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Tax Alert
July 2014

Tax Alert

A focus on topical tax issues– July 2014

In this issue

Employee allowances: the final chapter?

Robyn Walker and Hiran Patel

On 30 June 2014 the Taxation (Annual Rates, Employee Allowances, and Remedial Matters) Bill received royal assent. The passing of this bill largely brings to an end the long running employee allowances saga, one which has spanned a number of years and many Tax Alert articles, and also provides more clarity in terms of Inland Revenue's position as to how taxpayers should be treating certain employee allowances. That said, there are still some unresolved issues (see "Further clarity needed" below)

The proposals were summarised in our December 2013 Tax Alert (see **here**). The revised rules signify positive changes and sensible outcomes as a result of an extended consultation process on this issue.

ACCOMMODATION

We outline below, with the help of the diagram on page 5, the key points that you need to know in respect of the upcoming changes.

When do these rules apply?

The new rules apply from the 2015-16 income year (generally from 1 April 2015 onwards); however an employer may choose to apply the new rules in respect of accommodation / accommodation allowances from 1 January 2011 *provided* the accommodation / accommodation allowance was not treated as being taxable before 6 December 2012, being the date Inland Revenue released the Commissioner's Statement on *"Income Tax Treatment of Accommodation Payments, Employer-Provided Accommodation and Accommodation Allowances".*

What is and is not accommodation?

The rules define accommodation to include a board or lodging, the use of a house or living premises, and the use of part of a house or living premises, whether permanent or temporary.

There are explicit carve outs from this definition, and accommodation does not include:

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A berth, room, or other lodging provided on a mobile workplace, for example a ship, a truck, an oil rig or similar workplace.

- A station in Antarctica.
- A room or lodging that is provided for a shift worker who is required in the performance of their employee duties periodically to sleep at their workplace, when the accommodation is provided only for the duration of the performance of those duties, for example fire-fighters, ambulance staff, care-givers and similar employees.
- The use of a room or other dwelling provided at a remote location outside New Zealand when the employee's duties require them to work at a location for a period and also require them to be absent for a period, for example fly-in fly-out miners working in Australia.

How is accommodation valued?

The standard rule is that the amount of income attributed to an employee from the provision of accommodation is the market rental value of the accommodation. This would be the rent paid for the accommodation or the average rental value of accommodation in the relevant town or city where the accommodation is provided to the employee (for example, if the employer owned the property).

In the event that there are factors that impact on the value of the accommodation to the employee, for example the employee does not have "quiet enjoyment" of the property because they are living at their workplace, it may be possible to have a valuer undertake a valuation factoring this in.

If the employee contributes towards the cost of the accommodation, the taxable value may be reduced by this amount.

If an allowance is paid or the employee receives a reimbursement payment, the amount received by the employee is income.

If the employee contributes towards the cost of the accommodation, the taxable value may be reduced by this amount.

Shared accommodation

When more than one employee shares accommodation, the value should be either apportioned equally between employees or apportioned on a reasonable basis agreed between the employees.

If the employee has an area of the accommodation set aside for work purposes (for example, a home office), the business-use portion is not taxable.

Overseas accommodation

If accommodation is provided overseas, the market value of accommodation (and tax thereon) is capped at the average or median value of the equivalent accommodation in New Zealand at the location the employee would be likely to work for their employer (or, if this is unknown, the average or median market rental value of accommodation for all of New Zealand). This is of benefit to employers if they have a requirement to gross up the value of accommodation for tax and the employee is being provided accommodation in a very expensive location.

Where the value of the accommodation in the overseas location is less than the New Zealand equivalent market value, the lower value (being the value in the overseas location) should be used to calculate the market value of accommodation.

Who is a "new" employee?

The ability to apply the two year out-of-town secondment exemption depends on whether the employee is a "new" employee. If an employee has transferred between group companies, they will not be considered a "new" employee of the group company they have moved to and can still benefit from this exemption. To be a group of companies there must be at least 66% common voting interests.

What is a "workplace"?

A workplace is a particular place or base at which an employee performs their employment duties or from which an employee's duties are allocated. It is not necessarily the premises of the employer.

What is a "distant workplace"?

A distant workplace means a workplace that is another workplace of the employee which is not within reasonable daily travelling distance of their residence. Inland Revenue guidance on the concept of "reasonable daily travelling distance" is available in **Tax Information Bulletin Vol 21, No 9 (December 2009).** This is a subjective test that requires weighing up actual distances and the time it takes to travel that distance.

