

Beyond the Farm Gate – Rural Newsletter



BROWN GLASSFORD AND CO LTD

Your Focus : Your Business...

Our Focus : Your Business...

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2015 ANNUAL ACCOUNTS AND TAX RETURNS

We have now sent all clients their annual questionnaire. If for some reason you have not heard from us please get in touch. You can also get a copy of the questionnaire from [our website](#).

HEALTH & SAFETY

The Health & Safety reform Bill, which is currently before parliament and expected to be passed into law by the end of 2015, looks to significantly change the manner in which health and safety is regarded in NZ. The bill states “workers and other persons shall be given the highest level of protection against harm to their health, safety & welfare.” The bill is written in plain English and provides clarification of concepts that had proven problematic under the previous legislation. It is based on Australia’s health & safety model, and aims to shift the focus from the current employers/employees to workers/workplaces.

Penalties will be significantly higher for offenders, and companies will no longer have the privilege against self incrimination when supplying information to investigators.

MINIMUM WAGE – EMPLOYMENT GUIDE

From 1 April 2015, the minimum wage increased to \$14.75 per hour (was previously \$14.25). Federated Farmers and DairyNZ have released a “best practice employment guide for farm employers” that gives a good overview of the basics relating to employment agreements, minimum wages, and other benefits including accommodation. It is applicable to all farm types and there is also reference to MBIE’s position statement on minimum wages and employment agreements in the rural sector. You can find it at <http://www.fedfarm.org.nz/advocacy/National-Policy/Employment.asp>

TAX PAYMENTS VIA INTERNET

Recently we have noticed an increased number of tax payments being made to the incorrect tax code or tax type. To avoid this and possible late payment charges, we have a few helpful reminders of what to do when paying tax via internet banking:

- Terminal Tax (and sometimes Use of Money Interest) is only paid once a year and relates to the current year we are working on.

2015 Terminal Tax for each balance date is due on 7th April 2016 (the only exception to this is clients who have lost their extension of time and their 2015 Terminal Tax is due 7th February 2016)

- Provisional Tax is most commonly paid three times a year, however if you are on a six monthly GST basis you will make only two instalments. Provisional tax can be confusing in that the payments relating to the same financial year can span two calendar years. Below is an example of provisional tax payment dates.

2016 Provisional Tax (May Balance Date)

- 1st instalment– Due 28th October 2015
- 2nd instalment– Due 28th February 2016
- 3rd instalment – Due 28th June 2016

2016 Provisional Tax (June Balance Date)

- 1st instalment– Due 28th November 2015
- 2nd instalment – Due 28th March 2016
- 3rd instalment – Due 28th July 2016

- Both Terminal Tax and Provisional Tax are paid using the “income tax” (INC) type. Please note that most banks and Inland Revenue do not distinguish between balance dates when making tax payments, i.e. you will only find that there is a 31 March option. The important thing is that you have the correct year. The year will always be included in the tax payment advice we send to you.
- Student Loan payments are made to **SLS** and the year in question i.e. 31/3/2015.

A summary of other tax type payment codes can be found [here](#).

Inland Revenue charge late payment penalties as follows. These are in addition to any normal interest charges:

- 1% on the day after due date
- 4% at the end of the 7th day from the due date (charged on the total amount including the 1% previously added)
- 1% every month on the unpaid total balance (including penalties added)



90 DAY EMPLOYMENT TRIAL PERIODS

If you are employing staff for the 2015/16 season now is the time to start thinking about the 90-day trial period and what your obligations are as an employer. This trial period can be valuable for both parties to discover if they have a good working relationship but there are some important points to be aware of.

- The 90 day trial period must be used 'in good faith', meaning you are employing the person on the premise that they will become a permanent employee.
- The employee must agree to and sign the employment agreement containing the 90 day clause **before starting work**, otherwise the clause will not apply.
- You must be precise around the time frame of 90 calendar days. It means exactly 90 days, not three months. It is important when the employee signs the agreement that the start date and end date are stated clearly.
- The 90-day trial does not apply to people who have worked for you previously, even if this was for a casual or volunteer basis.
- If you ask prospective employees to perform practical tasks (e.g. putting in a fence post or milking a row of cows) as part of a job interview, it is important that you get each interviewee to perform the same tasks, are clear that it is part of the interview process, and that the prospective employee does not receive any remuneration. Under these circumstances a 90 day trial can still apply to the successful candidate.
- If you are not going to retain the employee, you have a duty to tell them as soon as you have decided. You also need to follow notice period provisions as per the employment agreement.
- While you do not have to give a reason for terminating employment during these 90 days, you do still have a duty of care, just as you would for a permanent employee. This means that you have to treat the employee fairly and obey all employment legislation.

For further information about 90 day trials and good employment practises go to www.dairynz.co.nz/people. If you would like to discuss this, please contact us.

ONLINE TAX REFUNDS

We have noticed an increased frequency of clients applying for a tax refunds through one of the numerous online companies e.g. NZ Tax Refunds. Most commonly this related to clients' children.

When signing up for this service, you are allowing these companies to become your tax agent, and as a result they are delinking us as your tax agent, meaning we may no longer act on your behalf. These companies then file a Personal Tax Summary to allow you to claim your refund.

When completing end of year accounts for your Companies/Trusts we are then unable to allocate your shareholder salaries or beneficiary income without completing an amended return, and this usually requires the refund that has been received to be paid back. We recommend contacting us prior to signing up for these tax refund providers.

MOTOR VEHICLE EXPENSES

The correct accounting treatment of vehicle expenses depends on the particular farmers individual circumstances. These include: the type of entity the farm is trading through; the type of vehicle it is; who is using the vehicle; and what the vehicle is being used for.

SOLE TRADERS, PARTNERSHIPS AND TRUSTS

Vehicles with 100% business use can have all running, finance and depreciation costs claimed as a deduction. For vehicles that have business and personal use, the costs need to be apportioned between business and personal use. To work out the business portion of the vehicle costs, a log book must be kept for three months every three years. If no log book is kept, the Inland Revenue will allow up to 25% deduction on depreciation and operating costs of these vehicles.

COMPANIES

When shareholder employees are provided with a vehicle by the company, 100% of the running costs and depreciation are deductible. No private use adjustment is required because a company, as a non individual, is unable to have private use. The 100% deductibility of running costs applies to both GST and Income Tax. However Fringe Benefit Tax (FBT) applies if the vehicle is made available for private use. FBT is a tax on non cash benefits that employees receive as a result of their employment. The FBT test is based on availability for private use rather than any actual private use. FBT doesn't apply to vehicles that are classed as "work related vehicles" defined as not being a car, not available for private use, and displaying the logo prominently and permanently on the exterior of the vehicle.

RENTAL ADJUSTMENTS & TAX FREE ALLOWANCES

We commonly need to consider rental adjustments in the following circumstances:

- Where a land owning entity is separate from the farm trading entity;
- Where farm owners occupy the residence owned by the land owning entity and;
- Where employees are provided accommodation as part of their remuneration as the value of this accommodation is taxable.
- Employers often also pay tax free allowances to employees for such things as protective clothing, tools and dogs.
- IRD are now paying more attention to how these market rent and non taxable allowances are calculated. We will usually review these with you as part of the process of completing the annual accounts. If you have any questions regarding this, please contact us.