

WEEKEND

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Lid lifted on profitable rent tax rort

■ Hole in law ■ Just looking after clients

The "integrity" of the Government's Working for Families scheme is under scrutiny amid claims well-off families are milking the system for welfare tax credits.

The *Manawatu Standard* has been shown a series of examples of property owners able to get tens of thousands of dollars – each – in family assistance tax credits.

Shane Storey, the head accountant at Palmerston North accounting firm Storey and Associates, said people who owned several properties could be entitled to use rental losses to offset income and then qualify for family support or significantly boost their cheque from taxpayers.

However, they were only entitled to use investment losses for family support purposes if their activities were not considered to be the running of a business.

A family earning \$70,000, with two rental properties in Australia, could get \$700 a week in family support, he said.

That's more than \$35,000 a year.

There were also other property owners receiving more than \$30,000 in family tax credits.

Mr Storey said his firm was simply doing the best job it could for its clients.



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By Grant Miller



Lucky landlords: Storey and Associates head accountant Shane Storey says people who own several properties can use rental losses to boost their Working for Families entitlements.

Photo: BEN CURRAN

The Working for Families scheme introduced by the previous Labour-led Government was a badly written election package, he said.

A simple tax cut would have been better, he said.

His comments followed Treasury advice to a tax review group that more than 9700 families receiving Working for Families credits owned rental properties and were using them to increase their entitlements.

The Tax Working Group also found that people were using trusts to shelter trading companies to

AT A GLANCE

There were 397,900 Working for Families tax credit recipients for the year ending March 31, 2007, including 79,800 recipients of a lump sum, end-of-year payment.

The following year there were 410,000 recipients, including 76,000 lump-sum payments.

Source: Inland Revenue

make use of tax credits.

Mr Storey said there was potential for more people to take advantage of distortions in the tax system.

A spokesman for Finance Minister Bill English said the National Party highlighted loopholes while it was in Opposition.

The Tax Working Group would review the overall design of the tax system and was due to report back at the end of the year, he said.

Inland Revenue was also looking at the "integrity" of Working for Families.

"We will consider very seriously any practical recommendations that reduce activities designed to shelter income for the purpose of claiming Working for Families," Mr English's spokesman said.

Labour leader Phil Goff said last week that Working for Families properly helped tens of thousands.

"If there are loopholes, then certainly they should be closed."