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Tax Titbits

Take care when setting remuneration

Rules exist to stop people paying too much salary or profit share to a family member, as a way of paying less tax.

Make sure any income you want to allocate to a relative, working in your business, can be justified.

If you get caught paying amounts you can't justify, IRD can reallocate the income. In most cases the consequence will probably be a use of money interest charge going back three or four years and potentially penalties.

A defence against excess remuneration in a partnership or Look Through Company is to have an agreement, which must comply with these rules:

- Be in writing and signed by all partners.
Binding for at least three years.
All partners or owners must be over the age of 20 when the contract was signed.

For partnerships, each partner must have control over their share of profits and be liable for their share of losses.

Trusts and What is in Store for 2015

During 2014 IRD has been undertaking audits of trusts with continuing trust tax losses, to assess their validity. IRD auditors are also reviewing trusts distributing income to loss entities, and assessing whether this is a tax avoidance arrangement

IRD have flagged they will be looking closely at the NZ foreign trust rules. This is an area that has flown under the radar somewhat, however the international momentum to counter aggressive tax planning and profit shifting has forced the Government to instruct IRD to address this area.

Acknowledgement to Keith Turner, nsaTax

A couple of IRD don'ts



Here's a couple of don'ts when dealing with IRD.

DON'T try to bend the rules. The boundaries might seem vague to you. We're likely to have a better idea of what you can and can't do, so consult us.

Though you might think they are needed to work, the cost is personal. Similarly, if you're employing staff and would prefer they were contractors, make sure IRD would agree with you.

DON'T discuss your problems with IRD. The department is not bound by the advice its staff give. You might be dealing with an inexperienced person and get the wrong answer.

Taking stock for your own use

IRD says you should value stock taken for your own use at its market value.

If you take raw materials to be used for manufacture, market value is their cost, presumably because if you were to sell them, you probably couldn't get a higher price for them.

NZ business number

Gurus are working on a way to give a number to every business, trust and state sector organisation in the country. If your business is a company, you already have a NZBN.

Internet Browsing Tips — Return of the spacebar

Thought that all a spacebar was good for was implied by its name? Think again. This king of the keyboard doesn't only put some breathing room into your emails and notes, it also has a scroll function that could come in handy for mobile workers.

When reading a long online article or exploring a website, simply hit the spacebar to scroll down one page in the browser. And if you want to scroll back up again, hold in the shift key and hit the spacebar again.

FMA warns consumers about cold-calling investment offers and 'big win' scams

The Financial Markets Authority (FMA) is warning New Zealand consumers and investors to be wary of cold-calls asking them to buy shares or put their money into offshore firms.

The FMA is receiving an increasing number of complaints about suspicious offers that involve transferring funds overseas. The flow of complaints relates to firms or people making cold-calls and offering suspicious 'big win' products or services, including investment schemes and forex trading services.

The FMA's Director of Compliance, Elaine Campbell, said today's warning is targeted at cold-calling 'big win' scams, most often from overseas or unknown locations. "There are some tell-tale signs to beware of that should cause consumers to take extra caution." These include:

- Requests to transfer funds overseas quickly to the account of a firm or person.
- Claims you must 'act now or miss out', putting your money in now to enjoy a big payoff.
- Discouraging or prohibiting customers from seeking independent professional advice about the product, service, or transaction.
- Offers involving software or so-called "trading systems" – often for forex trading – where consumers must buy a license or software, in order to participate.

Ms Campbell said, "There's one principle to keep in mind: if an offer sounds too good to be true, then it probably is. Our advice is simple. Don't transfer funds offshore to firms, or people, making offers like this – hang up the phone. If you don't understand an investment or product, don't put your money in."

"Transferring funds offshore – especially to firms that you don't recognise or can't fully verify – adds unnecessary risk for consumers. Generally, the FMA cannot help consumers to recover funds once they have transferred sums offshore."

The FMA is aware of firms providing fake website URLs that appear to be for a big-brand firm.

The FMA publishes names of firms and people where it has identified an entity or a person who is operating without registration or authorisation in New Zealand, or where the firm or person is not complying with New Zealand's financial services law.

There is also a similar international list on FMA's website provided by the [International Organisation of Securities Commissions \(IOSCO\)](#).

However, even where names or firms of cold-callers do not appear on these lists, consumers should not assume they are operating legitimately.

Ms Campbell said checking that firms are licensed or regulated in other countries could help consumers verify that such a firm exists. "But the fact that a firm is licensed or registered is not a guarantee for your money," she said.

Ms Campbell said consumers could use resources provided by the FMA and Consumer Affairs New Zealand that are designed to alert people to common characteristics of dubious offers.

Consumers don't need to be drawn into these dubious offers. They can participate in well-regulated, genuine offers made by firms operating in New Zealand. There is plenty of choice in investment and financial services products that are provided by reliable firms and professionals.

"Genuine financial products and services offer consumers the protection of New Zealand law. All financial services products and securities contain some element of risk, so it's a good idea to seek some professional advice."

See our web site for links

Delay that email and save embarrassment

How often have you just hit the email send button and realised you forgot an attachment or, worse still, sent it to the wrong person?

You can delay the sending of emails for a few minutes in Outlook Rules, so if you have second thoughts about the email, it can be deleted or amended. Here's how.

Go to Outlook Rules then select in this sequence:

- Start from a Blank Rule
- Apply Rule on Messages I send – Next
- On this machine only – Next
- Defer delivery by a number of minutes.

Then choose the number of minutes.

Close.

Seven tips for email senders

Here are seven tips which will help email readability.



1. Keep emails concise. Think about the message you want to convey, and do it in as few words as possible. Long emails don't get read.
2. Draw attention with the subject line. Like a headline in a newspaper it should entice the reader to look for more details.
3. Avoid attachments – they should only be what someone requests. Never try to convey a message with an attachment. Opening an attachment is an extra step readers are unlikely to take. Say what you want to say in the body of the email.
4. Check the text. Proof read before you hit the send button. Spelling mistakes and 'text-speak' are unprofessional.
5. Double-check forwarded messages. Beware forwarding a message with a thread deep down in the email that might have been sent to you in confidence.
6. Never assume privacy. Assume that your email will be read by others; after all you have no control over what happens to your email once you send it. So be courteous and respectful.
7. Take a breath. Never send an email in anger. If you receive an annoying email, never respond immediately. Put the email aside and reply when you are calmer. Consider always leaving those difficult emails until next day.....You'll be more rational.



We will be closing for the Xmas Holidays on the 23rd of December 2014 and returning on the 19th of January 2015. Ian, Aaron and the MHK staff wish you all a great Xmas and look forward to catching up with you in the new year.



MERRY XMAS ALL, HAVE A GREAT SAFE BREAK



"I told you, they aren't really magical rabbits...you have to feed them!"

How come you never hear anything about the 10th reindeer "Olive" ?

Olive ?

Yeah, you know,

"Olive, the other reindeer used to laugh and call him names..."