



Kerry Brew says his company could help businesses struggling in a slowing economy.

Photo: Kevin Sent

LOAN ON OFFER AT TAXING TIMES

Provisional tax need no longer be the last straw for businesses in cashflow strife, writes Rob Stock.

KERRY BREW, the head of the country's newest and most innovative lending scheme, says "it's like lay-by for provisional tax". Provisional Tax Finance, which is backed with a line of credit from ANZ National Bank, will pay the provisional tax of just about any small or medium-sized business in the country.

In return, clients agree to repay the loan in six or 12 months. The only lending criteria a business needs is an IRD number. There are no fees for the service, says Brew, and the interest rate charged is 1%, much less than the interest on a business banking account overdraft, or the 14%-plus-fees the IRD charges to late payers, which can result in effective penalty interest of 30% or more.

PTF has converted tax into an asset against which finance can be secured.

The low rate reflects the low-risk nature of provisional tax lending, which Brew, just returned to Auckland from a stint in London with global investment bank Credit Suisse, devised in a eureka moment. If a business that PTF has paid tax for were to go bust, the IRD simply acknowledges a tax credit to PTF, which can be resold at face value, or more. Over time, like good wine, unused historical tax credits gain in value, says Brew. If PTF can claim one first in business it is to have converted tax into an asset against which finance can be secured. Brew says the IRD has run its

ruler over his business and given it a thumbs up. Perpetual Trust is the scheme's trustee. Brew does not believe that PTF will become a lender of last resort to failing firms trying to stay afloat (failing businesses are generally not making profits and have no tax to pay), although he does think it might help companies with cash-flow difficulties to survive. Brew says now might turn out to be a great time to launch, as a slowing economy means customers are slower to pay their bills making it harder for businesses to pay their provisional tax when it falls due. But in any economic conditions, the service has value, Brew says. Paying provisional tax is a nightmare for many companies, says Brew, particularly those with seasonal revenue such as retailers, agri-businesses or dairy farmers.

Another F to offer de its major Money Ma Orange owned by Doug Som ing debt The firm appeared website, b executive know yet be needed deny fashi Somers Money predominant and contr standing business Russell Tyl Siddall, a pledging the firm's from offe ment funk related pa Young Managers cus investme than th clients' ca and hard quickly. That st some th Several structure Edgar co exclusive Managers Investors investor As we frozen in Step sette 2006 owit million an up, and Fund. Invest vons wait tal they capital re The le Orange F last year. holders \$ and \$46m performi South Au Finance, Somers-E At th loans wei paid back in every Despite Orange F more intc banks. By th \$19.6m o were due an interest-bearing account to off- set some of the interest costs and the repayments would continue to be deducted in the normal course for my loan. I believe this is probably the most cost-effective way because the term is not being extended and you do not incur additional interest.