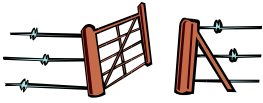


Beyond the Farm Gate

Farming Newsletter

April 2009



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Qualifying for a Student Allowance

To qualify to apply for a Student Allowance the following must apply:

1. Must be studying full-time at secondary school or an approved tertiary education provider
2. Must be 18yrs+
3. Must have passed at least half of full-time course (if had Student Allowance in the past)

To Note:

- The individual's (if under 25yrs) parents' joint income will be considered. The amount of allowance received from StudyLink will abate once the parents' joint income goes over \$52,019.24. The allowance will cut out completely if the combined income exceeds \$85,017.66 (if living away from home) or \$78,418.34 (if living at home). These rates are effective from the 1st of April 2009 and are reviewed in April each year.
- If the student's parents are supporting other full time students then \$7,000 of the parents' joint income, per student, will not be tested. This includes students at secondary or tertiary school as long as they are financially supported by parents, not in full time employment and not studying overseas. The other students must be aged between 16 and 23 years at the time of study.
- A student is entitled to earn income of up to \$192.01 per week before their Student Allowance payments will be affected.
- If a student qualifies for a Student Allowance they are also entitled to receive the Accommodation Benefit **on top** of their Student Allowance **if** they live away from home or have a dependent partner. This is a non-taxable allowance and depends on the city the student is studying in. Currently the Christchurch student will get \$40 and Dunedin \$34.50 (if they have no children).
- Student Allowance is **not** back-dated (student loan living costs are) so students should apply early for allowance.

- Students will receive the Student Allowance during the holidays – provided the holiday period is **less** than 3 weeks. (Note students need to re-apply each year).
- If the student's parents are separated/divorced, or if neither of the parents support the child, or if the student has children then there are special circumstances. These are available at www.studylink.govt.nz.



Provisional Tax Ratio Option

This option of calculating Provisional Tax is available for companies, trusts and individuals who are GST registered on a one monthly or two monthly basis. It is not available if you are registered for GST on a six monthly basis.

Only clients who have Residual Income Tax (RIT) for a recent tax year of greater than \$2,500 (taxable income of approx. \$13,000) and up to \$150,000 (taxable income of approx. \$420,000) will qualify. The main advantage of using the Ratio Method is that if Provisional Tax paid is less than actual tax for that year, you will not be exposed to Use of Money Interest.

If you elect to use this option we will no longer be able to administer your Provisional Tax payments unless we prepare your GST Returns, as your Provisional Tax payments will be calculated on your GST Returns.

To elect into the Ratio Method you must inform the Inland Revenue before your Balance Date.



Tax Cuts for Individuals

Reductions to personal income tax rates are to be phased in over three years, beginning 1 April 2009. These changes are in addition to the tax cuts that came into effect on 1 October 2008. The package has two key elements:

1. Changes to personal tax rates and thresholds
2. Introduction of an Independent Earner Tax Credit (IETC)

The changes will be rolled out progressively in three stages from 1 April 2009.

As far as changes to the personal tax rate thresholds are concerned, the 21% rate will drop to 20% from 1 April 2011, and the 39% rate will drop to 38% from 1 April 2009, and again to 37% from 1 April 2010.

The Independent Earner Tax Credit (IETC) of \$10 per week will be available to individuals who earn between \$24,000 and \$44,000 annually. This will increase to \$15 per week from the 1st of April 2010. The IETC is reduced by 13 cents for every dollar of income earned over \$44,000.

Banks and other financial institutions will be able to apply a new optional 38% Resident Withholding Tax (RWT) rate from 1 April 2009.

Employees earning wages and salaries can elect to receive the IETC during the year by completing and giving to their employer a new tax declaration form and electing a code of either ME or MESL (if they have a Student Loan). Self employed tax payers will collect the IETC when they file their end of year Tax Return.

