

Beyond the Farm Gate – Rural Newsletter



BROWN GLASSFORD AND CO LTD

Your Focus : Your Business...

Our Focus : Your Business...

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P 03 365 0881



F 03 377 2991



admin@brownglass.co.nz



www.brownglass.co.nz

KEY DATES

Inland Revenue have produced an easy tax due calculator that gives you a personalized due date printout for all tax types. This can be found [here](#)

2016 ANNUAL QUESTIONNAIRES

31st March 2016 has now passed and the new “tax” year is underway. For those of our clients with **MARCH BALANCE DATES** you should have by now received our annual questionnaire. If you haven't received this, please contact our office or you can download a copy of the questionnaire from our website, [click here](#).

PAID PARENTAL LEAVE

This is a government funded entitlement for eligible parents who are self employed or in paid employment. As at 01 April 2016 this period has increased from 16 to 18 weeks. If you are an employer you will be asked to complete part of the paid parental leave (PPL) form on behalf of your employee, in particular to confirm their expected return date (if it is within the 18 week period), and their length of service and hours of work. It is important that you get this right for your employee so that they get their correct entitlement.

IRD – MILEAGE RATES

The mileage rates for both petrol and diesel fueled vehicles has reduced to \$0.72/km from the 1st April 2016 (Previously \$0.74). This rate is for individuals who travel 5,000km or less pa. It can be used by businesses using private vehicles for business purposes to calculate expenses for business use of a vehicle. It can also be used by employers as a reasonable estimate of vehicle expenses incurred by employees for the use of their vehicles for business travel.

Staff News

We have this month had two of our senior and valuable staff members reach milestones regarding their employment with Brown Glassford.

Kathleen Woodside joined Peter Glassford as his first and only employee in the first week of April 1991. She subsequently transferred to the new company Brown Glassford and Co Ltd in 1999 when the company was formed and took on the role of Practise manager with the new company at that time. She has now given 25 years of service to our business and our clients in her dual role as both an accountant and manager and we thank her for her contribution.

Also this month **Avis Marsh** celebrated 15 years as an accountant and accounting manager having commenced with our company in May 2001. Avis has been Peter's right hand woman for these fifteen years and has also made a valuable contribution to the company and our clients.

The directors would like to recognise the very valuable contribution that both Kathleen and Avis have made to Brown Glassford and Co Ltd during this time.

EMAILS RECEIVED FROM INLAND REVENUE

If you have recently received an email from Inland Revenue notifying you that you have eDocuments available to view, this is not a scam. Inland Revenue are moving away from sending out paper documents and have started sending all correspondence through myIR accounts, if you are registered for this service. All documentation sent through your myIR account will generate an email to the email address you have supplied to them.

ACC LEVIES

The new ACC levies have been set for the 2016-2017 year. The earners levy is set at \$1.39 (GST inclusive) per \$100 liable earnings. The maximum liable earnings have increase from \$120,070 to \$122,063.

BUYING AND SELLING PROPERTY

With parts of the residential property market booming, it's worth thinking about the new "Brightline Test" that can result in any gains made on the sale of residential property owned for less than two years being taxable. There is an exemption for the family home. There does not need to be an intention to sell at the time of purchase for the new rules to apply. It's simply a matter of the timing of the purchase and sale. Should you have any issues regarding this please don't hesitate to contact us.

MILK PRICE RISK MANAGEMENT

Over the past 8 seasons the Fonterra milk price has ranged from the current season low of \$3.90/kgms to the 2013-14 high of \$8.40/kgms, and although it has averaged \$6.07/kgms over this 8 year period, it is the volatility above and below this average that has made it very difficult for some farming business to plan what their Gross Farm Income is going to be.

Fonterra introduced a Guaranteed Milk Price (GMP) tool in the 2014-15 season which their suppliers could use to lock in the milk price for a portion of their milk production. That tool has been subsequently withdrawn by Fonterra.

The NZ Stock Exchange (NZX) is about to launch a Farm Gate Milk Price (FGMP) futures contract product. This is essentially a tool that will enable all dairy farmers (i.e. not limited to Fonterra suppliers) to lock in a milk price for the season. A futures contract is an agreement between a buyer and a seller at a price agreed today for payment at a specified future date.

Whether or not an individual dairy farmer should consider using a FGMP futures contract really depends on their own circumstances. In much the same way that we would recommend a farmer borrower to have a policy around how they manage their interest rate risk, we also recommend that dairy farmers have a policy around how they manage their milk price risk – in simple terms this means gaining an understanding of an individual dairy farmer's net earnings then seeing how sensitive this is to changes in milk price. Again, in general terms, the more sensitive earnings are to a change in milk price, then the more likely it is that a FGMP futures contract may have a place in managing that sensitivity.

If you would like to discuss how you might develop a milk price risk management plan for your business then please contact us.

USE OF MONEY INTEREST

Inland Revenue have recently decreased their Use of Money Interest rates for underpaid tax to 8.27% (down from 9.21%) and overpaid tax to 1.62% (down from 2.63%).

CENTRAL PLAINS WATER (CPW)

As many of you will be aware CPW have now issued the Product Disclosure Statement or prospectus inviting farmers in the stage 2+ command area to subscribe for shares in the irrigation scheme. The offer of shares closes on Monday 13 June 2016.

This means those farmers in the stage 2+ area who have not yet decided whether or not to join the scheme have a limited time to consider their options and make a decision. We have found that each of those farmers have unique financial and non financial factors to consider when making this decision, that is, there is no general formula that can be applied to decide whether to join the scheme or not.

If you are still in the process of making a decision as to whether to join the CPW scheme or not and want some assistance, then please contact us. We also strongly recommend taking advantage of the one on one sessions CPW are running to assist individual farming businesses with their decision making process – click [here](#) for the calendar.

INTEREST RATE RISK MANAGEMENT

As discussed in our March 2016 newsletter ([copy here](#)) we are still currently observing the following market trends – short term rates look to stay lower for longer, longer term rates are still at historic lows although the gap between short term and long term rates has grown, and that bank interest rate margins are now under upward pressure due to increased borrowing costs for banks and banks viewing additional risks to farm business profitability and security values.

Again, we think this means it is increasingly important to have an interest rate risk management plan, particularly if you have moderate to high borrowings, and to be talking to your bank about that. If you would like to discuss your interest rate risk management plan then please contact us.

HEALTH & SAFETY

The new Health and Safety at Work Act 2015 (HSWA) comes into force on 4th April 2016. The new law is part of a reform package aimed at reducing the numbers of serious work-related injuries and deaths in NZ. What you will need to do will depend on the level of risk in your industry and what you can reasonably control. What you need to identify and take practical steps to manager are critical risks to the people in your workplace including visitors and customers. These can range from noise levels to slippery floors, heavy machinery to hazardous substances and even potential emergencies.

As an employer, manager or director, you have Health and Safety responsibilities. It is important to ensure your knowledge is up to date and the practices are in place within the entities you have a role in overseeing are in place. Should you require any further information please [click here](#).