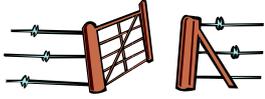


Beyond the Farm Gate



Farming Newsletter

APRIL 2013

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2013 Client Questionnaires



Another tax year has passed us all by on 31 March 2013 and we have spent April finalising the last of the 2012 tax returns for clients, and getting preparations underway to start 2013 tax returns.

For the first time since February 2011, we feel we have the key ingredients to getting the “new year” off to a flying start – the previous year’s work is completed, we are well settled into our new premises, and we have a full compliment of keen rural accountants and support staff to focus on your farming businesses !

Those of you with 31 March balance dates will shortly receive (if you haven’t already) the annual questionnaire to complete and return with your accounting records. **A reminder to please:**

- Complete as fully as possible – this saves us time and you money !
- For those of you who are entitled to Working for Family Tax Credits and/or have children who may need to apply for entitlements to Student Allowances, please take note of the additional types of income the Inland Revenue now consider as part of these applications.
- Sign and date the front of the questionnaire as this enables us to seek information from third parties directly, which saves you time.
- Confirm whether or not you want us to email a copy of your annual report to your bank – please provide email details.

Those with later balance dates (eg: 31 May or 30 June) will receive their questionnaires in the months to come.

A copy of the questionnaires can be downloaded from our website: www.brownglass.co.nz

REMINDER #1

2013 Provisional Tax – March Balance Dates

Those clients with 31 March balance dates will soon be receiving (if you haven’t already) tax payment slips from us for the 3rd instalment of 2013 Provisional Tax due on 7 May 2013.

REMINDER #2

2013 Provisional Tax Payments

Some of you use the “estimate basis” to determine the amount of your Provisional Tax payments throughout the year. You can re-estimate your provisional tax as often as you like up to and including your third instalment, at which date your last estimate becomes final.

In order to avoid overpayment (and use of valuable working capital) or underpayment (and the risk of interest and/or penalties to Inland Revenue) under this basis, it is worth reconsidering your estimate if you think there may be significant changes to your taxable income, for example;

- Quantity/volume of production (eg: number of lambs, crop yields, kgMS).
- Product prices (eg: lamb prices, crop prices, payout forecast).
- Changes in farm costs (eg: projects, fertiliser, cost savings)
- Availability or otherwise of previous year tax losses to offset future taxable income.

Although we will have covered these points with you when we finalised your 2012 income tax returns, we suggest making contact with us if you think your taxable income has changed significantly since then.

Note for Fonterra suppliers: the recent increase in the Fonterra milk price forecast now means that an additional \$0.75/kgMS will be treated as taxable income in the 2013 income year.

Fonterra Dividends

Up until now, Fonterra has made dividend payments directly to suppliers, and in some cases sharemilkers, along with milk payments on 20 April and 20 October each year. The dividend has been paid to suppliers with no GST.

With the introduction of TAF, Fonterra has advised that there will be a few changes regarding the payment of dividends.

Firstly, the Fonterra share register is now managed by a third party called Computershare. It will be Computershare who manages any share transactions, and they will make the dividend payments on behalf of Fonterra, including sending you the appropriate paperwork. i.e. they will direct credit the dividend payment, as opposed to Fonterra direct crediting the dividend payment with the milk cheque.

Secondly, for any dividend paid on shares that are held above the number of shares required to back production (often referred to as "dry shares"), that portion of dividend will be paid deducting RWT at the rate of 33%.

e.g. Shares held	250,000
Production (wet shares)	(230,000)
Therefore, Dry Shares =	<u>20,000</u>
Dividend	10c/share

Dividend payment calculated as follows:

Wet Shares 230,000 @ \$0.10/share	\$23,000
Dry Shares 20,000 @ \$0.10/share	\$2,000
<u>Less</u> RWT \$2,000 @ 33%	<u>(\$660)</u>
Net Dividend Paid	<u>\$24,340</u>

Note: in the case of sharemilkers, the payment of any part of the Fonterra dividend (if any) is normally covered by the Agreement between the farm owner and the sharemilker – we recommend you refer to this document.

In any case, your Fonterra area manager will also be able to advise you about changes to the payment of dividends.

REMINDER#3

Changes affecting clients and their families



Student Loans

For those with children or employees who have finished (or nearly finished) their tertiary studies, from 1 April 2013 NZ based borrowers earning more than \$19,084 pa will now have to repay them at the rate of 12 cents in the dollar (previously 10 cents in the dollar).

Voluntary repayment bonus – this has been removed from 1 April 2013.

Redundant Tax Codes

The ML and ML SL tax codes can no longer be used from 1 April 2013. If any employees are using either of these codes, then deduct PAYE using either the M or M SL rates, unless they give you a new Tax Declaration Code form IR330.

Employer KiwiSaver contribution change

The minimum contribution rate for employers (and employees) has increased from 2% to 3% of the gross wage or salary from the first pay period starting on or after 1 April 2013. Here is a useful link to the Inland Revenue website regarding employer obligations:

<http://www.ird.govt.nz/kiwisaver/employers/administering/employer-contributions/>



Interest Rates

The last couple of months have seen some easing in the longer term fixed interest rates, whilst floating rates have remained relatively steady.

We continue to recommend that you obtain regular (say two weekly) information from your bank as to the movement in interest rates (e.g. floating through to 5 years fixed). It will help you get a feel for the general direction of interest rates, and what is influencing these movements.

This is certainly useful if you have fixed interest rates expiring, or if you are contemplating fixing interest rates on debt that you currently have on a floating rate. Of course, we are happy to discuss with you your current borrowing structure and some of the strategies you might employ to manage your interest rate risk.

REMINDER#4

Brown Glassford Sponsorships & Grants

We currently support a number of rural community projects and often receive requests to sponsor various events and projects.

As a result, we have established an annual pool of funds to allocate for such projects, and consider all requests at the same time. **The closing date for such applications is 30 April 2013.**

If you would like us to consider a request then please complete a Grant Application Form from our website and send it to Kathleen Woodside by the closing date.

- STAFF NEWS -

We are very pleased to welcome the following people to the BG Team:

Nicole Scully

Nicole started her accounting career in Southland before moving to Christchurch with her husband. Nicole's young daughter Indie keeps her busy in her spare time.

Erin Coakley

Erin is our new Receptionist and Companies Administrator. Erin is from a farming background in the Waikato and studied at Lincoln. In her spare time, Erin teaches dancing and enjoys keeping fit.