Detailed Analysis

Under the previous legislation, the following tax rates applied to personal income **from 1 October 2008 to 31 March 2009**:

| | |
|---------------------|-------|
| \$0 - \$14,000 | 12.5% |
| \$14,001 - \$40,000 | 21.0% |
| \$40,001 - \$70,000 | 33.0% |
| \$70,001 and over | 39.0% |

From 1 April 2009

| | |
|----------------------------|--------------|
| \$0 - \$14,000 | 12.5% |
| \$14,001 - \$48,000 | 21.0% |
| \$48,001 - \$70,000 | 33.0% |
| \$70,001 and over | 38.0% |

From 1 April 2010

| | |
|----------------------------|--------------|
| \$0 - \$14,000 | 12.5% |
| \$14,001 - \$50,000 | 21.0% |
| \$50,001 - \$70,000 | 33.0% |
| \$70,001 and over | 37.0% |

From 1 April 2011

| | |
|----------------------------|--------------|
| \$0 - \$14,000 | 12.5% |
| \$14,001 - \$50,000 | 20.0% |
| \$50,001 - \$70,000 | 33.0% |
| \$70,001 and over | 37.0% |

Salary and wage earners will receive the tax cut through a reduction in the PAYE tax their employers withhold on their regular pay. Self-employed and other non-salary and wage earners will receive the tax cut when we file your Tax Return at the end of the tax year.



Working for Families Overpayments

The May Budget 2008 brought forward inflation adjustments to Working for Families Tax Credits from 1 April 2008 to 1 October 2008.

From 1 October 2008, the weekly and fortnightly amounts of Working for Families Tax Credits paid out were increased to reflect the entire inflation indexation adjustment.

Final entitlements to Working for Families Tax Credits are calculated at the end of the year and are based on the annual amount of the tax credit and the income abatement threshold. In the 2008/2009 tax year the annual family tax credit and the abatement threshold are increased to reflect a composite amount; the average between the annual amount before 1 October 2008 and the annual amount after 1 October 2008 inflation adjustment.

Families paid weekly or fortnightly and whose Working for Families Tax Credit entitlements changed part-way through the year (due to changes in their family circumstances such as a child entering the family in the middle of the year) could therefore receive overpayments

of Working for Families tax credits. The end of year entitlement based on the composite amount will be lower than the fortnightly or weekly amount received for recipients who, for example, have a new child after 1 October 2008. As a result, these overpayments could in turn result in tax bills for affected families at the end of the tax year.

The legislation has been amended to ensure that overpayments caused by the mid-year change to Working for Families Tax Credit entitlements **are not required to be repaid**. Working for Families overpayments of up to \$100.00 are automatically written off for the 2008/2009 income year.



BROWN GLASSFORD
AND CO LTD

Brown Glassford Sponsorship

Brown Glassford & Co Limited sponsor various groups and agriculturally based community projects on a first in first served basis. Because of the number of sponsorship requests we receive, we have established an annual pool so we can consider all requests at the same time. Each year we will close off the date for applications on the 30th of April.

Therefore if your rural community group wishes to apply for sponsorship from Brown Glassford & Co Limited, please have your form into Kathleen Woodside by the **30th of April 2009**.

A 'Sponsorship Application Form' can be obtained from our website or contact our office and we can post you one. If you have any further queries with regard to sponsorship, please contact Kathleen Woodside.

www.brownglass.co.nz



Using Direct Credit to Pay BG Account

As more of our clients are paying their Brown Glassford & Co account by Direct Credit, it would be most appreciated if clients could reference each payment to ensure we allocate Direct Credits to the correct debtor. When paying an account by Direct Credit, please use the invoice number the payment relates to or your individual client ID number. If you have any queries relating to paying your account by Direct Credit, please contact the office for assistance.



Congratulations

Congratulations to clients **Walter Hwata and Olga Mashzhike** for winning the 'Sharemilker of the Year' award for the West Coast/Top of the South region in the NZ Dairy Industry Awards. They also received Merit Awards in three categories and will be competing in the national finals in May. Well done!



Staff Movements

Nancy Wang

We are pleased to welcome Nancy Wang back to the Brown Glassford team. She is working for Graham Brown and is looking forward to catching up with clients again and meeting some new ones.

Nancy can be contacted on the following:

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Email: nancy.wang@brownglass.co.nz