The two and three year exemptions are based on employer expectations at the outset of a secondment or project, what happens if expectations on timeframes change?

An applicable exemption will cease to apply on the date an employer's expectation regarding the length of the employee's time on the secondment or the project changes to be in excess of two years or three years (as applicable). A change in expectations may be evidenced by modifications to employment terms, or in other documentation such as board minutes, planning documents, and correspondence with other contractual parties to the project. Inland Revenue is expected to provide more guidance on this in the future.

Are weekends and holidays included in the two and three year calculations?

The two and three year exemptions are based on a period of continuous work at a distant workplace and does include the employee's time away on leave or other breaks for personal reasons, weekend breaks, required rest periods and other similar periods.

What is a salary-trade off arrangement?

The exemptions will not apply if an employee's employment terms provide that they would be entitled to a greater amount of employment income if they choose not to receive the accommodation.

MEALS

New rules apply from 1 April 2015 (but can also be applied from 1 April 2011 provided an employer was not treating such meals / allowances as taxable) to deal with the provision of meals, meal allowances and meal reimbursement payments to employees.

Where an employee is required to work away from their workplace, any meal is non-taxable to the employee. This also includes meals of the following kind:

- Working meals arranged as part of an alternative to a formal meeting
- Provided at a conference / training course
- Light refreshments if the employee is away from their employment base for most of the day

Where an employee is travelling on business, the exemption from meal allowances is subject to a three month time limit.

Meals that are provided to employees at their workplace are not intended to be captured under the new rules, rather, the FBT rules (and the on-premises exemption) will operate in this instance.

Before an allowance will be considered, it will be necessary for the applicant to prove that the allowance is provided to a wide group.. class of employees...

CLOTHING

Employees that are required to buy and maintain distinctive work clothing in the course of carrying out their employment duties, and are provided an allowance in respect of this, will not be taxed on the allowance received. This aligns with the FBT treatment when distinctive work clothing is provided directly by an employer.

Further clarity needed

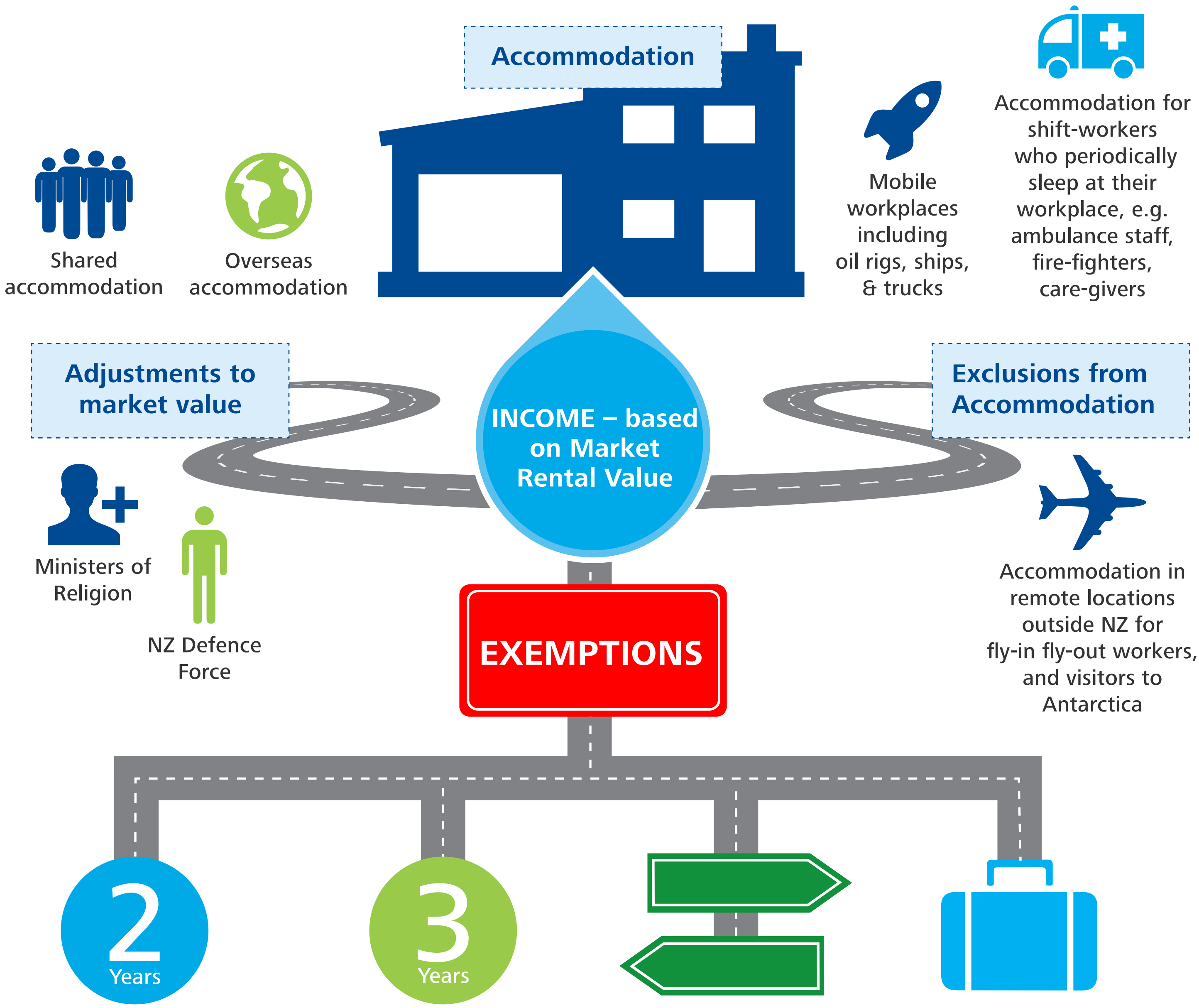
Clear boundaries now exist for accommodation, meals and clothing, but what about other types of allowances? Some may recall the debate in early 2013 about how communication allowances (home phones, cell phones and internet) should be taxed, with Inland Revenue suggesting that they should be fully taxed except where the work element could be clearly identified, before the Government decided to publically move away from this proposal.

