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Provisional Tax Reminder

The second provisional tax payment for the year ended 31 March 2011 is due 15 January 2011.

Given that this is during many taxpayers' Christmas break we recommend that you make payment before Christmas or before you head away on holiday. Remember Inland Revenue charges a 1% penalty if payment is even one day late and this rises to 5% of the payment amount if a week late!

Payment amounts have changed from the amount you may have paid on 28 August because of the reduction in income tax rates from 1 October.

LAQC changes

More information has been released on the planned changes to the loss attributing qualifying company (LAQC) regime announced in the Budget in May this year.

A new type of company, the Look Through Company (or LTC) which is very similar to the LAQC, is being introduced from 1 April 2011.

While the LTC allows losses to be allocated out to shareholders and provides limited liability, the major change from the LAQC is that any profits must also be allocated out to shareholders according to their respective shareholding.

With the removal of depreciation from buildings from 1 April 2011 many loss making companies will now make a profit. This profit can no longer be taxed at the company tax rate of 28% from 1 April 2011 but must be taxed in the hands of the shareholder.

You must make an election to become an LTC. LAQCs that don't do anything will revert to a qualifying company (QC) at 1 April 2011. Any losses are then held in the company and carried forward to future years.

There is no "one size fits all" solution so please contact us if you'd like us to help work out the best solution for your situation.

Unclaimed monies

Inland Revenue is holding millions of dollars in unclaimed monies. Although there are 97,000 cases, some dating back to 1973, Inland Revenue has prepared a list for the five year period to 30 September 2010. To see if you're on the list go to <http://www.ird.govt.nz/unclaimed-money/>.

Details for claiming any monies are contained with the list.

Gift Duty Changes

The government has announced it is abolishing gift duty from 1 October 2011.

At this early stage we understand that any outstanding debt may be forgiven through one deed of partial forgiveness of debt. However it will be very important to have up to date deeds of acknowledgement of debt and deeds of partial forgiveness of debt. Government agencies have announced that their powers will override any debt forgiveness designed to avoid liability or affect declared income.

We need to see the final legislation before advising on the most appropriate action but in the meantime we recommend continuing with any debt forgiveness due before 1 October 2011.

There have also been rumours that the government is going to review trusts in New Zealand as there has been a significant increase in the number now in New Zealand and concerns that most are not being administered correctly.

We recommend that you review your trust to ensure you are aware of the assets held by your trust and the debt forgiveness position. If you need help with this please call us.

Tech Corner

There has been a lot going on behind the scenes with Xero over the last few months and we are now seeing some of the results. In particular:

You can now fully edit reconciled transactions. Anyone who has used Manage Account/Account Transactions to change a reconciled transaction will know what a painful exercise it is – there was very little that you could change and you invariably ended up deleting the transaction and reconciling it again. No more - as of the latest “Christmas” release you can fully edit a reconciled transaction and change anything on it.

GST Returns are smarter. You will notice that since the GST change that Xero asks you to press the big orange File Now button on the GST report when you have finalised it. This is so Xero knows exactly what you filed with Inland Revenue for the period. Then when you run your next GST return Xero checks to see if you have made any changes that would have affected the GST for a previous period (e.g. recoding an old transaction) and if so, Xero puts an adjustment into the current GST report automatically for you.

You can now fully customise Xero invoices to make them look exactly how you want. Previously all you could change in a Xero invoice template was some wording and the logo. The Christmas release adds in the ability to use Microsoft Word documents as invoice templates. To do this you download the Xero Word template as a starting point, edit it as needed and then

upload it. It can be a bit fiddly the first time you do it so call us if you want assistance.

Bank feeds are now available for Kiwibank credit cards and, on their way, for other NZ credit cards. If you have a Kiwibank credit card contact us to arrange the bank feeds.

Revenue Alert on Record Keeping

Inland Revenue has expressed concerns about cloud computing and the need to keep records in New Zealand. This affects users of MYOB and Xero, among others, and these providers are working with Inland Revenue to meet these legal requirements.

Investments

There is no shortage of books about investing but most you see in the bookshops seem to be from the “How to get rich quick with minimal effort” school of speculation. If you are interested in investing and want to learn more then we recommend reading some older books – the sort that have good old fashioned investment advice. Try any of the following for your Christmas reading...

- One up on Wall Street - Peter Lynch
- The Intelligent Investor – Benjamin Graham
- Contrarian Investment Strategies: The Next Generation – David Dreman
- The Warren Buffet Way – Robert G Hagstrom

These books are should be available from the public library.

Christmas Holidays

We will be closed from 24 December until 3 January 2011 but we will be available by email in that period.

In the meantime we wish you all a very happy Christmas, a safe holiday period and a prosperous new year.