

Beyond the Farm Gate – Farm Newsletter



BROWN GLASSFORD AND CO LTD

Your Focus : Your Business...

Our Focus : Your Business...

AUTUMN 2019

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OFFICE HOURS

Our office will also be closed for an extended period from 19 April to 26 April 2019 taking in the Easter and Anzac public holidays. Should you need to contact us urgently during this time, you can contact David, Paul, Cameron, Peter, or Graham on their mobiles. These are as follows: Peter 027 439 3246 David 021 222 0198 Paul 021 263 6669 Graham 027 437 3199 Cameron 027 346 8594.

INLAND REVENUE DEPARTMENT

2018 Terminal Tax is due on 7 April 2019, if you have 2018 terminal tax due you should have received a tax notice from us by now, please contact us if you have not and were expecting to pay. Please note when paying on line to pay to tax type INC for year 2018 year, this will be year ended 31 March 2018 regardless of whether you have a different balance date.

Please also note that IRD will no longer accept post-dated cheques, if you are paying any taxes due to the IRD by cheque please ensure they are dated the day you post the cheque and that they are received by the IRD on or before the due date, allowing for postage delivery.

Also around this time of year, when you can be expected to have tax to pay, we notice an increase in scam email purporting to be from IRD going around and the level of detail used is getting better and better. If you do receive an email asking you to pay tax and are unsure please contact us and we can check the legitimacy of this.

EMPLOYMENT ISSUES

From 1 April 2019, the minimum wage increased to \$17.70/hour, an increase of \$1.20/hr. Please ensure you review the working hours and pay of any salaried staff to ensure they are now receiving this new minimum wage rate.

Please click [here](#) to view the newsletter of Johnston Penno who are specialist professional advisors to employers, and in employment law and training. This has some articles on the higher compensating awards in the Employment Relations Authority (ERA) and Employment Court, Changes to the Employment Relations Act and Domestic Violence Leave.

STAFF NEWS

Ravi Prasad & Jing Yi Chin

Ravi Prasad and Jing Yi have recently said farewell to Brown Glassford. We would like to thank them both for their contributions to Brown Glassford over the years and wish them well in their new endeavors.

Hannah Jozko

We also wish to congratulate Hannah Jozko, who is currently on maternity leave, on the arrival of her new baby daughter Olivia, born on 27 February 2019.

MYOB CLASSIC

As of **30 September 2019**, MYOB will no longer provide features, patches, compliance updates or product support for AccountRight Classic. This includes updates for any future Windows operating systems. MYOB also want to be clear on what this decision means, and what it does not. They realise this will be a big change for many clients and that is why they have put together lots of information and support which you can find [here](#).

XERO

From 1 April 2019 Brown Glassford will be using Xero for its annual report processing. This will not affect clients who are using different accounting software and the only difference you will notice will be how the final reports will be presented. If you are however thinking of switching your accounting software we are able to offer discounts on certain Xero plans. Please remember if you are thinking of, or are changing your accounting software, to please contact us and let us know so that we can help and to advise you.

2019 ANNUAL QUESTIONNAIRES

31st March 2019 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 have not received this, please contact our office or you can download a copy of the questionnaire from our website, click [here](#).

These questionnaires are an important part of the accounting process and help both us and yourself to prepare your Annual Reports in a timely, cost effective manner. Please read and fill in the questionnaire as completely as possible before you return these to us.



PAYDAY FILING

Just a reminder that Payday filing became mandatory from 1st April 2019 where instead of filing an employer monthly schedule and deduction form (IR348 & IR345) every month, employers will file employment information every payday in line with their normal payroll cycle. You will still pay your PAYE in the normal fashion with the previous months PAYE due on the 20th of the following month. If you require some more assistance with this, please contact us and we can provide you with recommendations of online payrolls service providers you can use to facilitate this if you would prefer.

RING-FENCING FOR RESIDENTIAL RENTAL PROPERTIES

Ring-fencing will apply to deductions for expenditure relating to residential land starting from the 1st April 2019. Any excess deductions (losses) will be carried forward to reduce residential property income in future years or be used to reduce the taxable income amount (if any) on the sale of the residential property. Any remaining unused deductions will generally continue to be ring-fenced. Residential land is defined as follows:

1. Land with a Dwelling on it,
2. Land for which arrangement to build dwelling or
3. Bare land which may have a dwelling built on it under the district plan.

It excludes the following

1. Farmland and land used predominantly as business premises (i.e. Bed + Breakfast).
2. Main Home
3. Mixed-use Assets (already rules that govern losses greater than income)
4. Revenue Account Land (i.e. this land will be taxable no matter what, like a residential property developer)
5. Employee Accommodation
6. Land held by a widely-held company (i.e. more than 25 shareholders)

These rules include residential land outside New Zealand as well.

Default application is on the portfolio basis (i.e. deductions from one property can be offset against income from another). Or you can elect to apply for this property by property. You will need to notify IRD of this. This could be useful if in the future when you go to sell the land it is taxable then you may want deductions there to offset that.

You are able to make an election for each property, however once this election has been made then there is no ability to be able to go back on this election.

It is important to note that in the case of a Company owning a residential land, that the carrying forward of any deductions is subject to the shareholder continuity test (i.e. 49%). This test is slightly modified in that the "loss" is treated as arising on the last day of the year.

CORPORATE TRUSTEES AND LIABILITY

A trust with a corporate trustee, rather than a natural person trustee is often referred to as a trading trust. However, whether or not a trust is carrying on business, one or more trustees can be companies rather than natural persons. The reasons for this include addressing concerns surrounding trustee liability and because the use of a corporate trustee can reduce the costs associated with retirement and appointment of trustees.

Liability - Trustees act "personally". What this means is that a trustee is liable for losses incurred, even if the trustee cannot benefit from the trust. Although a trustee will have a right of indemnity from the trust, if the trust is insolvent, the trustee can be left meeting the cost of any shortfall.

An alternative is for the person who would otherwise be a trustee to act as a director of a trustee company, rather than to act as a trustee personally. Although this approach can reduce the risk of personal liability, if a loss has occurred because the director acted recklessly or otherwise in breach of the Companies Act, the director can still be liable. If the director suffers losses as a result, the director, unlike a natural person trustee, does not have a right to indemnity from the trust.

Costs of Trustee changes - if a trust owns land, any appointment or retirement of trustee will require a legal conveyance of the title. Where the title is subject to a mortgage, a discharge and registration of mortgage may also be required. However, if the trustee is a corporate trustee, while it may be necessary to obtain bank consent for a change of director, no conveyancing will be required and so there may be some cost savings.

Governance mechanisms - one of the complications with corporate trustees is that while aspects of the company models such as limited liability and perpetual existence are desirable attributes of the corporate trustee the economic and traditional governance attributes can be less appealing. What this means is that the Companies Act 1993 applies and so as well as trustee obligations the company must meet all obligations under the Companies Act. It is also important to carefully consider the terms of the trust deed as commonly trust deeds will limit who can be the director or shareholder of a corporate trustee so that beneficiaries do not have effective control of the trust.

THE BG STAFF DAY OUT

On the 3rd April the staff of Brown Glassford spent the day out of the office visiting two clients' farms as part of our annual staff day out. These visits are important to the staff as it helps those of us who do not have a farming background get an understanding of what is actually happening in your businesses. This year we visited a cropping and seed cleaning business and then a vegetable and packaging business. All had a great day and it was very interesting seeing the next step in the produce chain as these businesses had evolved from straight production based farms. We would like to thank those clients whose farms we visited.