Well, the new rules provide no assistance with these types of allowances, so employers are left in limbo with these allowances. Some relief from the uncertainty may be available in the future, with a new ability being introduced to allow the Commissioner of Inland Revenue to issue determinations about the extent to which certain allowances should be subject to tax.

Before an allowance will be considered, it will be necessary for the applicant to prove that the allowance is provided to a wide group or class of employees, it is provided mainly to reimburse an expense incurred by an employee in deriving their employment income, the allowance is not part of a salary trade-off arrangement, and the average private or capital benefit the employee is likely to receive is hard to measure.

It is good to now have guidance in what has been a murky world for some time. However there are still some tricky areas in these new rules where employers need to tread very carefully. Each scenario will need to be considered in light of the particular facts and circumstances. Please contact your usual Deloitte tax advisor if you would like to discuss how the employee allowances rules may affect you or your business.

A general guide to the taxation of accommodation



Out of town secondments

- Employee is required to work at a distant workplace to perform ongoing employment duties
- The employer expects at the outset that the secondment will last no more than **2 years**
- Accommodation is provided for 1 or more nights
- Exemption does not apply to new employees (unless the new employee is seconded to another employer or if the new employee is only temporarily working away from their normal workplace e.g. to attend an induction course)

Projects of limited duration

- Employee is required to work at a *distant workplace*
- The employee is working on a particular work project with a principal purpose to create, build, develop, restore, replace or demolish a capital asset; and
- It is carried out under a contract between an employer and non-associated person(s); and
- The employee's role has clear start & end days, involves work that is solely for the purposes of the project (except incidental activities), and the employer expects at the outset that the employee will be involved for no more than **3 years**

Multiple workplaces

- Employee is required to work on an ongoing basis at more than 1 workplace and 1 or more workplace is a *distant workplace*
- If the employee has only 2 workplaces, the exemption does not apply if one workplace is a home office

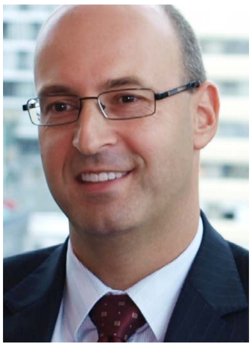
Conferences and overnight stays

Employee is required to attend a work-related meeting, conference, or training involving an overnight stay for 1+ nights (does not need to be at a *distant workplace*)

Different time limits apply to accommodation provided for Canterbury projects

Exemptions do not apply where accommodation is provided under a salary trade-off arrangement.

