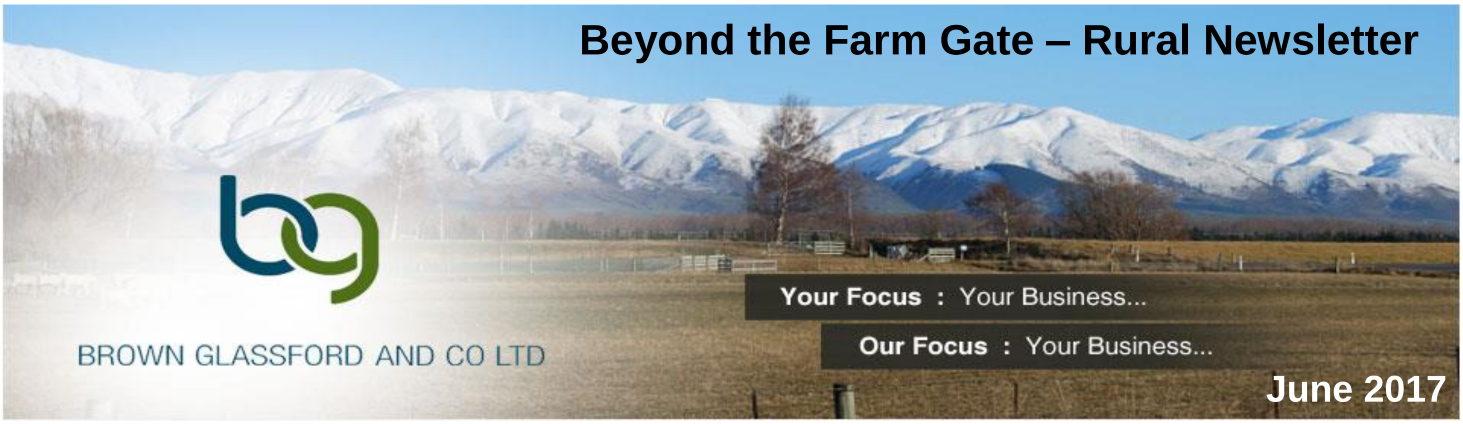

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KEY DATES

28 June 2017

3rd instalment of 2017 provisional tax due for May balance date tax payers (use tax code INC and year 31/03/2017 if making payment online).

LINCOLN UNIVERSITY SCHOLARSHIP

This scholarship provides financial assistance to talented students undertaking studies that will lead to a career in farm accounting. We are proud to announce this years' successful applicant is Emma Subtil. We wish her well for her studies and future achievements. We are also proud to continue our support for Kathryn Ellis.

ART IN A GARDEN

We are proud to be a sponsor of Art in a Garden again this year. Art in a Garden is a large annual art exhibition held in Hawarden featuring large scale installations, paintings, prints, ceramics, glass and jewellery. For more information please visit www.artinagarden.co.nz. We have 10 tickets to give away for Friday the 27th October 2017. If you would to attend please email Emily on admin@brownglass.co.nz and these will be given on a first response basis.

FARM VEHICLE CHANGES

Currently close companies (i.e. 5 or fewer natural people and not including trusts) providing a motor vehicle for the private use of shareholder-employees must pay Fringe Benefit Tax (FBT) on the value of the benefit provided. This value is based on the availability of the car, rather than its actual private use and this means higher FBT costs for close companies. With recently introduced legislation, this changes for the 2018 income tax year and only applies to vehicles purchased from this year.

Close companies can now opt to treat vehicle costs the same way as sole traders or partnerships, i.e. make adjustments for the private use percentage of the vehicle. The business percentage needs to be calculated using a log book for 3 months, every 3 years. Alternatively, you can claim a flat 25% or use mileage rates (*see over*).

USE OF MONEY INTEREST

Inland Revenue have recently decreased their Use of Money Interest Rates for underpaid tax to 8.22% (was 8.27%) and overpaid tax to 1.02% (was 1.62%).

STAFF NEWS

DEPARTURES

Laura Shaw

We recently said farewell to Laura from our firm as she pursues new adventures on her OE. We thank her for her contribution to Brown Glassford and wish her all the best for the future.

DIRECT DEBIT FOR GST

You are now able to set up a direct debit for your GST through your MY IR account. If we complete your GST for you, and you would like the amount automatically direct debited, please let us know and we can arrange for this to be setup.

FONTERRA SHAREHOLDER LOANS

Fonterra's 15c increase in forecast pay out for 2016-17 will go to repaying the support loan of 2014-15 for those suppliers who received this loan. Based on the latest forecast farmers who took the loan would have 15c deducted from their October 2017 payment, the final for this season with interest of 2.47% being charged on the balance. If the $6.50 forecast for next season was maintained, or exceeded, and the current payment schedule still applies, the final loan repayment would come out in September 2018.

Please remember that these repayments are not claimable for GST and will need to be split out when completing your GST. GST should be returned on the full portion of Milk Income Received.

