

Beyond the Farm Gate – Rural Newsletter



BROWN GLASSFORD AND CO LTD

Your Focus : Your Business...

Our Focus : Your Business...

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ACC – CoverPlus and CoverPlus Extra

We often talk to clients about their accident and income protection insurance, and in particular:

- The differences between ACC CoverPlus (CP) and ACC CoverPlus Extra (CPX)
- The option of exchanging some of their ACC costs for taking up Income Protection (IP) insurance

This article gives a general overview of the matters to consider. The table below gives a summary of the main differences between ACC, CP & CPX, remembering that ACC provides cover for accidents only.

	ACC Coverplus	ACC CoverPlus Extra
Eligible Business Types	Self employed only, as soon as business starts	Self Employed + non PAYE shareholder employees, you must apply for this cover
Proof of Loss of Earnings	Yes, standard ACC cover for self employed based on previous year's liable earnings	Agreed level of cover, and can opt for lower levels of weekly compensation
Renewal of Cover	Automatic renewal each year	Automatic rollover 31 March each year
Weekly compensation when injured	Pays up to 80% of previous year's liable earnings, may be reduced if business continues to generate income, based on actual loss of earnings. 7 day wait period	Based on 100% of <u>agreed amount</u> until fit to return to fulltime work, stays the same if business still generates income (but will be reduced if you have opted for lower levels of weekly compensation. 7 day wait period
Maximum / minimum cover 2013-2014 income year	Max \$113,768, Min \$27,548 (ACC pay 80% of these), subject to change, normally annually	Max \$92,871, Min \$22,464 , subject to change, normally annually

A more detailed guide can be found at the following link:

http://www.acc.co.nz/PRD_EXT_CSMP/groups/external_levies/documents/publications_promotion/prd_ctrb08_9627.pdf

Benefits of CPX

The benefits of CPX can be summarised as follows:

1. A client can change their ACC “classification unit” – these are the occupation codes that determine the levy payable. Shareholder employees and the self-employed can be rated individually in terms of the work they actually perform rather than industry rating, meaning in some cases ACC levies can be legitimately reduced for less manual type work eg: business administration.
2. CPX allows a client to nominate an agreed amount of cover (subject to the max and min levels in the table above). This means you can increase or decrease the agreed weekly compensation relative to what you may have been entitled to receive under CP. Therefore, there is some flexibility in adapting the amount of accident cover to suit your income needs.
3. Under CPX the client does not need to prove loss of income at claim time.
4. Under CPX there is no abatement for partial disablement.
5. CPX allows clients who are new to business (and have no or negative earnings) some form of accident cover, usually 60% of the ACC’s replacement labour costs.

Often clients may choose to use CPX to elect an agreed decreased level of weekly compensation in the event of an accident, which results in “saved” ACC levies. Clients may then use these “saved” ACC levies to take out additional Income Protection (IP) policies which covers them for accident and illness.

Potential Risks

It is important to remember that where a client reduces their weekly compensation using CPX then it is likely some other benefits will be reduced:

1. There will likely be a reduction in “fatal entitlements” which are payments made to immediate family survivors in the event of death of a client. This can be potentially overcome by taking additional accidental death insurance.
2. An increase in waiting period. The ACC wait period is 1 week whereas IP policies often have an extended wait period before compensation is paid eg: 13 weeks.

In summary, making changes to you ACC and/or personal insurance cover, including substituting one for the other, can be complex – there are both potential benefits and risks. We recommend you get independent professional advice when contemplating any changes.

Starting Out Wage – Ministry of Business, Innovation & Employment

Available from 1 May 2013, eligible 16-19 year olds can be paid 80% of the adult minimum wage for 6 months, or for as long as they are undertaking recognised industry training of at least 40 credits per year. For more information go to the following link; <http://www.dol.govt.nz/er/pay/starting-out-wage/>

IRD – Unpaid Taxes

In some cases, clients may get behind when making their tax payments on time. Having an outstanding tax debt will normally result in the following charges at IRD:

- Late filing penalties and interest
- Late payment penalties
- Non payment penalties

It can also result in additional costs to our clients if we have to spend significant additional time resolving these matters.

If you find yourself in circumstances, where you cannot make a tax payment, then please contact us so that we can discuss the options with you.

Please note: IRD will send correspondence when they think a tax payment has been missed. Ordinarily this will be sent to us as your Tax Agent and we will contact you if we need to. However, we have had a number of instances in the last few months where the IRD correspondence or their text messages have been sent directly to clients and not to us. We would request that if IRD contact you directly, that you either refer them to us as your Tax Agent and/or contact us to discuss the correspondence received.

Mixed Use Assets

Mixed use assets refer to those assets that are used to earn income for their owners but are also used privately. The Taxation (Livestock Revaluation, Assets Expenditure, & Remedial Matters) Bill due shortly to get its second reading in

the House contains new rules in dealing with these assets.

It is intended that these rules will apply when an asset is:

1. Used to earn income; and
2. Used privately; and
3. Is not used for more than 62 days in an income year

Only land or buildings, and assets costing more than \$50,000, are proposed to be included (eg: beach house, light aircraft, boats). The overall intention of the Bill is to require the taxpayer to apportion expenditure associated with these assets so that only part of these expenses can be deducted for income tax purposes. We will update you on the detail of these proposals once they have been enacted.

Concept Cash Manager (CCM) – Livestock

We understand the CCM programme now requires you to enter a livestock quantity when entering livestock transactions, either by entering the actual number or forcing you to enter a zero. If you use this programme, we encourage you to enter the quantity of livestock sold as this makes completing your livestock trading accounts at year end a much simpler task – *thanks!*

Annual Account Questionnaires

We are now well into preparing annual accounts and income tax returns for our clients for the 2013 income year.

Those of you with March/April/May balance dates should have received the Annual Questionnaire from us by now. This forms the basis of the information we need to prepare these reports.

Please contact us if you have not received your March/April/May Questionnaires yet.

Clients with June balance dates will receive their questionnaires shortly.

If you have any questions about completing the questionnaires, or the information we need to complete your annual accounts and income tax returns, please do not hesitate to contact us.

Client Folder and Index

A reminder that we have a good supply of the folder and index which can be used to help collate your accounting information to bring in to us.

Please phone or email our receptionist, Erin, if you would like us to send you a folder and/or index - Erin.Coakley@brownglass.co.nz

Staff News - Arrivals

We are very pleased to welcome the following new staff member to the BG Team:

Karen Bedford

Karen was brought up on a Canterbury sheep farm. After completing her degree, she worked in a Chartered Accountants office in Dunedin in their Agribusiness team, before moving back to Christchurch.

Staff News - Departures

Christie O'Donnell

We have recently farewelled Christie O'Donnell. Christie is moving to Blenheim with her husband and young son to be near family and we wish them all the very best.