

## WORKING FOR FAMILIES TAX CREDITS

Working for Families Tax Credits are payments made to families with children whose income falls within certain levels.

This fact sheet is to bring to the notice of our clients that there are factors of being self employed, or operating as a company that can dramatically affect your entitlement to WFTC's which you should be aware of.

While a person on a fixed income can estimate their WFTC's reasonably accurately it is more difficult for a family operating a business as profitability will fluctuate during the year. For this reason we advise clients in business that wherever possible they should claim WFTC's as an annual lump sum once their financial accounts and tax returns are finalised. However we do realise that this is not always possible and if payments are required throughout the year we recommend that these be kept to a minimum to minimise any payback that may occur if your end of year profitability means your entitlement is less than estimated.

In recent years the government has reduced the WFTC entitlement by increasing the criteria of family income that is calculated when determining a family's WFTC.

People with businesses should be aware that income from the following sources can (or) will affect their WFTC's

- Family Trust profits not allocated as beneficiary income.
- The value of attributable Fringe Benefits to Shareholder Employees Some pensions and annuities from life insurance policies
- Passive income of your children
- Income from a non-resident spouse or partner
- Non Portfolio Investment Entity (PIE) income
- Payment from other people used for your families day to day expenses Income
- Equalisation Scheme deposits or refunds
- Specific Employer Superannuation scheme distributions
- Retirement savings scheme distributions
- Tax exempt income and overseas pensions
- Depreciation recovered on sale of buildings used in business or rental Income spread into this income year
- Retirement savings scheme contributions – Te Rununga o Tgai Tahu Allocated income from a Portfolio Investment Entity (PIE)
- Net profit from any company you own in relation to your shareholding

The above is a general guide only to illustrate that factors of your business can severely affect your eligibility to WFTC's.

It is for these reasons that we do not complete your WFTC forms as there are so many aspects we can be unaware of such as the earnings of family trusts we have no involvement with and are therefore not even aware of.

**The above information was taken from IRD Guide AD 140.**

The information above is of a general nature and has been written to provide basic information only. SBA and its employees takes no responsibility for the current accuracy of the information