

health adviser

Grant Thornton 

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Is there safety in numbers?

The merging of two or more practices requires a considerable amount of advance planning. A merger will often be driven by a desire to lower overheads per practitioner by sharing the fixed costs over a greater number of people.

The Advantages of a Successful Merger

- Opportunity to access expensive equipment and take advantage of special skills of some partners
- Ability to offer a better service for patients with an after hours service perhaps being easier to provide
- Provides an infrastructure where it is easier for partners/staff to take long-term leave
- Maybe more attractive to younger practitioners to join
- May provide an exit strategy for older partners wishing to retire.

Rules for a Successful Merger

Do

- Some market research beforehand
- Consider location carefully
- Establish a clear vision at the outset
- Agree on some clear practice procedures and policies particularly in respect of personnel management and financial management
- Change direction if something is not working, but also be prepared to lose some battles in order to win the war
- Take a one-practice approach at the outset to make communications and patient servicing seamless
- Keep lines of communication open
- Agree on a robust partnership or shareholders agreement at the outset
- Always seek a good legal and accounting advice before embarking on a merger
- This should cover areas such as redundancy management, debt structuring, cost sharing and advice on the appropriate legal entity to use as a vehicle to run the practice.

Don't

- Throw away everything from the previous cultures. Recognise the good parts and retain those
- Allow setbacks to take you off-course or become disillusioned. Be willing to listen and adjust your thinking but don't take your eye of the end goal
- Think it will be easy. Major changes always take longer than you think. Be prepared to spend more time and money initially
- Forget that the journey never ends. The continual challenge is to learn, improve and listen to what staff and patients are telling you.

Open Ended Investment Companies attract IRD attention

The IRD is planning to publish an Issues Discussion Paper on the tax treatment of managed funds. The recommendations of this paper may have a significant impact on the tax advantages offered by Open Ended Investment Companies ("OEICs") and Australian-domiciled trusts in the future.

In recent years, managed funds tax policy has created a distinct advantage for international competitors offering foreign-based investment options in New Zealand. While tax should never be a primary consideration in making investment decisions, the tax advantages offered by many overseas funds have nevertheless become a factor in product selection. Meanwhile, the growth of these funds has the potential to deprive the Government of tax revenue, making it inevitable the IRD would eventually look to address the situation.

Tax officials plan to publish their discussion paper in October to highlight foreign-domiciled fund tax issues and other tax inconsistencies within the financial services industry.

In itself, the discussion paper may not lead to immediate or automatic change; the consultation and discussion process, together with the development of alternate tax approaches, will take time. There may also be some delay before any decision made comes into effect.

As always, it is important to keep your investment portfolio under regular review and use the services of an investment professional.

Tax update

Discounts for "Good Behaviour" - The law has recently been changed so that a taxpayer's good history of behaviour will be taken into account when shortfall penalties are imposed.

Shortfall penalties can be imposed by Inland Revenue where they discover a tax shortfall. The short-paid tax must be paid, plus a penalty may be charged based on a percentage of the shortfall. The penalties are imposed for: Lack of reasonable care (20%), Unacceptable tax position (20%), Gross carelessness (40%), Abusive tax position (100%), Evasion (150%).

The recent changes mean that in most circumstances shortfall penalties will be reduced by 50% provided the taxpayer has not had the same penalty imposed within the previous two years (for PAYE, FBT, GST and RWT) or four years for any other tax.

Penalties can be further reduced by voluntarily disclosing shortfalls to Inland Revenue, either before notification of an audit (75% discount) or during an audit (40%).

Further Tax Simplification Proposal -

The Government is considering proposals in relation to the payment of provisional tax. Discussions are focussing on making changes that would allow provisional tax to be paid on the basis of GST turnover, and paid together with GST. Proponents of this suggestion point to the advantage of payments being linked together with cashflow.

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