

## Tax loophole no sin, says charity

By: SMELLIE Patrick

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CHRISTIAN charity director John Massam is unrepentant about his pro-family values Challenge Communications Foundation funding its activities by exploiting tax loopholes which benefit the wealthy.

"The people who invest in the film feel they are doing something worthwhile with their money," he said. "In a sense, they are choosing how the money is spent rather than the Government. Some might prefer to do it this way than to fund abortions," said Massam, whose organisation publishes the conservative Christian newspaper, Challenge Weekly.

The Challenge Communications Foundation Trust, a charity promoting family and traditional values, is a key link through which money is channelled in the tax minimisation scheme.

The charity was established to "promote wholesome material for the media", any profits were reinvested, and there was no personal gain for directors.

"I work on an honorary basis, I don't have an expense account, and I'm not running a company car," he said. "This isn't avoidance of tax. It enables folk to invest in a film that they wouldn't otherwise."

If the film was a commercial success, it would generate tax revenue, but films were recognised as risky investments, and such schemes minimised the risk to investors.

However, he acknowledged investors "are at risk if the Inland Revenue Department doesn't allow their deductions. The IRD are very careful at scrutinising these things and if it doesn't meet tax requirements, there can be a problem."

Tax expert Frank Owen echoed that concern, saying legal and accounting firm opinions accompanying the **Kids World** prospectus contained clear signals the schemes might be struck down by anti-avoidance provisions in the Income Tax Act.

"With this sort of thing, you just wonder whether, as a commercial transaction, would you invest in this? And the answer has to be no. There are huge numbers in here where you have no assurance as to whether they are a fair price or not."

The **Kids World** financial projections foresee international sales of \$US12 million and \$US50 million-plus for the family film, despite having no firm contract for its star, Steve Guttenberg (3 Men and a Baby, Cocoon, Police Academy). It will be made by Auckland company Daybreak Pictures (Chunuk Bair).

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