

Summer Delegate Deal

One rate one price
\$56+GST

Includes:

- Room hire
- Wafer & minis
- Pad & pens
- Whiteboard
- Morning & afternoon tea
- Working lunch
- Data projector & screen
- Dedicated event co-ordinator

Our Delegate deals have been so successful we

thought

"Lets do it again!"

We have 3 Delegate Deals now available depending on menu requirements, pricing from \$56-\$71+gst. per person. Min 15 Pax, some conditions apply.

Call today for more information
Ph: 488 2940.

Valid for any conference held by 30th June 2011.

Changes to LAQC

BY KAREN TOBECK

Changes to the way some companies are taxed were introduced in the last budget.

The legislation for this was passed through parliament in December 2010.

This has caused a lot of uncertainty for company directors and requires all companies and especially those who are LAQC's to review their tax status and make a decision on what they will do going forward.

Current situation:

The Qualifying Company (QC) and Loss Attributing Qualifying Company (LAQC) were introduced with the aim to treat a company and its shareholders as one entity for income tax purposes, similar to how a partnership is treated.

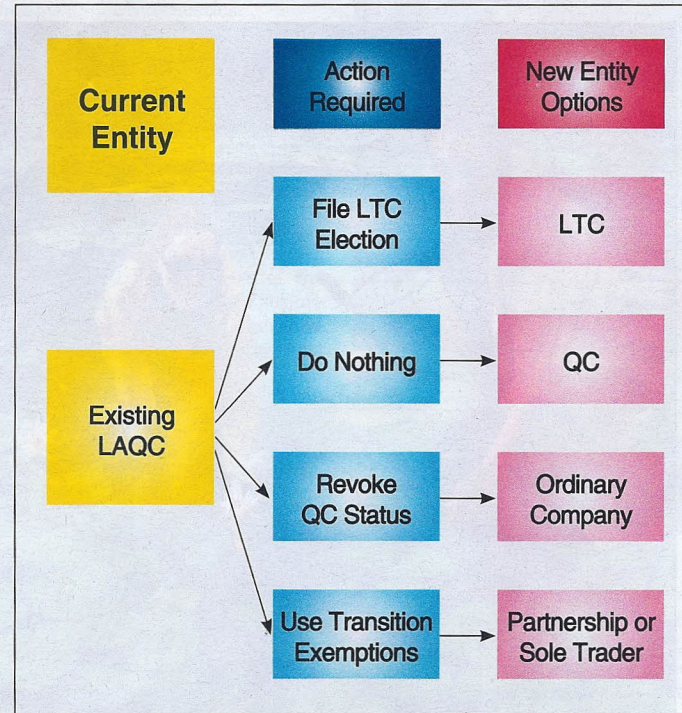
Being a QC or LAQC has no bearing on the legal status, limited liability or the treatment of the company in any other way – it is only for income tax purposes that they are treated differently from an ordinary company.

One of the benefits that LAQC's have is the ability for shareholders to use the losses created in a company against their personal income tax.

This can result in a tax refund or reduced tax liability if the shareholder has other taxable income.

Hence they are used extensively by property owners who are making losses on rental properties. Generally investors have other sources of taxable income.

In addition to this many small businesses will be LAQC's for the same reason, to allow the use of losses by shareholders if required.



Options for current LAQC companies under new regime.

After April 1, 2011:

From the 1st April 2011 there is no longer the ability to enter the LAQC regime.

A new company tax status called a "Look Through Company" (LTC) will be in its place.

LTC vs LAQC:

The main differences between an LTC and an LAQC are:

■ An LTC must distribute profits as well as losses to its shareholders.

(An LAQC had to distribute losses to shareholders but any profits could be retained in the company)

Whether a company is likely to make a profit or not in the near future will be one of the prime considerations for those currently in an LAQC.

■ There are loss limitations for shareholders in an LTC.

(Previously all losses could be distributed to shareholders without any restriction, under the new legislation there are limitations)

The loss limitation rules are quite complex. Your advisor will need to ensure that if you are going to transition to an LTC you are not limited by this rule.

■ The sale of shares in an LTC results in any asset owned by the



Guest columnist Karen Tobeck

company being treated as sold by the shareholder for tax purposes. (There was no such rule in the LAQC regime)

For property owners this means that if shares are sold in an LTC it could create a taxable gain on disposal even though the property is not sold. This would then be treated as income in the year the shares are sold.

What to do?

Firstly if you have a company ascertain whether it is an LAQC or a QC or an ordinary company. Either your accountant or the IRD will be able to tell you this.

Then talk to your advisors about what you should do.

Every company will be different and your advisor should have a review process in place to ascertain what will be best for your company going forward.

The accompanying flow chart shows what the options are for companies that are currently under the LAQC regime.

■ Karen Tobeck is a Chartered Accountant and a Director of Montek Group Limited, a Chartered Accountancy firm that provides relevant technical services to SME's.