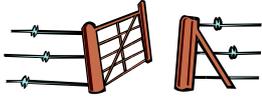


Telephone: (03) 365 0881
Facsimile: (03) 377 2991
Email: admin@brownglass.co.nz
Website: www.brownglass.co.nz



BROWN GLASSFORD
AND CO LTD

Beyond the Farm Gate



Farming Newsletter

February 2012

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Staff News/Announcements



~Rebecca Rowse~

Rebecca is leaving Christchurch and making the permanent move to Perth, Australia. Rebecca has thoroughly enjoyed her eight years at Brown Glassford and the interaction she has had with our clients. She will miss the friendly voices on the end of the phone and the wonderful BG team. Rebecca's last day in the office is Friday 17 February 2012.

We have employed Caroline Boyd-Clark to be Peter and Paul's Personal Assistant and she starts with us on Monday 20 February 2012. We look forward to introducing you to Caroline in our next newsletter.

~David Seath~

Brown Glassford welcomes David to the BG team. David's complete profile can be viewed on our website www.brownglass.co.nz; however here is a brief introduction:

David was raised in the small farming community of Orini in the Waikato. He completed an Accountancy degree and Rural Valuation Diploma at Massey University. David has worked in a number of banking and accounting related roles both in NZ and overseas and comes to Brown Glassford from the BNZ. He has recently moved to Canterbury with his wife Jane and their three sons.

Inland Revenue – Points to Note



Paying Tax Payments by Internet

Just a few points for clients to note when using internet banking to pay Provisional Tax and GST payments:

- Use the GAP option (GST and Provisional Tax) only for entities paying both GST and Provisional Tax.

- Use the Income Tax option only for entities paying Income or Provisional Tax.
- If clients use the GAP option for a company to pay the GST and Provisional Tax, but also use the GAP selection for the accompanying individuals to pay Provisional Tax, payments will be held in a holding pen which is not cleared until the 15th of each month. This is because the system at Inland Revenue is looking for corresponding GST payments for the individuals.
- Always be careful selecting the correct year for all payments as the Inland Revenue internet banking system will often default to an incorrect year.
- Clients should always make payments separately for each entity and not as a bulk amount as the Inland Revenue will not separate the payments out and any unprocessed amount will end up in a holding pen until cleared on the 15th of each month.

Changing Mailing Address for GST, PAYE, etc

We have had a couple of cases where clients have contacted the Inland Revenue to get the mailing address changed from us to themselves with regard to GST, PAYE, etc and have ended up receiving all Inland Revenue mail, including income tax. The best way to get the Inland Revenue to change mailing addresses is to contact Brown Glassford and we can ensure only the requested types of mail go directly to you rather than all mail.



Income to Children

Wages Paid to Children

Most children who live on farms are involved in some form of farm work. It is allowable for farmers to pay their children wages of up to \$2,340 per annum per child. The child does not need to file an Income Tax Return for these wages and are entitled to a tax rebate if they are:

- Under the age of 15 years, or
- Under the age of 18 years and still attending school.

The tax free nature of the wages comes about as the lowest individual tax rate and the child tax credit are both 12.5% up to \$2,340 annual active income and these offset each other. A tax liability of \$292.50 being $\$2,340 \times 12.5\%$ is offset by the tax credit of \$292.50. If the child earns more than \$2,340, PAYE deductions must be made. The child will still receive the \$292.50 tax credit but will be liable for tax on the additional earnings. To pay wages to children and qualify for the deduction, the following conditions must exist:

- Wages paid to the children must be a genuine payment.
- The children must be doing farm related work.
- The rate of pay must be the same as would apply to a non-family member carrying out the same work.

So, to be able to ignore the normal requirement to deduct PAYE from wages, currently (2011 year) the amount paid must not exceed \$2,340 per annum which is on average:

Weekly	\$45.00
Fortnightly	\$90.00
Monthly	\$195.00

Trust Income to Children

A Trust can allocate income to its child beneficiaries but they will be taxed at the same rate as the Trust (33%) on that income if the child is under 16 years of age (minor beneficiary). There is an exemption for the allocation of up to \$1,000. If the child is over 16 years of age then the child's normal individual income tax rates will apply.

