

BC'S BUSINESS BRIEFS

Welcome to the final edition of BC Bulletin for 2006. With the rapid onset of Christmas, it seems appropriate to reflect on what the year has brought us.

Overall I think history will judge 2006 as being a year that was better than many pundits predicted. The economy has remained relatively buoyant, although it has slowed over the course of the last 18 months. Interest rates have remained stubbornly high as a direct result of the better than expected economic performance. House prices have held up remarkably well, given the slowdown in immigration. Continued wage rounds approaching 5% driven by a shortage of skilled labour have contributed to higher than acceptable long term inflation rates.

On the sporting front, the All Blacks had another stellar year, the Black Caps top order still can't bat, the Silver Ferns came back to earth with a thump and Team New Zealand are showing promising results 1 year out from the next America's Cup.

The Government is still hanging in, despite a few wobbles along the way and may see their term out.

What will 2007 bring? Here are a few thoughts.

- 1 Mostly more of the same economic news, but interest rates should have eased by the end of the year;
- 2 The NZ \$ will lose value compared with where it is today;
- 3 We will continue to lose manufacturers as they relocate to cheaper economies in Asia;
- 4 The government will continue to accumulate surpluses and Dr Cullen will move closer to the opposition as regards tax cuts 2 years out;
- 5 Company Tax rates will drop to 30% with a consequent reduction in the top personal rate;
- 6 There will be a further tightening in the tax regime as it relates to Family Trusts;
- 7 We will see a continuing push to make changes in the way the world lives to slow down climate change which will have potentially far reaching economic impact;
- 8 The All Blacks will win the World Cup??????????

Legislative Changes

Recent Legislative changes that could affect many of us follow;

- 1 Parental Leave & Employment Protection Amendment Act 2006. In particular, Self employed people who have been working an average of at least 10 hours per week for the past 6 months and take parental leave as the prime caregiver of a new born child, will be entitled to 14 weeks paid parental leave;

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- 2 The offshore investment changes have been altered as a result of unprecedented public response in the submissions stage of the previous Tax Bill. The revised provisions would tax individuals to a maximum level of 5% of the value of their offshore shares in any given year. This represents a watering down of the previous provisions, although they are still harsher than existing law.

Protecting yourself when your business partner dies or is permanently incapacitated

An issue businesses need to consider is how to ensure that in the event of the death or permanent disability of an owner, the remaining partner(s) can continue to operate successfully and at the same time allow the deceased partners interests be paid out in a timely and efficient manner. Businesses that have become successful are more likely to be affected by this scenario and it is important that people take the necessary steps to protect themselves in this situation. While each case is different, there are a number of principles that are true of nearly all cases. The answers lie in a combination of Business Structures being used, having appropriate legal documentation covering the situation and sufficient available cash resources to allow a manageable exit strategy. This is often achieved through the use of suitable Insurance products combined with the legal structures and agreements referred to above.

If you are concerned that you are currently at risk in this area, I suggest that you contact me and we can discuss the avenues available to address the situation.

Tax Titbits

New IRD numbers will shortly be changed from 8 digit numbers to 9 digit numbers. All existing numbers will remain at 8 digits. When completing the IRD forms with spaces for 9 digits, the first box should be left blank;

Tax Relief where it will create financial hardship.

In certain limited circumstances IRD will write off tax if it is deemed that the imposition of the tax will create financial hardship. Obviously there are certain strict criteria that will need to be met by taxpayers for IRD to agree to any write off, but a Standard Practice Statement has recently been released by the department outlining those criteria and circumstances.

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