Exemptions stop if expectations change about length of employee involvement to be more than 2 or 3 years (as applicable) or if the employee receives a relocation payment



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NZICA releases special purpose reporting framework for SMEs: Is this relevant for your business?

By Iain Bradley

In our **April 2014** Tax Alert we outlined Inland Revenue's minimum financial reporting requirements that the majority of small-to-medium enterprises (SMEs) must adhere to for accounting periods commencing on or after 1 April 2014. Many businesses that were previously required to prepare GAAP-compliant financial statements will now prepare their financial statements to a less onerous level. However, it is important to note that these requirements are a *minimum* standard and many businesses may wish to prepare their financial statements to a higher standard (albeit less detailed than full GAAP financial statements).

To this end, NZICA has released the *Special Purpose Financial Reporting Framework for use by For-Profit Entities (SPFR for FPEs).* This framework has been developed by a working group including members of Big 4 and mid-tier accounting firms, Inland Revenue, banks and SMEs to address single entity financial reporting. The *SPFR for FPEs* has been prepared with the Inland Revenue's minimum financial reporting requirements in mind such that preparation of financial statements in accordance with the *SPFR for FPEs* will meet the minimum requirements.

The benefit of using this framework is that, as opposed to Inland Revenue's minimum financial reporting requirements, it is designed to meet the needs of other users and stakeholders in addition to Inland Revenue. Examples of other users include:

- Banks and creditors. This framework provides a foundation for assessing profitability, security and liquidity; and
- Shareholders. This framework delivers greater information for the purposes of making capital investment decisions and assessing financial performance.

In addition, it is a framework that can be audited against, if appropriate for use by the entity.

The *SPFR for FPEs* is a 112 page document and much less dense than the volumes of international accounting standards necessary to prepare GAAP-compliant financial statements. The key features of the framework are the use of historic cost, a lower level of disclosure (while still providing relevant information) and simple methods for the recognition and measurement of assets and liabilities. The guidance provided relies on the use of professional judgment more so than GAAP. Another benefit is that because Inland Revenue's minimum financial reporting requirements are built into the framework, the adjustments needed to reconcile taxable income are reduced.

Certain provisions of the Income Tax Act 2007 require the use of particular international accounting standards, for example provisions dealing with research and development expenditure. Taxpayers that are not required to prepare GAAP-compliant financial statements can pick and choose which parts of GAAP they comply with if that allows them to apply particular provisions in the income tax legislation.

This concept works the other way too. Some of the disclosures recommended by the framework may, for some SMEs, be considered of limited use and complying with them not worthwhile for the time and cost incurred. In these situations it may be a better option to use Inland Revenue's minimum financial reporting requirements instead of *SPFR for FPEs.*

Certain provisions of the Income Tax Act 2007 require the use of particular international accounting standards, for example provisions dealing with research and development expenditure.

The decision as to which framework your business should use is one that should be made sooner rather than later. The new rules for financial reporting have already kicked in for those with 31 March and later balance dates and will affect the shape of the 2015 financial statements for those businesses. Factors that need to be considered when deciding how to prepare these financial statements include: the size of your business, the tax implications of the choice of framework/approach to financial reporting, the amount of resources that should be allocated to the preparation of financial statements and the main users of these financial statements and their needs.

The flexibility now afforded by the rules is also worth keeping in mind. Choosing a framework to use does not necessarily need to be a black and white decision and should consider the costs and benefits of the different options whether they be the *SPFR for FPEs,* GAAP, or the Inland Revenue's minimum financial reporting requirements.

For help in making this decision or any other queries regarding the new financial reporting requirements please contact your Deloitte advisor.

For more information and a copy of the *SPFR for FPEs* please click **here**.[1]

1 Iain would like to acknowledge the assistance of Michael Bellingham in preparing this article.

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Updated guidance on excessive amounts paid to relatives and others

By Veronica Harley

Over the years, the Commissioner of Inland Revenue (the Commissioner) has published various items dealing with themes concerning excessive amounts paid to relatives, shareholders, directors and partners. The Commissioner has now issued a draft "Question We've Been Asked" for comment which when finalised, will replace all of these old items previously published between 1966 and 1995 in public information bulletins and tax information bulletins.

