

CONTENTS

INTRODUCTION	3
DOING BUSINESS WITH FAMILY MEMBERS	4
Who is associated for Income Tax	4
Who is associated for GST	8
Case study	10
SALARIES TO SHAREHOLDERS AND RELATIVES	11
Section GD 5	11
Deducting PAYE from shareholder salaries	15
Service companies	16
Restructuring to create a service company	20
PROPERTY USED PRIVATELY AND FOR THE BUSINESS	29
Apportionment	29
Telephones etc	29
Rental of houses	30
Interest	34
FINANCING MOTOR VEHICLE PURCHASES	37
Income Tax	37
Finance leases	39
Operating leases	43
Hire purchase	43
GST	47
FBT	50
Case study	51
TRANSFER OF ASSETS BETWEEN ASSOCIATED PERSONS	55
Income Tax	55
GST	58
ANSWERS FOR CASE STUDIES	60



INTRODUCTION

This tax course will focus on those small family run or self employed “mum and dad” type companies most practitioners deal with everyday.

The most common way of doing business in New Zealand is through the family company. These companies are usually owned by a husband and wife and operated predominantly by one with the other providing administrative support.

Tax and GST aspects of everyday transactions for these companies are usually reasonably straight forward. Issues arise when the company enters into transactions with the owners of the company or the company uses assets owned by the owners or visa versa.

This course will cover both income tax and GST issues where difficulties or uncertainty commonly arise. Each part will have relevant practical examples to illustrate the tax theory. The course looks at the following areas:

- Income tax and GST implications of doing business with family members
- Income tax issues when considering allocating profits from the company to the shareholders as salaries.
- Income tax issues of employing family members
- Income tax deductibility of property used privately and for the business
- Income tax deductibility of interest on borrowed money used privately and for the business
- Income tax, FBT and GST implications, in looking at the best way to structure the financing and ownership of a car
- Income tax and GST implications on transferring assets to or from the company (I won't be covering the “land sales” rules)

Any queries

If you have any queries regarding the course presentation and material please contact TEO or email myself directly mikeh@symmetrynz.co.nz.

Mike Hadwin
Director, Symmetry Advisory Ltd