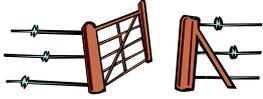


Beyond the Farm Gate



Farming Newsletter

October 2011

THIS EDITION

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Staff News/Announcements

Haydn Randall

Haydn Randall has resigned as a Director of Brown Glassford & Co Ltd effective from 14 October 2011. The decision is not one he has made lightly, but Haydn now wishes to seek other career opportunities, spend more time with his family and fulfilling his other interests. Haydn will remain working at Brown Glassford & Co Ltd and managing his clients until at least 31 December 2011 and at the latest 31 March 2012.

It is Haydn's wish that his clients remain with Brown Glassford & Co Ltd and they have been written to individually. The Directors fully support Haydn's decision and over the coming months will reallocate his clients amongst the three of them.

Diane Brown

Diane has been a very valuable staff member working for Brown Glassford & Co Limited for 10 years as an Accountant, and then more recently on a contract basis. She has now decided to pursue a career opportunity in another field. We are sorry to see Diane go, but we wish her all the very best in her new position and in her future endeavours.

Sarah Welsh

Sarah Welsh is currently on maternity leave, however she will return to Brown Glassford in February 2012. We would like to congratulate Sarah and Jarrad on the arrival of their beautiful baby boy Alex.

Alan Cuthbertson

Brown Glassford would like to welcome Alan Cuthbertson. Alan has both an accountancy and a farming background.

Inland Revenue Hoax Emails



There are currently several hoax emails circulating which claim to be from the Inland Revenue or a tax refund agency. One of the emails asks you to click a link to a fake website and the other email we are aware of advises that you are due a refund from the Inland Revenue. Do not click on any links within a suspicious email or reply to the email.

Please note that the Inland Revenue do not notify by email and you should permanently delete all emails of this nature from your inbox.

If in doubt, please contact us before doing anything!

Postage Issues



Since the February Earthquake we have noticed an increased delay in the receipt of incoming mail to our PO Box. Prior to the earthquake it would take approximately two working days for us to receive mail from clients, depending on the location of where it was sent from. In our more recent experience, it can take up to four working days to receive incoming mail.

Because we are experiencing this delay in the postal service, we encourage clients who are posting information to us to allow plenty of time for this to be received.

For clients that we prepare GST Returns for, the base records need to be sent to our office at least two weeks before the GST Return is due to allow the Accountant preparing the Return ample time to do so. If GST records are not received in time we can not guarantee that the GST Return will be filed on the due date and this may result in late filing and late payment penalties being incurred with the Inland Revenue.



Mileage Rates for Self-employed & Reimbursing Employees

If you are self-employed you can use Inland Revenue mileage rates to calculate the cost of using your motor vehicle for business purposes.

Standard mileage rate for motor vehicles

The mileage rate for motor vehicles is \$0.74 per kilometre. This rate applies to the 2011 income year. You can use this rate for up to a maximum of 5,000 km of work-related travel per year.

For distances greater than 5,000 km, you must keep a record of actual vehicle expenses. The rate applies irrespective of engine size or whether your vehicle is powered by a petrol or diesel engine. The mileage rate does not apply to motor cycles.

Calculating business motor vehicle use if you are self-employed

There are three ways you can calculate the proportion of business use of your motor vehicle:

1. Actual costs.
2. A logbook.
3. A mileage rate for distances of 5,000 km or less a year.

Actual costs

If you believe your vehicle costs are higher than the rates given, you can use the actual costs option.

You can claim deductions on your actual costs including depreciation for the business use of your motor vehicle. If you use this method you must keep accurate records including details of private and work-related expenses. Your records will need to show the reasons for and the distances of journeys for business travel.

Logbook

You can also work out the business use of your vehicle by keeping a logbook for at least 90 consecutive days. After 90 days you can work out the average proportion of business to private use of your vehicle. The logbook can be used for up to three years, provided variance of business use is less than 20% of the logbook representation.

The logbook must record the:

- start and end of the 90-day test period
- vehicle's odometer readings at the start and end of the test period
- distance of each business journey
- date of each business journey
- reason for each business journey

You can use your logbook to calculate the deduction for the costs you incur and the amount of depreciation for the business use of your motor vehicle.

Default method

The deduction for costs of using a motor vehicle is limited to the lesser of:

- the proportion of actual business use of the vehicle, and
- 25% of the total use of the vehicle

where:

- actual records showing the proportion of business use have not been kept
- the period of use if not reflected in the log book
- the mileage rate method can't be used.

Employee reimbursement

To reimburse staff, including shareholder-employees using their own vehicle for work, you can use:

- Inland Revenue's mileage rate, or
- rates published by a reputable independent New Zealand source representing a reasonable estimate (for example New Zealand Automobile Association mileage rates), or
- actual costs.

Inland Revenue mileage rate

Inland Revenue accept the standard mileage rate as being a reasonable estimate of the costs likely to be incurred by an employee. An employer may choose to use the current rate of \$0.74 per kilometre for reimbursing employees.

The 5,000 km limit for self-employed people does not apply to employers using the mileage rate to reimburse employees. Although employers may use the mileage rate to reimburse employees that reimbursement must be a reasonable estimate of the costs likely to be incurred by the employee.

The reimbursement is exempt from income tax "to the extent to which it reimburses the employee for expenditure for which the employee would be allowed a deduction if the employment limitation did not exist".

Employers who reimburse employees for business travel in excess of 5,000 km will need to consider whether the mileage rate is still a reasonable estimate of the employee's costs.

The rate applies irrespective of engine size or whether your vehicle is powered by a petrol or diesel engine. The mileage rate does not apply to motor cycles.

Actual costs

You can reimburse an employee's actual costs instead of using the mileage rates. For this method both the employer and employee must keep accurate records, including details of private and work-related costs, to justify the reimbursements. Or, you can make a reasonable estimate of the costs likely to be incurred by your employee or group of employees.



Duty Free Gifting

The legislation is now in place. It abolishes Gift Duty for dispositions of property made on or after 1 October 2011.

Although gift statements will not be required for dispositions on or after that date, we will still need to meet certain requirements to ensure the legal certainty of gifts, such as Deeds of Gift.

Further, there are ongoing income tax implications attaching to the disposition property. We also need to be aware of some of the other implications of gifting:

- First, it is not a good idea for Dad and Mum to give away all of their assets and end up being reliant on the goodwill of the children or the Trustees for their future welfare.
- There are provisions in the Insolvency Act 2006 under which gifts may be clawed back.
- There are limited specific legislative provisions in respect of rest home fee subsidies and we have to rely on some regulations or 'standard practice' arrangements which are subject to change from time to time.
- There may be other areas of social assistance that could be impacted by gifting e.g. Student Allowances.

Before gifting off vast amounts of equity, look at all of the potential implications.



Brown Glassford Update

The 2011 year has been a challenging year for our firm. Following the February earthquake we relocated from the city and are still strengthening our characters by working out of a house in Casebrook. We would like to thank you all for your patience and understanding of our situation. We are working hard to clear the back log of the 2011 accounting work, and ask for your continued patience in doing so. If you have any concerns regarding your Accounts, please contact us.