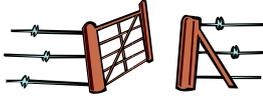


Beyond the Farm Gate



Farming Newsletter

FEBRUARY 2013

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REMINDER

2012 Financial Statements and Tax Returns

By now, most of you will have brought in or emailed your records for us to complete your 2012 Financial Statements and Income Tax Returns. **For those of you who haven't, we request that you make contact with us this week** so that we can plan how we might get the financial statements and income tax returns completed by 31 March 2013 (remembering that this is 4 weeks away and is Easter Weekend!!)

For those to whom we have sent your final 2012 Financial Statements and Tax Declarations for signing, please ensure you have these executed and sent back to us **as soon as possible prior to 31 March 2013** so that we can file them with the IRD.

For those clients who are intending on making deposits (and haven't done so yet) to the Income Equalisation Scheme which are to be treated as a deduction for the 2012 income year, we remind you that these deposits need to be made, and your income tax declarations signed and returned to the IRD by 31 March 2013.

Please contact us if you have any questions regarding this.

REMINDER

2013 Provisional Tax Payments

By now, most of you will have paid your first two instalments of 2013 provisional tax.

Some of you have used the "estimate basis" for determining your 2013 provisional tax payments. If you think your estimated 2013 taxable income has changed significantly since we made that estimate, then please contact us so that we can consider whether this estimate should be reviewed.

Upcoming changes affecting Clients and their Families

Student Allowances



Some of you will have children starting (or restarting) tertiary studies in the coming month and will be going through the process of reviewing their entitlement to student allowances. Broadly speaking, the amount of allowance a student may be entitled to is determined by their income, their parents' income, and whether or not they live in the parental home. A student may earn up to \$206.73 before tax in any one week before their student allowance payments are affected.

If students are aged 18-23 and have no children, then their parental income will be tested to determine the level of student allowance payments. Parents can earn up to \$55,028 before the student allowance payments are affected, and then the allowance payment is reduced gradually to nil once parental income reaches \$83,449 (if the student lives at home) and \$90,555 (if the student lives away from home).

As with Working for Families Tax Credits, the definition of Parental Income for student allowance purposes is now much wider ranging than it used to be, and in particular, now includes income in trusts that is not distributed to beneficiaries, Income Equalisation deposits (except for adverse events), income held in closely held companies, other payments received by parents that exceed \$5,000 pa, and also does not allow parents to offset any business losses against their taxable income.

We find the StudyLink website a useful source of information when contemplating whether or not to proceed with an application for student allowances - <http://www.studylink.govt.nz/>

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 – for voluntary loan repayments of \$500 or more over and above the required payments as detailed, borrowers have had credited a further 10% as a repayment to their student loan ie: a voluntary repayment of \$500 resulted in a loan account reduction of \$550. **The voluntary repayment bonus is to be removed from 1 April 2013.**

Children's Wages

Up until 1 April 2012 you were allowed to employ school students and, provided they didn't earn more than \$2,340pa, no tax needed to be deducted. They may also have qualified for the tax credit for children.

The tax credit for children was repealed effective from 1 April 2012, and was replaced with a tax exemption for children meaning that they will not need to pay tax on income up to \$2,340 which is not taxed at source eg: mowing lawns, babysitting. However, this exemption does not apply to income on which tax has already been paid eg: wages, interest.

As at **1 April 2013** you will now be required to deduct PAYE from the school child's wages. The rate of deduction will be 10.5% up to the point they earn \$14,000. This means providing the child with a Tax Declaration Code form IR330 prior to 1 April 2013. If the IR330 is not completed and returned you must deduct PAYE at the "no notification" rate of 46.7%.

Employer KiwiSaver Contribution Change

The minimum contribution rate for employers (and employees) will increase 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 IRD website regarding employer obligations <http://www.ird.govt.nz/kiwisaver/employers/administering/employer-contributions/>

Changes to 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.



Interest Rates

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.

Most banks will also release weekly economic commentary that includes how interest rates are tracking and what influences changes in interest rates. We suggest taking a look on the bank websites, and you can often subscribe to have this information emailed to you.

Mixed Use Assets

The 2012 Budget announced proposed changes to rules surrounding the deductibility of expenditure incurred for mixed use assets like baches, boats, and aircraft. The thrust of the proposed changes is to limit the ability of people to offset the costs of owning such assets, including interest on borrowed monies, by renting or hiring out the asset occasionally.

Owners will still have to apportion the use of these assets into taxable and non taxable deductions, but the apportionment rules will change. An asset will be subject to these rules where:

- It is used privately by an owner or relative
- It is used to generate income
- There are more than 62 days when the asset is unused
- The asset costs more than \$50,000

The law changes for the above are still being made, so we will keep you up to date as they happen.



Brown Glassford Study Scholarship

Brown Glassford offers annual scholarships to students entering their second or third year of a Bachelor of Commerce and Management at Lincoln University. The scholarship was established to provide financial assistance to talented students studying towards a career in farm accounting.

We are delighted to currently assist second year student, Jess Broom and third year student, Charlotte Nelson.

Brown Glassford Sponsorship & 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 which can be found on our website, and send it to Kathleen Woodside by the closing date.

Staff News

Jayne Lewis

Jayne is leaving Brown Glassford to become a full time student. Jayne has been with us for five and a half years and says that she will very much miss all the fantastic staff and clients. Jayne's last day in the office is Thursday, 7 March 2013.

We have employed Erin Coakley to be our new receptionist and she starts with us on Tuesday, 2 April 2013. We look forward to introducing you to Erin in our next newsletter.