

BC'S BUSINESS BRIEFS

2018 all done – 2019 is just around the corner

With the Christmas break almost upon us I thought it was timely to reflect on the year, make a few comments on tax matters, mention the new PPSR register and finally let everyone know what we at Baigent Consulting are up to over the next 6 weeks or so.

2018 and what happened

Another relatively settled year is behind us. While there have been some wobbles in the NZ (and world) economy, overall 2018 has been a year of slightly less economic prosperity overall than the past couple of years but it has by no means been a disaster. The US and North Korea have to date managed to avoid armed conflict, most of the world have come to ignore the posturing of the US President and instead work with the bureaucrats within his administration and the NZ Government have been stable and managed to keep things rolling along reasonably well.

Looking into 2019 the biggest threat would appear to be the damage an extended trade war between the US and China may do to the world economy leading to a slowdown in growth in both those economies and the flow on effect this has to the rest of the world. Potentially a slowdown in the US may be a double pronged blow as the US Government Debt is such historically high levels (both in gross and real terms) that any reduction in tax revenue within the US could have serious implications for the US Government in honouring its Debt commitments.

Expect the volatility in investment markets we have seen this year to be the norm again and don't be at all surprised if share markets continue to bounce around without really making much overall positive progress. Also look for some major pressure to be brought on the US in the area of Climate change – the biggest threat ever to civilisation as we know it.

TAX AVOIDANCE

Tax avoidance is a subject that we accountants spend significant time fretting over. Tax avoidance is the overarching provisions of the Income Tax Act that have the ability to supercede individual sections of the Act, if it can be shown that an arrangement has at its heart the objective of avoiding tax.

For many years it was considered that taxpayers had the right to structure their affairs in such a way that they achieved the most efficient tax structure, as long as any restructuring didn't have as its sole or predominate purpose tax minimisation. In recent years there have been a number of cases that have been heard in courts in NZ around Tax avoidance and while there is currently one case that has been ruled in favour of the taxpayer (IRD have indicated they are going to appeal this decision) the overall results have been heavily in favour of IRD, and the 'goalposts' appear to have shifted in their favour.

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We expect to see more of these types of cases in the short term future and following their recent court victories IRD can expect to be emboldened. It is therefore one area that we consider very carefully in any restructuring work we get involved in.

PPSR Changes

As at 1 October the new PPSR register went live. The PPSR is the register run by the Companies Office that records charges against assets, other than land. If you borrow money through a lending institution whose main security for the advance is a charge against an asset, then that charge is recorded on the PPSR. For those of you who have been around a while you will no doubt recall the term Debenture in company lending. The PPSR replaces what used to be referred to as a Debenture.

For those people or organisations who have registered charges on the PPSR via the lodging of a Financing Statement against a Debt, and the Financing is current, the administrators have done their best to automatically transfer the charge onto the new Register.

Using the PPSR to register Financing Statements against shareholder loans has been a reasonably common way of adding a little more security for small business' wanting to protect their investment in their company.

If you would like to find out more if a PPSR charge is relevant for you, please don't hesitate to contact us.

Office Comings and Goings

While we have been very fortunate to have stable staffing for the recent past, we did lose a staff member (Shuo Wang) at the end of October. Shuo has moved on to greener pastures and given the proximity to the slower time of the year for us, we decided to postpone looking for a replacement for Shuo until the new year. If you know of a bright young person who may be interested in furthering their experience in a small Accounting Practice in the new year, please tell them to get in touch.

We will be closing for the Christmas break on Friday the 21st December and re-opening on Monday 14th January. Over the time we are closed I will be checking my emails and cellphone messages regularly so if you have anything that is urgent, we will do our best to assist.

Finally from us here at Baigent Consulting, thank you for your business and we wish you a Merry Christmas and Happy New Year.

Kind Regards,

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