



December 2010 News

Merry Christmas!

Thanks to everyone for your support in 2010. The team at Maxims Accounting wish you all a very Merry Christmas. While changes are on the horizon in the accounting world such as LAQCs and gift duty, one thing remains the same – our commitment to you. Maxims' growth and success is underpinned by quality, cost-effective accountancy services provided in a friendly and approachable manner. That will never change! Have a safe and happy holiday season, we'll see you in 2011!



Changes to the QC/LAQC Regime

At Maxims we will be looking at all our LAQCs in the new year to determine what the best option is for each company. We will be in touch with you with our recommendation.

In the 2010 Budget the Government announced changes to the Qualifying Company ('QC') and Loss Attributing Qualifying Company ('LAQC') regime which effectively propose to eliminate LAQCs from 1 April 2011. The result is much less appealing for small businesses.

Here is a summary of what is proposed:

- 1 QC's/LAQCs will remain in the short term
- 2 LAQC losses will no longer flow through to the shareholders
- 3 A new Look Through Company ('LTC') will be created
- 4 QCs/LAQCs can change to an LTC, limited partnership, partnership or sole trader at no tax cost or do nothing
- 5 The LTC will have:
 - ▶ A different < 6 shareholders test
 - ▶ A loss limitation rule
 - ▶ No requirement for trusts to pass income through to beneficiaries
 - ▶ More arduous exit rules
 - ▶ A possible tax imposed on shareholders on sale of shares

- ▶ No tax liabilities as shareholders will be personally liable for tax on the income and any tax shortfalls
 - ▶ An LTC will be an 'ordinary' company but will have special tax treatment
- 6 Unless formed before the end of 2011 there will be no ability for companies to become a QC from 2012
 - 7 If a QC becomes an LTC it will cease to be a QC
 - 8 Any working shareholder will have to have a complying service contract with PAYE deducted, ie. there will be no ability to credit shareholder salaries
 - 9 FBT and overdrawn current accounts will remain a problem
 - 10 There will be six months from 1 April 2011 to review your QC/LAQCs and recommend which of the options above will be appropriate for each

Any existing non-QC company that wishes to be an LTC will need to elect before the start of the new income year.

Hot hints

LEGAL FEES

Legal fees are now tax deductible if under \$10,000 and are incurred in carrying on a business to derive income. There is no capital limitation.

GIFT DUTY

When the tax bill is passed, gift duty will be abolished from 1 October 2011. Specifically, no gift duty will be payable under the Estate and Gift Duties Act 1968 in relation to gifts made on or after 1 October 2011.

IRD USE OF MONEY INTEREST

The use of money interest rates will change from 16 January 2011. The rate for underpayments will fall from 8.91% to 8.89%. The rate for overpayments will increase from 1.82% to 2.18%.

“At Christmas play and make good cheer, for Christmas comes but once a year”

THOMAS TUSSER

Key dates

15 JANUARY 2011

2011 2nd Provisional Tax Instalment

15 JANUARY 2011

October/November 2010 GST

28 FEBRUARY 2011

2010/January 2011 GST

ONGOING

20th Each Month PAYE Due

28 MARCH 2011

January/February 2011 GST

7 FEBRUARY 2011

End of year tax due for clients without an extension of time

Welcome, Mat Arcus

SENIOR ACCOUNTANT

Mat gained commercial accounting expertise with large companies such as Transpower over the past decade making him a great asset to the Maxims team.

In 2010 he relocated from Wellington to Hawke's Bay with his family, drawn by the region's lifestyle and opportunities for his children.

Mat says when the opportunity arose to work with director Pene Johnstone at Maxims; it was exactly what he was looking for long term for himself and his family.

"Maxims has a strong customer-service focus," says Mr Arcus, who looks forward to contributing his commercial experience along with his background in economics.



Holidays and leave over the summer period

Employers – here's how to manage staff holidays and leave entitlements over the Christmas period.

The Department of Labour has information and tools to help employers understand how annual holidays, closedowns, and public holidays (including when the four public holidays are taken) work. To find out more visit their website www.dol.govt.nz

Use this chart to see days when the public holiday will be taken.

	Not an otherwise working day:	Is an otherwise working day:
Christmas Day Sat 25 Dec	Christmas Day taken on Mon 27 Dec*	Christmas Day taken on Sat 25 Dec
Boxing Day Sun 26 Dec	Boxing Day taken on Tue 28 Dec*	Boxing Day taken on Sun 26 Dec
New Year's Day Sat 1 Jan	New Year's Day taken on Mon 3 Jan*	New Year's Day taken on Sat 1 Jan
New Year Holiday Sun 2 Jan	New Year Holiday taken on Tue 4 Jan*	New Year Holiday taken on Sun 2 Jan

* If the day that the public holiday is taken on is not an otherwise working day for that employee then the employee observes that public holiday as an unpaid public holiday.

Cash is King

When businesses are struggling, the old adage remains, 'Cash is still King'.

The holiday season can mean good gains for some such as retailers and for others it is a time when expenses are high with plenty of demand on holiday pay.

It is advisable to ensure your immediate cashflow forecast is up to date and analysis is performed around the end of March 2011. If you are looking at a deficit now is the time to find solutions such as looking at what you hold in stock and what you can do to release the cash tied up in it, eg. sales, offers or incentives.

When it comes to money you're owed, it's key that your customers are clear when invoices are due and arrangements are adhered to. Review your overdue debtors regularly and take action when required.

It is important to remain focused on upholding working capital that allows our businesses to operate.

DISCLAIMER: All information in this newsletter is to the best of the authors' knowledge true and accurate. No liability is assumed by the authors or publishers, for any losses suffered by any person relying directly or indirectly upon this newsletter. It is recommended that clients should consult a senior representative of the firm before acting upon this information.

Apology

We would like to acknowledge that the information in the 'Dealing with the GST Change' article on the cover of our August-September 2010 newsletter was sourced from recent WHK newsletters.

We apologise for not crediting WHK in the article for this information.

