

BC'S BUSINESS BRIEFS

Welcome to the first edition of BC Bulletin, the electronic newsletter of Baigent Consulting which will be published 3 times a year in the months of February, June and October.

Who are we?

Baigent Consulting officially opens it's doors for business on Monday 3rd October. This new Chartered Accounting firm is owned by Ross Baigent, and is starting business with a select group of approx 100 taxpayer clients. Many of you will know that the location is the floor below the office of Richard Herbert & Associates, Chartered Accountants. This is no coincidence as Ross has contracted to RHAL for the last 3 years and a number of the foundation clients are clients that Ross worked closely with in that time. BC & RHAL will continue to work closely together and share resources, including staff. Ross has had over 20 years commercial experience, including 10 years with the international accounting firm Spicer & Oppenheim, the last 6 years of that time as a partner. Ross has also been one of 3 Directors of a significant sized family business which in it's prime had turnover in excess of \$10m and employed approx 45 people. His vision for Baigent Consulting is that of a boutique accounting firm offering personalized service for up to 500 taxpayer clients and employing up to 10 employees with the same commitment to service that he possesses.

The first employee to join Ross is Mike Hartnett, a qualified CA with many years commercial experience. In fact Ross & Mike's combined experience is further in excess of 50 years than they care to admit! Mike has occupied the role of Financial Controller and Company Secretary in a number of large companies. Ross & Mike share a common passion for sport and can both be regularly found in the weekends at their local golf club. Mike cherishes the challenge of helping to grow the fledgling business and looks forward to meeting the new and existing clients and, along with Ross, adding value to their business'.

Issues of the Day

Unquestionably the issue dominating the headlines over the last few weeks has been the election. Here are some thoughts on the outcome of the election, in no particular order.

- 1 While we as a population are polarized in our views, this is a result of the opposition National Party for the first time in at least 3 elections offering a choice that is identifiably different to the government;
- 2 It is unlikely that whoever forms a government will go full term;
- 3 Radical change from the new government is also unlikely given the lack of a mandate;
- 4 At least 75% of the performance of our economy is governed by offshore influences and the government can do little about influencing that;
- 5 Therefore, regardless of who the government is, opportunities to improve our position will arise and we should be focusing on those opportunities and allowing the sideshow that is government to happen, as it inevitably will.

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Tax Titbits – 9 to 5 Leases

The government announced in this years budget that those leases (mainly motor car) known as 9 to 5 leases would be legislated against to ensure they were brought within the FBT net and the subsequent "benefits" would be subject to FBT. To date no legislation has appeared bringing this into law. Could it be that the lawmakers are finding it impossible to come up with legislation that achieves the governments desired change without riding roughshod over well proven commercial law?

9 to 5 leases typically have the car being owned by another entity associated with the company shareholders and the car is rented to the company for it's use during working hours to perform the duties required by the directors. The car is rented in accordance with normal commercial criteria and under the term of the lease, is not available for private use in that time. This writer wonders how under NZ law there can be any benefit accruing to employees of the company, when the contract specifies that in the time the car is available to the company (and therefore potentially subject to the FBT regime) it also specifies the car is not available for private use by employees. Furthermore a log book is kept showing when the vehicle is used privately, out of those hours, and the appropriate adjustments made in the owning entity. We will be keeping a close watch for further developments.

Opening Offer – Financial Health Check

The vast majority of NZ businesses have started as small businesses with simplistic ownership structures and in many cases, over time, as they have prospered and grown, structures have been added almost on an 'ad hoc' basis. This has the effect that often structures in place today are not the most effective or efficient for the organization at it's position in it's life cycle. A relatively inexpensive review can be the starting point to moving towards a structure that can have some or all of the following benefits:

- 1 Ensure that the shareholders/directors personal assets are quarantined from business creditors;
- 2 Provide an exit path to allow older working directors a way to extract their capital for retirement;
- 3 Ensure that the structures are conducive to minimizing tax payable;
- 4 Give flexibility to allow future development and expansion for the company.

Any body wishing to have a Financial Health Check and report completed as part of our Opening Promotion will pay only \$600 + GST, 50% payable up front and the balance payable on completion of the assignment. This special promotional offer will expire on the 23rd December 2005.

Disclaimer of Liability: The views contained in this article are the personal views of the author. No liability will be accepted for actions taken in reliance on those views by any other person.

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