

Speak out!

The **SME Guru**

Volume 6, Issue 1

NEWSLETTER

Welcome to the Martz Group, newsletter. This newsletter will be short, sharp and to the point, jam packed with tips, traps and trends pertinent to our industry and with snippets that you are welcome to use and distribute with the appropriate notation as to source.

Do you require a professional speaker who has knowledge of business development and accounting?

Martz Witty of Martz Limited and Martz Accounting offers a range of services to suit every business.

🎯 **Workshops/Seminars** - Smart Money "How to structure your New Zealand business or investments and pay less tax"; Staying Positive in a not so Positive Environment; Explosive Growth – 4 ways to grow your business; Belief Management; Hoax; www.martz.co.nz

🎯 **Business Development** - Learn how to prepare and use a digital dashboard; Write your own Business and/or Marketing Plan and Procedures Manual; and ongoing business development.

🎯 **Accountancy Services** - for company directors, business owners, key staff and companies experiencing or seeking growth and needing direction, or perhaps a new accountant or even wanting a 'second guess'.

If you would like to speak to Martz, about planning or consulting then please contact us by phoning 03 389 0777 (Office); or email Martz martz@martz.co.nz

Check out our website www.martz.co.nz

BLESSED TAX – Are you up to date?

Tax is a fact of life in New Zealand. You can love it or hate it, either way it's not going to go away anytime soon.

May saw a budget delivered by the Government to try and curb the spending deficit. As business owners we can all take a leaf out of that book. Thankfully very few of us face a deficit of \$16.7 billion, but the principles are nonetheless as true to us as they are to the Government. The Government is aiming at taking 4 years to turn the ship around, few businesses can afford that sort of lead time. When's the last time you stopped and really analysed every dollar you spend and assessed it for "must have" versus "want to have". It's just prudent business management.

In layperson's terms what does the budget mean to us?

KiwiSaver is a big part. Employer contributions (minimum) and member contributions will increase from the current 2% to 3%. The kick-start payment is unchanged but the member tax credit is reduced to 50c per dollar contributed. The Government may be contributing less but let's be brutally honest here – we all need to take individual responsibility to plan for and fund our retirement.

Working For Families was tipped to be up for a major overhaul yet it has suffered relatively minor changes. There is to be a gradual

four-stage programme with changes to the abatement threshold and the abatement rate. The rate for children aged 16 and over will be aligned with the rate for those aged 13 to 15.

Do you have (or are you looking at getting) a Student Loan? Tighter lending criteria is to be enforced affecting those over 55 years of age and part-time students or those with overdue or in default loans.

If you are worried about exactly how the Budget will impact you then climb on the phone and give your advisor a call – they are there to help you.

Another ticking time bomb is dealing with LAQC's (Loss Attributing Qualifying Companies). 31 March 2011 saw the end of their useful life and their replacement with LTC's (Look Through Companies). Until now LAQC's have been a popular vehicle for investors who have a property portfolio and indeed other investment forms that were expected to make a loss (such as Forestry). That resulting loss could be passed on to the shareholders for tax purposes.

The LTC is "looked through" for income tax purposes. The key features are the shareholders being liable for tax on the company's profit and their being able to offset the company's losses against their personal and other income. LTC's are still Limited Liability and are "companies".

When "looking through" an LTC for income tax purposes the shareholders are regarded as holding the company's assets directly and carrying on any taxable activity personally in direct proportion to their shareholding.

To qualify to be an LTC a company must meet all of the following for the entire year:

- Be a company and a NZ tax resident
- Shareholders must be natural persons, trustees or another LTC
- The LTC must not have more than five look-through counted owners
- The LTC must have only one class of share with same voting rights
- The company cannot be a property owning business established to own residential property which its shareholders are entitled to use or occupy

From **April 1, 2011** you have **4 options** if you have previously been an LAQC.

1. Elect to be a LTC (as above)
2. Transition into another entity (e.g. sole trader, partnership, limited partnership)
3. Revoke the qualifying company status (QC) and continue as an ordinary company
4. Do nothing, and automatically remain a QC where losses are not attributed to shareholders.

There is no blanket answer here and you will need some one-on-one advice and fast. Go and make a time to see your advisor and for existing clients of Martz Group we have your affairs well in hand already and will keep you posted.

Smartz Biztips. Email biztips@martz.co.nz and we'll add you to our daily Smartz Biz Tip Service – a short pithy email in your inbox so you spend some time every day 'ON' rather than 'IN' your business. Take advantage of this offer now!



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