The question broadly framed is "When is the payment of remuneration or allocation of profits or losses considered to be excessive for the purposes of sections GB 23 – GB 25B (of the Income Tax Act 2007)? The purpose of these provisions is to prevent taxpayers from reducing their income tax liability by allocating excessive amounts or streaming excessive losses to relatives, shareholders, directors and partners.

Any remuneration, profits or losses will be considered excessive where

- the amount paid is more than a reasonable reward for the services provided by a relative;
- the share of partnership profits or losses exceeds the value of the contributions made by the partner;
- the amount paid by a close company exceeds a reasonable reward for the services provided by a shareholder or director, or was influenced by the person's relationship with a shareholder or director; and
- the amount allocated under the look-through company (LTC) rules to a relative (aged under 20) who owns an effective look-through interest in an LTC exceeds a reasonable amount having regard to the value of their contributions by way of services, capital and any other relevant matters.

To put the question in context, several examples are provided to illustrate how the provisions operate in the Commissioner's view. These include:

- **Paying wages to children in a family run business.** The Commissioner would allow wages paid to be deductible provided the wages were reasonable based on the nature and extent of the work carried out and the wages are consistent with the industry standard. However it is not realistic to claim a deduction for wages paid to very young children (e.g. 5 years old) who are unlikely to be able to perform any useful work.
- **Allocation of rental losses to partners.** In this example, a couple, June and Jim, are partners in a partnership (but without a partnership agreement) and own several rental properties. An agent manages the properties as June works full time, while Jim is retired. The tax return is filed allocating 75% of the rental losses to June who has employment income which is higher than Jim's pension. In this case, the Commissioner can reallocate the losses to a half share, as under the Partnership Act 1908 there is a presumption that partners will share profits and losses equally. It is possible to have a difference in allocation, but it would need to reflect the nature and extent of the services provided and the value of the contributions made by the respective partners. Also, if there was a genuine partnership contract that met certain criteria, the profits and losses can be allocated in accordance with the terms of the contract.
- **Excessive remuneration paid to a shareholder treated as a dividend.** In this example, Sue and Peter are equal shareholders in ABC Ltd, with Sue working full time, while Peter stays home with the couple's children, albeit he works 5 hours on the weekend cleaning the offices of ABC Ltd. Peter is paid the same $70,000 salary as Sue. The Commissioner would likely consider that Peter's salary is significantly out of proportion to the services that he is providing to the company with the excess being treated as a dividend.

The QWBA distinguishes these issues from the type of scenario in the *Penny and Hooper case* where the income was diverted from the key individual to associated entities and generally through to other entities. In the QWBA the focus is on whether the remuneration diverted to other individuals is reasonable relative to the services provided by that individual.

All of the examples provided are at the somewhat obvious end of the scale which we think should have alarm bells ringing in any event and so the draft may be of limited practical help for situations which are closer to the boundary. At the very least it updates a collection of old statements, raises awareness and demonstrates how these specific anti-avoidance provisions work. Submissions on the draft close on August 8 2014. Please contact your usual Deloitte advisor for further information about this issue.

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Transfer Pricing in the digital economy

By Bart de Gouw and Melanie Meyer

Developments in IT have enabled businesses to engage in activities with customers in foreign jurisdictions with greater ease and to a wider degree than was possible in the past.

Most recently there has been an explosion in "Cloud Computing", in which product developers offer the use of software products through a web interface. In these cases there is usually no need for the purchaser to obtain, whether physically or digitally, any product from the vendor. Instead there is the provision of a service by the vendor company to the end user. Common examples that we have seen include software-as-a-service ("SaaS") and data as a service ("DaaS") businesses. These businesses present revenue authorities with challenges in properly assessing the business' liability to taxation in any given territory.

The Challenges of Taxation in the Digital Economy and the impact of BEPS

Traditional taxation of business activities is based on the concept of a taxable presence within a jurisdiction, determined by the existence of a permanent establishment ("PE"). In recent times, it has been increasingly possible for multinational businesses (particularly digital businesses) to minimise or eliminate their physical presence and thereby avoid the establishment of a PE.

Such tax planning has naturally attracted the attention of revenue authorities and governments in various countries. As a result, the OECD has developed the much publicised Base Erosion and Profit Shifting ("BEPS") action plan (including Action 1 which pertains to the digital economy) to address these concerns.