CASH MANAGER RURAL ONLINE

Cash Manager has advised us that in the near future they will be moving to a new platform. This new platform will only function with Cash Manager online databases. We therefore recommend that those of you using the desktop version upgrade to the online version. The online version is the same price (if you only have one database), it holds the data in the cloud so you do not need to do backups or upgrades and allows us, and other permitted users, easy access to your database to help with any queries you may have, or to download your budget and year end data. If you would like to make the change, check out the Cash Manager website here or contact us.

~ Peter, Paul, David, Graham, Allison, Avis, Cameron, Diane, Emily, Erin, Hannah, Jamie, Jess, Jill, Jing Yi, Nancy, Nicola, Nicole, Rachel F, Rachel M, Ravi, Scott, Terri ~

WORKING AS A CONTRACTOR OR PAYING CONTRACTORS?

If you are in either of these situations, you should be aware that there have been changes to the way payments to some contractors are taxed.

Some contractors are subject to withholding tax on their earnings in a similar fashion to PAYE on wages and salaries. Whether a contractor's earnings are subject to withholding tax depends on whether the work they perform is listed in a schedule to the Income Tax Act 2007. Payments for work listed in the schedule are referred to as "Schedular payments", and are subject to compulsory deduction of tax at the rate supplied. The types of work covered by this schedule include commission sales agents and labour only contractors in the building industry. If the work a contractor performs is not listed, there is no requirement to deduct tax.

On 1 April 2017, several changes designed to introduce greater flexibility and assist contractors meet their tax obligations came into force.

If you are a contractor receiving Schedular payments, you may now elect to have tax deducted at the listed rate or at a rate of your choosing (subject to some limitations). If you are a contractor who does not receive Schedular payments, you may elect to voluntary have tax deducted from your earnings. If you wish to have tax deducted from your earnings or wish to use a rate of your choosing, you must provide the person paying you with a *tax rate notification for contractors* (IR330C) to advise them of the rate at which tax is to be deducted.

If you are paying contractors who receive Schedular payments, they should provide you with an IR330C to advise you of the rate at which to deduct tax from their earnings. If a recipient of a Schedular payment fails to notify of their name and IRD number, you must withhold tax at the rate of 45% of their earnings. If they provide this information but fail to nominate a tax rate, you must pay withholding tax at the rate listed in the schedule.

DECIDING WHEN TO TAKE ANNUAL LEAVE

Annual leave is essential for keeping employees happy and productive – it's a time to rest, recharge batteries and spend time with friends and family.

One issue we come across regularly is employees refusing to take annual leave. It's a good idea to keep an eye on employee's annual leave balances. Employees who have been with the business a long time can accrue high levels of annual leave. This can present a real cash flow problem for many businesses when the employee leaves. It is therefore advisable to set money aside for annual leave as you go and encourage employees to take annual holidays regularly.

If an employee does have a high leave balance, discuss the situation with them, including the outcome you'd like to see. It is often helpful to put together a leave plan, where the employee schedules annual holidays for a time that suits them.

EMPLOYEE ACCOMMODATION

When an employee provides free or subsidised accommodation to employees, the market rental of the accommodation is generally taxed as income to the employee. Establishing the market rental value requires a reasonable and appropriate process to be followed. This should be well documented and available for review.

Factors that Inland Revenue considers are important in determining market value of accommodation including the location of accommodation, its condition, convenience and its specific functional characteristics. It is open to the employer to adopt any reasonable basis for determining the market rental value of the accommodation.

DEDUCTIBILITY OF FARMHOUSE EXPENDITURE

Inland Revenue have recently announced changes to the longstanding "rule of thumb" deductions for farm house expenses. Farmers have traditionally been able to make claims that recognise the use of the farm dwelling for business purposes. However, the prevalence of smaller holdings with high property housing relative to the total value of the property, and low farm income generation potential has led to a rethink of these rules.

The new interpretation classifies farms into two categories Type 1 (Farms where the value of the farmhouse & curtilage is 20% or less of total farm value) and Type 2 (Lifestyle blocks where the value of the farmhouse & curtilage is 20% or more of total farm value).

Reasonable estimations of value must be used. Options that are acceptable are rateable value coupled with a QV assessment of the value of the dwelling & curtilage; bank values; and values assessed by registered valuers.

For Type 1 farms the changes were

Partnership and Sole Traders	Was	Now
Electricity, Repairs, Insurance	25%	20%
Interest & Rates	100%	100%

Companies and Trusts (Where a rental is charged)		
Electricity & Insurance	25%	20%
Interest, Repairs (No GST) & Rates	100%	100%

The changes for Type 2 (Lifestyle Blocks) are more significant. Please contact us if you think that you fall under this category.

These changes will be effective from the start of the 2018 financial year, so 1 June 2017 for May Balance Dates and 1 July 2017 for June Balance Dates.

IRD – MILEAGE RATES

The mileage rate for petrol, diesel and hybrid fuelled vehicles has increased to $0.73/km from the 1st of April 2017 (previously $0.72). Inland Revenue have also set a mileage rate for electric vehicles of $0.81/km. This rate is for individuals who travel 5,000km or less p.a.. It can be used by a business using private vehicles for business purposes to calculate expenses for business use. 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.