

Beyond the Farm Gate

Farming Newsletter

April 2010

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Client Questionnaires



Those of you with 31st of March balance dates will shortly receive the annual client questionnaire and those with later balance dates will receive them in due course. This year we have made some substantial changes to the annual questionnaire and in line with the requirements of the New Zealand Institute of Chartered Accountants we are required to have all client questionnaires completed in full and signed by the client. We will either go through the questionnaire with you if you come in for an annual interview or if you send in your records to us we will require that you complete all of the questionnaire and sign it. **We will not be starting any annual accounts until the questionnaire is completed in full and signed by you.**



Fonterra Dividend

Previously Fonterra's payout comprised a milk price component and a value add component. Both components were paid out on the basis of milk production. As a result of the capital structure changes at Fonterra, there is now a clearer distinction between the amount paid for milk that farmers supply to Fonterra and the dividend value return component paid on the shares they have in Fonterra. The first dividend will be paid on the 20th of April 2010 and for Fonterra shareholders this means that it will be typical of a dividend in that there is no GST payable on the payment received. For those shareholders and sharemilkers who have agreed on a dividend related payment adjustment, the payment received by the sharemilker is considered normal business income and is subject to GST. Where shareholders and sharemilkers have advised Fonterra on how the allocation should be split, buyer-created invoices will be issued by Fonterra for the elected payments. Those shareholders and sharemilkers with arrangements outside the dividend related payment adjustment will still need to apply the above tax treatment and any payment made to the sharemilker will need to have GST included.

Your focus...Your business

For employers:

1.) Paying PAYE Electronically



If you file your employer monthly schedule (EMS) and pay your PAYE online you will stop receiving a paper employer deductions (IR345) form in the mail. Instead you can complete your employer deduction form online. The due dates remain unchanged and you can remind yourself of the due dates for filing and paying by going to www.ird.govt.nz/calendars-dates/. If you file your EMS online but pay your PAYE by cheque you will continue to receive a paper IR345. The IRD are also no longer sending out annual PAYE tax tables to employers. Instead you will need to use their online PAYE Calculator at www.ird.govt.nz/.

2.) Increase in ACC Earner Levy



The ACC Earner's Levy has increased from \$1.70 to \$2.00 including GST per \$100 of liable earnings effective 1st of April 2010. The new PAYE tables relating to periods from the 1st of April 2010 deal with this so please make sure that you are using the most up to date PAYE tables. These are available from Inland Revenue or can be accessed online at www.ird.govt.nz

3.) Redundancy tax credit



If you have been made redundant or have had to make employees redundant please read this article. The redundancy tax credit has been introduced to make it fairer for people who are pushed into a higher tax bracket when they receive a lump sum redundancy payment. This applies to redundancy payments paid on or after 1 December 2006.

The redundancy tax credit will be paid at a flat rate of six cents per dollar for the first \$60,000 of the redundancy payment received per redundancy. This is based on the redundancy payment **before** it has been taxed. The maximum amount claimable per redundancy is \$3,600 (\$60,000 @ 6%). Please contact us to discuss if you think you may qualify.

Sending Annual Accounts to your Bank



When we send out final accounts to you we usually include a bank copy to be sent to the bank. More often than not, the banks contact us in the first instance and request copies of the accounts from us. We can either send the accounts by post or via e-mail. This year when we send out your final Tax Returns for signing, there will also be a separate sheet for you to sign authorising us to send a copy of the accounts to your bank when they request them.

Our focus...Your business

Changes to horticulture and viticulture tax rules



From **1 April 2010** there will be some changes to tax rules. If you directly hire any type of contractor (individual, partnership, trust, or company) for work or services for the supply of labour or substantially for the supply of labour on land in connection with:

- fruit crops
- orchards
- vegetables, or
- vineyards

you'll need to deduct tax from the contractor's payments at the rate of 15 cents in the dollar. This is unless the contractor has a certificate of exemption or a certificate authorising tax be deducted at a specified rate.

Activities that are covered

Any payment for:

- agricultural, horticultural, or viticultural work or services under contracts or arrangements that are wholly or substantially for the supply of labour on or in connection with land used or intended to be used for:
 - fruit crops
 - orchards
 - vegetables, or
 - vineyards.

The principal term is wholly or substantially for the supply of labour.

Activities that aren't covered

- post-harvest facilities for work or services provided
- a management entity under a formal management agreement under which the entity is responsible for payment for the work or services provided.

If you're hiring a contractor or sub-contractor

If you're a grower directly hiring a contractor, or a contractor hiring a subcontractor, your responsibilities under the new rules are to:

- add the required information to your current employer monthly schedule (EMS), if you're already registered as an employer
- register with IRD as an employer if you're not currently an employer and will be directly hiring contractors
- deduct tax from payments for all activities covered, at the appropriate rate the IR330.

If the contractor doesn't have a certificate of exemption record the:

- contractor's name
- start date
- IRD number
- amount of the gross payment, and
- tax deducted.

The tax code to use is "WT" even if they have a certificate of exemption or a special tax rate.

You should also include the gross schedular payment details in the "Earnings and/or schedular payments not liable for ACC earners' levy" column in your employer monthly schedule. This will ensure you don't get charged ACC earners' levy on the schedular payments made.

Certificates of exemption and special tax code certificates

No tax is deducted if a contractor holds a certificate of exemption. If a contractor holds a special tax code certificate, the employer deducts tax at the rate specified on the certificate.

If you're a contractor, you can apply online for a certificate of exemption.

Tax codes for contractors

A contractor needs to give their employer an IR330 (tax code declaration) showing the "WT" tax code. The employer then deducts tax at the standard rate of 15 cents in the dollar. This is unless the contractor holds a valid certificate of exemption or special tax code certificate.

Please sight the original certificate and check that it's in the name of the contractor being used. If you want to check the authenticity of the certificate please call 0800 377 772. You should keep a copy of the certificate for your records.

A contractor without a certificate of exemption or a fully completed IR330 has tax deducted at the no-notification rate of 30 cents in the dollar.

Staff News



Our latest graduate, Danie Henderson, has recently started with us – here's a little bit about him:

Danie was brought up on a sheep and beef farm east of Dannevirke south of Hawkes Bay. He attended Lincoln University for four years where he studied Accounting and Supply Chain Management. Even though he is still a Hurricanes supporter, he enjoys living down in the mainland and thinks he knows his way around Canterbury pretty well. Danie joined Brown Glassford because of his special interest in farming. In his spare time he enjoys playing rugby, league and working on his family farm.



Grant Application Reminder

Brown Glassford & Co Limited sponsor a number of agriculturally based community group projects annually. 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 close off 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 2010. A 'Grant Application Form' can be obtained from www.brownglass.co.nz or contact our office and we can post you out one. If you have any further queries regarding sponsorship, please contact Kathleen Woodside.