The Action 1 discussion draft, which was released on 24 March 2014, identifies four 'policy challenges' in relation to the digital economy, namely:

- the difficulty in determining the nexus between profit generation and company's presence in a market territory
- the difficulty in attributing value creation through the use of digital products
- how to accurately characterise payments made between associated parties under the new digital economy business models
- the impact of cross border transactions on a country's consumption tax system (e.g. GST)

The OECD has received numerous proposals for responding to these challenges including the creation of a new PE based on a company's 'significant digital presence' in a market or a 'virtual permanent establishment' based on the maintenance of infrastructure or the electronic conclusion of contracts in a market. Given the volatile nature of negotiations in this area, there remains a risk that individual countries will act aggressively to protect their tax base, potentially resulting in double taxation.

Based on the potential for significant change in the wake of the OECD BEPS Action Plan, it is crucial for multinational businesses to ensure that they are operating with an appropriate transfer pricing model, understand the size and nature of the risks that changes in the definition of PEs would have and monitor developments in this area. The OECD's next step is to review comments received on the discussion draft with finalisation expected in September 2014. Businesses should ensure that they are aware of developments occurring in territories in which they operate.

The new transfer pricing rules require a taxpayer to produce transfer pricing documentation as a necessary prerequisite for any argument that their position is reasonably arguable.

Australian Transfer Pricing Updates

The Australian Taxation Office ("ATO") has recently released draft guidance in respect of new Australian transfer pricing rules which apply for income years commencing on or after 29 June 2013. The new transfer pricing rules require a taxpayer to produce transfer pricing documentation as a necessary prerequisite for any argument that their position is reasonably arguable. This documentation must be prepared by the time a tax return is filed incorporating income derived from the tested transactions.

In addition to the new documentation requirements, the draft guidelines include a proposed new approach to the arms length principle which may, in some circumstances, require taxpayers to disregard actual transactions and replace them with hypothetical transactions priced on an arm's length basis. These are the so called 'reconstruction' rules, and on the basis of the draft guidelines appear to give wide powers to the ATO.

Australian businesses with related party transactions in excess of AU$2 million are generally required to file an International Dealings Schedule ("IDS") with the ATO, alongside their income tax return. As part of this process, a declaration is made as to the existence of transfer pricing documentation to support the disclosed cross-border related party transactions. Under the new rules, businesses are required to have documentation prepared at the time the return is filed.

For businesses who do not meet the IDS threshold of AU$2 million, whether transfer pricing documentation is prepared should be determined on the basis of a cost/risk analysis. However, should a transfer pricing audit be initiated by the ATO, it may be difficult to prove that the business' income tax return represents a reasonably arguable position without reference to transfer pricing documentation.

As noted above, these new rules apply for income years starting after 29 June 2013. As such, those taxpayers transacting with Australian related parties who are required to file a return for the year ending 30 June 2014 should contact a transfer pricing advisor to discuss their cross-border related party transactions prior to filing their income tax return.

Click here for Deloitte Australia's overview of the new rules, including links to the ATO discussion drafts. **[here]**

For more information in relation to the issues raised in this article, or to speak with someone about your business' needs, please contact a member of Deloitte's NZ transfer pricing team.

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Options for dealing with foreign superannuation obligations

By Mike Williams

Previously in our **February 2014 Tax Alert**, we highlighted the changes to the tax treatment of foreign superannuation, effective from 1 April 2014. People affected by these changes, who made transfers or withdrawals before 1 April 2014 now need to consider how they deal with the New Zealand tax implications of this.

Recently arrived individuals who made transfers or withdrawals from their foreign superannuation schemes may not have any tax obligations if the transfer was made whilst they were a transitional resident.

For those people who cannot rely on the transitional resident exemption, but who have already made transfers or withdrawals before 1 April 2014, they now need to make some decisions in respect of these actions.

There are three possible options for people who are in this position, however consideration of personal circumstances needs to be given when making decisions.

Firstly, you can request to have your previous income tax years reassessed under the old Foreign Investment Fund rules for any income not previously declared in returns for those years. This could be a daunting task for many taxpayers as it requires recalculating the assessable income using complex rules in place for years prior to the transfer or withdrawal. Furthermore there is the potential for use of money interest and late payment penalties to arise in respect of any historic liabilities for these years.

The next two options allow for you to declare your taxable income at a concessionary rate of 15% of the withdrawn or transferred amount in a tax return for the year to 31 March 2014 or the year to 31 March 2015.

