

CHAIR



Stephen Tomlinson, Tomlinson Law, Christchurch

Stephen is the principal of Tomlinson Law. He has lectured in taxation, finance and business law at the University of Canterbury and is a well-known presenter of taxation and trust seminars and webinars. Stephen advises clients, including accounting firms and law firms, on a wide range of taxation and trust law issues. He is a member of the New Zealand Law Society's Tax Law Committee and the ADLS Trust Law Committee.

CO-CHAIR



Neil Russ, Russ + Associates, Auckland

Neil specialises in corporate and international tax issues, and domestic and cross-border transactions. He formed his current firm after over 20 years as a partner and head of tax at a national law firm. Neil has a multi-jurisdictional background in banking, capital markets, structured finance, venture capital and private equity transactions, and has expertise in AML/CFT matters. He is Convenor of the New Zealand Law Society's Tax Law Committee.

SPEAKERS



Brendan Brown, Mayne Wetherell, Wellington

Brendan is a partner and head of the tax practice at Mayne Wetherell. He specialises in corporate and international taxation and has advised on some of New Zealand's most significant commercial transactions and tax disputes.



Howard Davis, Inland Revenue, Wellington

Howard is the Tax Counsel Office's group leader (Customer Advice) at Inland Revenue. He was formerly Director (Taxpayer Rulings) and in both roles, since 2004, has been responsible for Inland Revenue's taxpayer rulings service. Prior to joining Inland Revenue, Howard worked in law and accounting firms in tax. His principal areas of interest in tax law are tax avoidance, the financial arrangement rules and business taxation.

SPEAKERS



Rhonda Gregory, Inland Revenue, Auckland

Rhonda is a senior tax counsel in the Tax Council Office at Inland Revenue working primarily in binding rulings. She has a wide range of experience, previously being a Special Counsel at Russell McVeagh with a particular focus on mergers and acquisitions, group restructuring and corporate finance work.



Helen Johnson, PwC Legal, Auckland

Helen works closely with corporate and high net worth clients to provide advice on all aspects of New Zealand tax. Her specialisms include international tax matters, corporate restructuring, domestic and cross-border M&A, and investment into or out of New Zealand.



Mike Lennard, Stout Street Chambers, Wellington

Mike is a litigation lawyer, specialising in tax and civil cases. His career to date has involved eight years' practice as a Crown prosecutor and civil litigation lawyer, then eight years as head of litigation for Inland Revenue, and practice at the independent bar since June 2004. Mike's practice includes intellectual property, competition law, professional negligence, and relationship property litigation. He has a particular interest in financial regulatory and criminal issues, including money laundering and administration of the AML/CFT legislation.



Rachael Lyons, Inland Revenue, Auckland

Rachael is a chartered accountant and technical specialist at Inland Revenue. Her role involves leading technical issues, providing advice and guidance to front line staff and technical oversight of complex risks. Rachael has over 20 years tax experience, predominantly leading teams of investigators completing investigations covering sole traders through to significant enterprises. She is involved in assessing compliance risks associated with the 39% tax rate.



Fiona Wellgreen, Inland Revenue, Wellington

Fiona is a senior tax counsel in the Tax Council Office at Inland Revenue working primarily in binding rulings. She has a wide range of experience, with particular expertise in the financial arrangements rules, PIEs, and public-private partnerships.

CONTENTS

TAX PLANNING AND TRUSTS – CHOICES AND CONSEQUENCES	1
INTRODUCTION	3
TRUSTS AND TAX PLANNING	4
INLAND REVENUE’S OBSERVATIONS OF THE PROLIFERATION AND USE OF TRUSTS FOLLOWING THE INCREASE IN THE TOP PERSONAL TAX RATE TO 39%	8
INLAND REVENUE’S CURRENT VIEW ON THE USE OF TRUSTS TO EXPLOIT THE DIFFERENCE BETWEEN THE TRUSTEE TAX RATE AND THE PERSONAL TAX RATES	10
POSSIBLE RESPONSES TO THE USE OF TRUSTS TO EXPLOIT DIFFERENTIAL TAX RATES	12
CONCLUSION.....	13
APPENDIX A.....	14
MIND THE GAP: COMPANIES – RATE AND DIVIDEND ISSUES.....	17
INTRODUCTION	19
A BRIEF RECAP: THE TAXATION OF COMPANIES AND DIVIDENDS	19
CASE STUDY: MR A AND TCo LTD	20
FACTORS WHICH MAY CONCERN INLAND REVENUE.....	21
BACKGROUND FACTS	21
VARIATION ONE: MOVING TO A COMPANY STRUCTURE	22
VARIATION TWO: PAYMENT OF A DIVIDEND ON 31 MARCH 2021	26
VARIATION THREE: TRANSFER OF OWNERSHIP OF TCo LTD FROM MR A TO A FAMILY TRUST	28
VARIATION FOUR: GIFT TO THE TRUST AND USE OF SHAREHOLDER LOANS	30
VARIATION FIVE: TRANSFER TO A NEW HOLDING COMPANY INSTEAD OF A TRUST.....	33
VARIATION SIX: MR A RECEIVES A BELOW-MARKET SALARY	34
CONCLUDING REMARKS.....	36
DIVERSION OF PERSONAL SERVICES INCOME AND TAX AVOIDANCE.....	37
INTRODUCTION	39
PART 1: TYPES OF ARRANGEMENTS	39
PART 2: INLAND REVENUE GUIDANCE	41
PART 3: THE CASE LAW.....	42
PART 4: SUMMARY OF IMPORTANT FACTORS FROM THE CASE LAW.....	53
CONCLUSION.....	57
DIVERSION OF PERSONAL SERVICES INCOME AND TAX AVOIDANCE – ADDENDUM.....	59
INTRODUCTION	61
<i>PENNY FOR YOUR THOUGHTS</i>	61
<i>KRUKZIENER</i>	62
TAX RATES AND THE CHOICE OF ENTITY AND BUSINESS STRUCTURE.....	63
INTRODUCTION	66
TO WHAT EXTENT IS IT PERMISSIBLE, UNDER S BG 1, TO CHOOSE THE LOWEST TAX OPTION FROM THE AVAILABLE STRUCTURES?.....	67
WHAT PRACTICAL STEPS CAN TAXPAYERS TAKE TO REDUCE THE RISK OF A STRUCTURE BEING IMPUGNED UNDER S BG 1?	72
APPENDIX	75
GETTING CERTAINTY ON BUSINESS STRUCTURES WITH A BINDING RULING.....	77
TYPES OF BINDING RULINGS.....	79
PRE-LODGE MENT MEETINGS AND OTHER KEY FEATURES OF RULINGS.....	80
PANEL DISCUSSION.....	83