Depreciation on Buildings

The rate of depreciation for buildings with an estimated useful life of 50 years or more, such as rental housing and office buildings has reduced to 0% effective from the 2011/2012 income year.

So how does that effect the depreciation treatment of farm buildings? There is a new schedule which lists the types of buildings on which we will be able to continue with deprecation claims. These types of buildings are deemed to have a useful life of less than 50 years and include:

- Plastic hothouses and PVC tunnel houses
- Slaughterhouses on farms
- Fowl Houses
- Portable Huts
- Glasshouses
- Buildings affected by acid
- Milking Sheds
- Roofed livestock yards
- Wintering barns
- Simple loafing barns
- Temporary buildings

2012 Provisional Tax

Those clients with **31 May Balance Dates** will soon be receiving tax payment slips from us for the second instalment of 2012 Provisional Tax due on 28 February 2012. Most of those clients will be dairy farmers and since the first instalment of 2012 Provisional Tax, the milk companies have revised their forecast payouts.

Could you please contact us if you consider that the tax instalment is likely to be too low and we will look to re-estimate the instalment with you if necessary.

Interest Rates

Our short rates (bill and floating) continue to stay lower for longer and most economists are predicting these will stay low throughout this calendar year.

At the same time Europe and the USA are a mess. There has been some talk about the potential of an increase in the risk premium charged by overseas people with money to invest, however banks are struggling to lend more.

It is possible that from time to time there may be an opportunity to fix at a lower rate as banks compete to lend funds. We suggest that clients with significant debt on short rates, or with loans due to roll off fixed in the next few months, ask their banks to give them weekly reports on interest rates for:

- 30 day bill, 60 day bill and 90 day bill
- And fixed for 2, 3, 4 and 5 years
- And watch for an opportunity to transfer more debt to fixed rate loans.

New ACC Rates

On 12 October 2011, the Minister of ACC announced the ACC levy rates for 2012/2013. These rates were considered and agreed by Cabinet to be passed into law during the first quarter of 2012. The earners' account levy is set at \$1.70 (GST inclusive), down from \$2.04 the previous year. The minimum liable earnings for self employed workers increased from \$26,520 to \$27,040. The maximum liable earnings will increase for:

- Self employed people under the Work and Earners' Account from \$110,018 to \$111,669.
- Employees, private domestic workers and earners other than self-employed under the Work and Earners' Account from \$111,669 to \$113,768.
- Employees and private domestic workers for calculating the residual portion of the Work Account from \$110,018 to \$111,669.

Student Allowances

If you have University aged children they will soon be starting or heading back to study at various institutions. A number of them will be applying for student allowances and student loans. The thresholds for student allowances have changed, particularly when assessing parent's income. The detail is too much to include in this newsletter so we would encourage you to go to www.studylink.govt.nz and read the detail to which your child's situation applies. Broadly, the categories are:

- **Aged 16 – 17** and studying full time at tertiary level and have completed year 13 or have NCEA level 3 credits of 42 or more.
- **Aged 18 – 23** and have no children – your parents income will be tested. The thresholds are \$82,953.82 if living at the parental home or \$89,936.68 if living away from the parental home.
- **Aged 24+** entitlements depend on whether you have children and/or a partner and how much you earn.

Brown Glassford Premises Update

Brown Glassford & Co Ltd remain located at 86 Cavendish Road and will be there for the foreseeable future. Since the 23 December earthquakes more commercial buildings in Christchurch have been rendered unsafe for occupation which means more people looking, with fewer buildings available. In the meantime we have added another Porta-com down the driveway complete with balcony!

We have limited use of a meeting room on site; however we can meet you here with advance notice.

Editors Note...

This is the last edition I write of this newsletter as I end my tenure with Brown Glassford & Co Ltd next month. I have written the newsletter since April 2003 and have always enjoyed doing so. I have written the articles in the hope that they keep you up-to-date with taxation changes and other industry news. The newsletter will carry on in the capable hands of another editor.

Best Wishes
Haydn Randall 