To enable you to make this decision you will need to consider your current and future tax positions to understand the potential costs. For example, if your income is set to rise, declaring a pension transfer in the 2014 year may mean it is taxed at a lower rate than it would be in the following year. Conversely, it may be the case that declaring income in the 2015 year gives a better result if your income levels are falling, perhaps as a result of retirement.

Finally, consideration also needs to be given to obligations under the provisional tax regime. Whilst prepayments of tax might not automatically have been required, accelerating the liability may mean you are exposed to interest charges if your liability for the 2014 year is greater than $50,000. Deferring the liability may enable you to better manage your provisional tax obligations in the 2015 year.

Given the complexity of some of these matters you may need to seek professional advice before making your decision. For more guidance or to discuss the application of the new rules in further detail please contact either your usual Deloitte advisor or Mike Williams. [1]

1 Mike would like to acknowledge the assistance of Adam Osbaldiston in preparing this article

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Are you providing services to South African recipients?

Jeanne du Buisson

Like most other countries around the world, South Africa is struggling with the crippling effects of eCommerce on tax collection, specifically, the impact on its value-added tax (VAT). In this digital age where most services can be downloaded without having to pay local transaction taxes on the supply, the South African Revenue Service (SARS) has boldly expanded the definition of what constitutes an 'enterprise' for VAT purposes with an aim of collecting at least some indirect taxes on these transactions. The effective date of this legislation was initially 1 April 2014, however this has now been deferred to 1 June 2014 as the industry (and SARS itself) was not ready for this mammoth change.

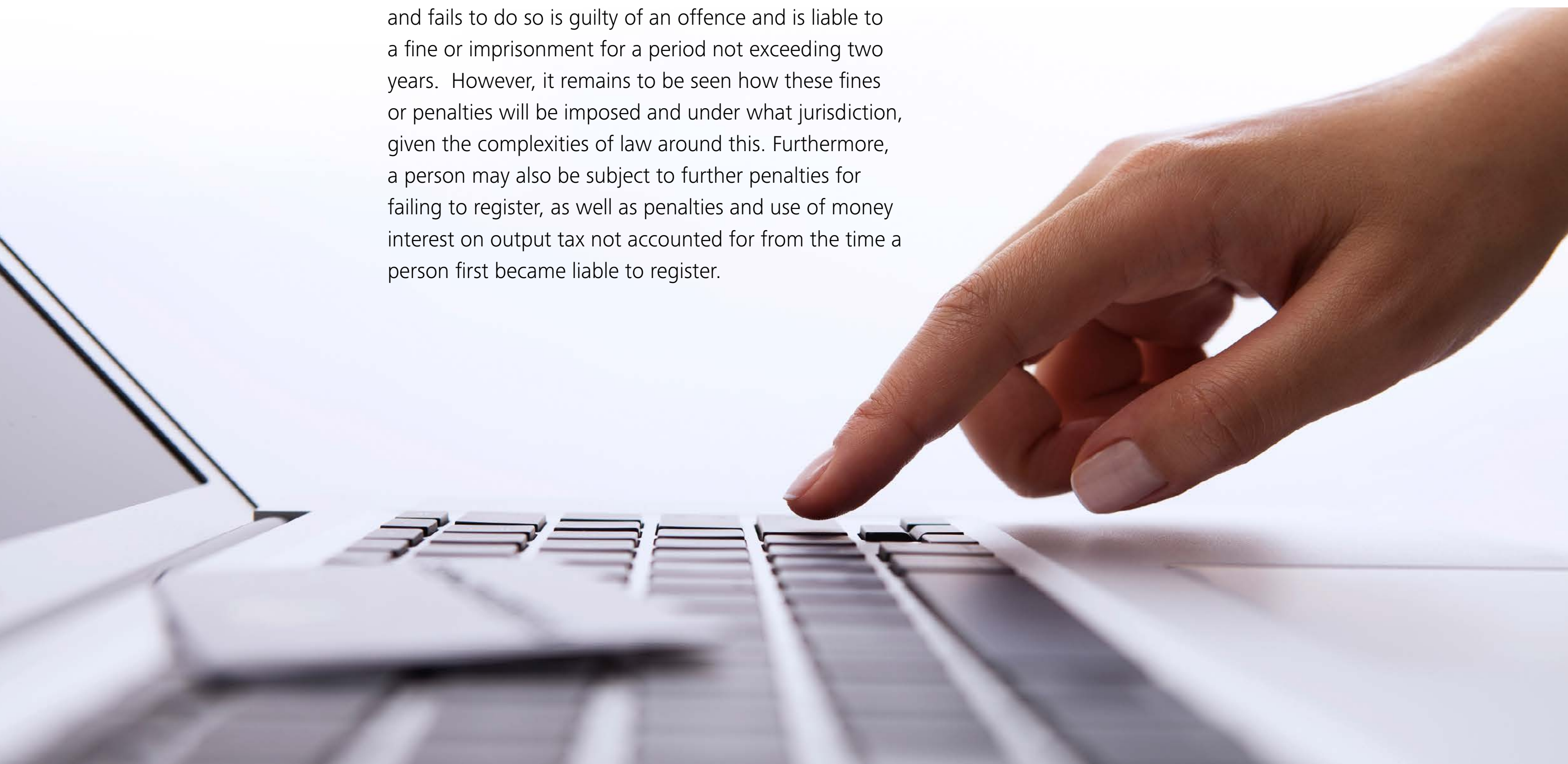
This means that New Zealand companies that provide 'electronic services' to a recipient in South Africa or where payment for the services by such customers originates from South African banking accounts and where the total value of those electronic services exceeds ZAR50,000 (c.NZ$5,500), would be required to apply for VAT registration. VAT registration in South Africa is not optional and anyone who is liable to register and fails to do so is guilty of an offence and is liable to a fine or imprisonment for a period not exceeding two years. However, it remains to be seen how these fines or penalties will be imposed and under what jurisdiction, given the complexities of law around this. Furthermore, a person may also be subject to further penalties for failing to register, as well as penalties and use of money interest on output tax not accounted for from the time a person first became liable to register.

