

CONTENTS

CONTENTS	2
INTRODUCTION	4
CHAPTER ONE - QUALIFYING TO BE A QUALIFYING COMPANY	6
Criteria for Becoming a Qualifying Company	6
New Zealand Resident Company	8
Shareholder count test	8
Requirement for trustees to distribute dividends	10
Foreign non-dividend income	11
Director and shareholder elections	11
Implications of Ceasing to Meet these Criteria	11
CHAPTER TWO - DIRECTOR AND SHAREHOLDER ELECTIONS	14
Director Elections	14
Effective date of director elections	15
Revocation of director elections	15
Shareholder elections	16
Trustee shareholder elections	17
Corporate shareholder elections	18
Minority shareholders elections	18
Effective date of shareholder elections	18
Revocation of shareholder elections	19
Elections	22
Form of notice	22
Shareholder liability	24
CHAPTER THREE - TAX IMPLICATIONS OF BECOMING A QUALIFYING COMPANY	26
Qualifying Company Election Tax	26
Forfeiture of losses carried forward	27
CHAPTER FOUR - TAXATION OF QUALIFYING COMPANIES	29
Taxation of dividends received by qualifying companies	29
Interest deductibility	29
Treatment of losses	30
Taxation of non-cash dividends	30
Taxation of other distributions to shareholders	30
Imputation and dividend withholding payment accounts	31
Attaching imputation and dividend withholding payment credits to dividends	32
Shareholder continuity	33
CHAPTER FIVE - TAXATION OF SHAREHOLDERS	35
Liability of electing shareholders for company tax	35
Interest deduction limitation	37
Overdrawn current accounts	38
CHAPTER SIX - LOSS ATTRIBUTING QUALIFYING COMPANIES	40
Introduction	40
Criteria for loss attributing qualifying companies	40
Elections	42
Form of notice	42
Advice to the Inland Revenue Department	43
Revocation of loss attributing qualifying company elections	44
Loss attribution to shareholders	44
LAQC losses must be attributed to shareholders	46
Attributed foreign losses and foreign investment fund losses	47
Company ceasing to be a loss attributing qualifying company	48
CHAPTER SEVEN - TO QUALIFY OR NOT TO QUALIFY	50
Qualifying company advantages and disadvantages	50

When to use qualifying companies	50
When to use loss attributing qualifying companies	51
LAQC's and the family home	53
CHAPTER EIGHT - QCs/LAQCs versus Limited Partnerships	55
Introduction	55
Commercial issues	63
Qualifying companies/loss attributing qualifying companies versus Limited Partnerships	64
CHAPTER NINE - CASE STUDY	67
Background Facts	67