and livestock.
- If the company exits the LTC regime (which could happen unintentionally) a disposal of the company assets will be deemed to have occurred and this will probably give rise to negative tax consequences.
- LTCs will not pay income tax as all income will be attributed to shareholders and those shareholders will be responsible for their own tax.
- LTCs can only have one class of shares.

Nonetheless, despite all the special tax rules, Look Through Companies retain their identity as a registered company with limited liability and are still governed by the Companies Act 1993.

The legislation is quite complicated and it does not follow that existing LAQCs should become LTCs.

The LTC rules do mean there are some undesirable aspects of LTCs. We will help you assess whether an LTC is the best option for your company.



## Transitioning from LAQC to Other Entity Types

There are concessional interim rules that enable LAQC's to transition across to either an LTC, partnership, limited partnership or sole trader structure.

The IRD must be advised in writing of any election you make regarding the alternative entity structures. The elections need to be filed within six months of the start of the company's 2011/2012 tax year, although it is important to consider your options before your 2011 balance date as in some instances there may be significant advantages in attending to shareholding changes and declaration of dividends before then.

LAQC's transitioning to LTC's will need to file specific election documentation with the IRD whereas the written notice for transitioning to the other entity types is likely to take a simpler form.

However, movement to a partnership or sole trader structure will bring other administrative requirements including:

- Transferring commercial contracts and banking arrangements to the new entity

- The legal transfer of business assets to the new entity with potential legal costs (e.g. transfer of land titles)
- The transfer of employment agreements to the new entity
- Potentially a number of Inland Revenue registrations and deregistrations (e.g. GST, FBT etc)
- Transfer of insurance cover
- Informing your suppliers of the new entity so that you receive valid tax invoices
- Deciding whether your LAQC should be liquidated, registered as a non-active company, or left as a shell company

If your LAQC or QC is going to transition to a new entity we will take care of the documentation requirements for you.



## KiwiSaver for Children

We have been asked about who can enrol children as "KiwiSavers".

For children aged:

- under 16, there are new rules that require **all** guardians (e.g. Mum **and** Dad) to sign the election to join KiwiSaver.
- 16 or 17, the new rules enable the child to co-sign with one guardian (e.g. Mum **or** Dad).

This is a decision that can commit the child for over 50 years, so you may wish to seek advice first.

## Gift Duty

The Government has signalled gift duty will be abolished and this is proposed to take effect from 1<sup>st</sup> October 2011.

The legislation is yet to be written and so the details are unclear. In particular, we do not know if gifts made prior to 1<sup>st</sup> October will be treated differently to subsequent gifts.

You may wish to continue to make scheduled gifts before this date and you should consult your solicitor (or us) about this.



"We must be on a mailing list."

## The Grapevine

The Shand Thomson team will be taking part in the Bridge to Beach event again this year. It involves running, cycling or walking between Balclutha or Paretai Hall and Kaka Point to support the Kaka Point Surf Life Saving Club. The event takes place on Sunday 20<sup>th</sup> March 2011. Register at 9am on the Sunday morning at the Clutha Rugby Club Rooms and join us on the road to the beach.



*Gaye Cowie tried out a new sport recently, skydiving at Wanaka - doesn't she look pleased to have landed safely?*

To her surprise Karen Morgan became a national champion at gliding for the first time in January, when she and gliding partner Doug Hamilton won the Open Class in their Ash25 two-seater at Omarama. She says that this topped a very good season, having achieved a fifth South Island title with gliding partner Michael Oakley at Omarama in November.



We are very pleased to have Megan Carey back in a full time role. Megan provides friendly and professional advice to our clients and leads an in-house team of staff accountants for Bill Thomson. Lauren Anderson and Melissa May have also recently assumed more senior roles.

***“Opportunity is missed by most because it is dressed in overalls and looks like work”.***

***Thomas Alva Edison***

## ■ EMPLOYMENT CHECKS NECESSARY

Immigration New Zealand is reminding employers about the importance of checking that job applicants are entitled to work in New Zealand. The Immigration Act 2009, which came into effect from 29<sup>th</sup> November 2010 reinforces that businesses must not employ a non-New Zealander who isn't entitled to work for them – essentially the employer is responsible for validating the employee's status.

Employers can use a free online tool called VisaView to check information such as a passport number and surname against Immigration's database for (in most cases) a quick online "yes" or "no" as to whether a person is entitled to work here, together with any specific work conditions that may apply to the individual. Registered employers can also confirm a jobseeker's New Zealand passport information and their entitlement to work in any job.

Employer's obligations essentially remain the same as under the previous Act but there is a key change to the "reasonable excuse" provisions. A Tax code declaration form (IR330) is no longer a reasonable excuse for employing someone who isn't entitled to work for you.

You can find out more information about VisaView at Immigration New Zealand's website [www.immigration.govt.nz](http://www.immigration.govt.nz) or we can help. You will need your employer ACC number as well as the person's name and passport number.

## GABRIEL'S GULLY GOLDRUSH 150TH

Gaye Cowie is looking forward to the events at Lawrence on Anniversary Weekend (18<sup>th</sup> to 21<sup>st</sup> March). As co-chair, Gaye is taking a leading part in the organisation of the Gabriel's Gully Goldrush 150<sup>th</sup>



celebration of the discovery of gold near Lawrence in 1861.

There are lots of activities planned for the weekend including drama and a ball, and everyone in the district is invited to take part. The website [www.celebrategold.co.nz](http://www.celebrategold.co.nz) contains more information about the celebrations.