Electronic services are listed in VAT Regulations and divided into categories which include education, games and games of chance, internet based auction services, miscellaneous services (such as e-books), audio-visual content, still images, music and subscription services. It includes the provisions of these services "by means of an electronic agent, electronic communication, or the internet". The regulations not only apply to Business-2-Consumer (B2C) transactions but will also apply to Business-to-Business (B2B) transactions.

Suppliers of electronic services to recipients in South Africa should consider the possible impact of the new rules on their business, including how to comply with any South African VAT registration and consider any compliance obligations they may have and the possible impact of these on their customer contracts, pricing and invoicing.

New Zealand is facing the same problem as South Africa and is exploring ways to levy GST on eCommerce supplies, however to date there has been no clear indication as to how New Zealand intends to deal with this problem.

If you would like to know more about this, please contact your Deloitte GST advisor.



Snippets from Parliament

Employee Allowances Bill enacted

The *Taxation (Annual Rates, Employee Allowances, and Remedial Matters) Bill* passed its third reading on 19 June 2014 and received royal assent on 30 June 2014. This is the bill that contains changes to the treatment of employee allowances, thin capitalisation rules regarding non-residents who "act together", certain types of black hole expenditure, the date for when land is deemed to be acquired, technical amendments to lease transfer payments and the reporting obligations of financial institutions due to the FATCA regime.

Parliament will be dissolved towards the end of July as the General Election is on 20 September 2014. Aside from the political parties' tax policy announcements over the coming weeks, it means that little will happen in terms of any new Government tax discussion documents or new bills until a new Government is formed late this year.

Companies and Limited Partnerships Bill

On 24 June 2014, the *Companies and Limited Partnerships Amendment Bill* passed its third reading. This bill creates the *Companies Amendment Act (No 4) 2014 and the Limited Partnerships Amendment Act (No 2) 2014.* These new Acts introduce a number of changes to the company and limited partnership (LP) registration process which will also affect existing companies and LPs. Most notably, a new provision has been inserted whereby all New Zealand registered companies and LPs will be required to have a director or general partner who lives in New Zealand or is a director of a company in a prescribed "enforcement country" (currently limited to Australia). The new registration rules will come into force following an Order in Council, with a further six month period for existing companies and LPs to comply with the resident director requirement.

Please contact your usual Deloitte tax advisor for more information.

Deloitte welcomes new tax partner

Phil is a tax specialist in our Dunedin office. He joined Deloitte in 2000 after graduating from the University of Otago. He provides general advisory and tax services to individuals, SMEs and corporates. Phil has specific expertise in various industries, including agribusiness, electricity generation and distribution, financial services and construction. In addition to providing specialist tax advice, Phil also operates as a trusted advisor to a number of businesses to help them to grow.

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