

# **KJ RAVEN     Accountant & Tax Agent**

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3 Aug. 2020

**Tern Point Recreation and Conservation Soc. Inc.**  
**PO Box 141**  
**Mangawhai 0540**

Dear Bryan and Members

Attached are the Reviewed Financial Statements for your Society for the year ended 30 June 2020. I have found all to be in order and include a review report regarding this matter in the Financial Statements.

Looking at the Income and Expenditure Statement there is a surplus of \$23 141 for the year as compared to a deficit of \$7 362 last year. This surplus comes about with Income being above budget due to increased Olive Oil sales and expenses are down on budget.

There is a tax refund due of \$7.21 which is RWT paid on interest earned. For tax purposes, the society had a loss of \$80 641.76 for the year which has been added to losses brought forward. Total accumulated tax losses are \$800 598.

I notice in the 2019 AGM minutes there is a query as regards the society having large tax losses and the implications. Here is a reply to that query

I have addressed this query a number of times and it comes up often. Basically, the society has to file a tax return because it has outside income from leasing the farm, olive oil sales and investment income. So, a tax return needs to be filed. Because the costs are higher than the outside income and in preparing the tax return, I exclude members levies which I view as funds contributed to cover costs, there is always a loss hence the increasing tax losses. I have in the past applied for an exemption for no tax to be deducted from interest and investment income with the IRD and they allow this but it must be applied for each year which is extra work. I think it was Bryan I consulted with and we decided not to go through that application for an exemption each year and just file a tax return and get the refund of the tax withheld on interest. It quite frankly is a ridiculous situation and one I would prefer to be without. The loss just continues to roll over each year and build up. So far as I understand there are no implications. Maybe one day the losses will be big enough and the IRD will relent and the society can be exempt from filing a tax return. I haven't put this to the IRD as I am not sure how they would treat the members levies. If they said it was income then there may be tax to pay. But then each year I would suggest the levies would then be adjusted to just meet costs. That would then involve more work. Also, societies of this nature are not allowed to make any pecuniary gain for the members which the society in essence doesn't. I have just let things continue on the above basis to maintain the status quo. If members wanted to get a ruling from the IRD we can do that but it may as I say have some implications.

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**With respect to the tax return I will send a separate e-mail which will enable you to approve it online should all be correct. Will two members of the committee sign the bottom of a copy of the Balance Sheet and return this to me. This is to indicate you take responsibility for the information contained in these statements. Please also sign your copy before it is distributed to lot holders.**

Note that the accounting information has been reviewed and all is in order as per my report included on the policies page. Please contact me if you have any queries. I will return your folder of records under separate cover and wish you all the best for the coming year.

Yours Faithfully

*Kevin Raven*