

# Beyond the Farm Gate – Rural Newsletter



BROWN GLASSFORD AND CO LTD

Your Focus : Your Business...

Our Focus : Your Business...

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## KEY TAX DATES COMING UP

### **28 March 2016**

2<sup>nd</sup> instalment of provisional tax for June balance date taxpayers.

### **31 March 2016**

We need to file all income tax returns for the 2015 income year by this date. If you have yet to sign and send back to us the tax declarations we will have enclosed with your annual accounts then please send these back to us as soon as possible.

### **7 April 2016**

Terminal tax due for all 2015 income tax returns. Tax letters for any payments due will be sent out shortly.

### **20 April 2016**

Any RWT deducted from interest paid to a lender (but not yet paid to Inland Revenue) for the year ended 31 March 2016 to be paid to Inland Revenue (the annual RWT reconciliation is due 31 May 2016).

## BANK DEBT & INTEREST RATE MARKET

We are currently observing the following market commentary at the moment:

- short term (0 – 3yrs) interest rates may stay lower for longer than previously expected (note a further surprise cut to the OCR of 0.25% on 10/3/2016)
- long term (4 – 7yrs+) interest rates remain at historic lows but have appeared to edge higher lately
- however, the interest rate market remains uncertain. Nobody can predict their future direction with any certainty
- the banking sector is starting to indicate that bank margins may have to increase due to (i) banks having to hold more capital for expected loan losses (ii) banks overseas borrowing costs increasing and (iii) perceived increased risks to farming businesses cashflows, in particular, on the back of lower milkprice forecasts.

From a borrowers point of view, what this means is that it is increasingly important to have an interest rate risk management plan or strategy i.e. understanding the impact of changes in interest rates on the cashflow of the business, understanding the balance between flexibility (floating rate) and certainty (fixed rate) of interest rates, and then developing a plan to help manage the interest cost to your farming business. If you would like to discuss your interest rate risk management plan then please contact us.

## EASTER AND ANZAC HOLIDAYS

Brown Glassford will be closed on Good Friday and Easter Monday, the 25<sup>th</sup> and 28<sup>th</sup> of March 2016. We would usually close for Easter Tuesday too, however due to Easter being very close to the end of the financial year, we have transferred the day we would usually take off to Friday the 22<sup>nd</sup> April, so the office will be closed this day instead, as well as Monday the 25<sup>th</sup> of April, for ANZAC day.

## DIFFICULT ECONOMIC CONDITIONS

We understand in the current economic environment that there are financial pressures on some farmers this year. It is important to keep in regular contact with your banks and other professionals and as a specialised Agribusiness firm we are committed to supporting our clients over this difficult period. Please contact any of the Directors should you require any assistance.

## CONTACT FROM INLAND REVENUE

Inland Revenue is changing the way they correspond with tax payers. In the past they used to write to us as tax agents regarding all tax matters. Unfortunately now they are choosing to contact our clients directly using text messages and emails. If you receive a text or email from Inland Revenue we urge you to contact our office in the first instance as we will be able to assist, as we have all your information to hand. Receiving this contact from Inland Revenue can be alarming, but often there is a simple explanation, so don't worry - just contact us and we will be happy to help

## RESIGNING AS TRUSTEE OF A TRUST

Trustees are personally liable for the tax obligations of the trust. If you resign as a trustee Inland Revenue must receive this notification in writing, as soon as possible following the resignation, so they can update their records. If Inland Revenue is not informed of the change they will still recognise the old trustee as a trustee, which makes them liable for any tax obligations of that trust. If you have any changes to the trustees of your trust please tell us as soon as possible so we can update the records at Inland Revenue

## PAYING WAGES

Inland Revenue have created a first time employers guide – [have a look at it here](#). It outlines the basics of how to register as an employer, the deductions you need to make (including PAYE, student loan, Kiwisaver etc.) Some common issues related to wages include the following:

### Statutory days worked

Employees are entitled to a paid day off on a public holiday if it would otherwise be a working day. These public holidays are separate from, and additional to, annual holidays. For Waitangi day and Anzac day, if the holiday falls on a Saturday or Sunday and that day would not otherwise be a working day for the employee, the holiday is transferred to the following Monday so that the employee still gets a paid day off if the employee would usually work on these days. If the holiday falls on a Saturday or Sunday and that day would otherwise be a working day for the employee, the holidays remain at the traditional day and the employee is entitled to that day off on pay. For further information on this you can find it [here](#)

### Accommodation allowances

Generally, when an employee is provided with accommodation as part of an employment relationship, the market value of the accommodation is added to the remuneration for tax purposes, taxed at the individual's personal tax rate and then deducted as rent.

When calculating wages for the period, full wages paid (including accommodation) is used when calculating PAYE, student loan and child support repayments. Kiwisaver is calculated based on the portion of wages that does not include accommodation, i.e. you do not calculate and pay Kiwisaver on the value of the accommodation.

### Kiwisaver Employer Contributions

Employers are required to contribute to your employee's Kiwisaver account or complying fund at 3% of their gross salary or wage. You must also deduct a tax known as ESCT (employer superannuation contribution tax) from any employer cash contributions made to a registered superannuation scheme including Kiwisaver for an employee. This can be done one of two ways:

1. An optional ESCT rate based on either:
  - The total salary or wages plus gross employer cash contributions paid to the employee in the previous standard tax year (1 April to 31 March), or
  - When employees have not worked for a full previous tax year, an estimate of the total salary or wages, plus gross employer cash contributions that the employees have received or will receive, can be used
  - The Thresholds can be found [here](#)

2. If you and your employee agree, your employer contribution can be treated as part of their gross salary or wage and taxed under the PAYE rules. Employees must understand that doing this increases their gross salary or wage which will affect their working for families tax credits, independent earner tax credit entitlements, amount of child support they pay and their student loan repayments. However they can change back to the other option at any time.

The employer contribution is still paid to the superannuation fund, not to the employee. The value of the contribution is added to your employee's gross salary or wage for the pay period and taxed using the PAYE rules based on their current tax code. Contributions treated as salary and wages are subject to the ACC earners levy (included in the PAYE rate).

If you have any specific questions regarding any of the above issues, or any further issues then please contact us.

## MINIMUM WAGE – EMPLOYMENT GUIDE

From 1 April 2016, the minimum wage increased to \$15.25 per hour (was previously \$14.75). 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 [here](#). Please note that the employee must receive at least the minimum wage over a fortnightly period, these can not be based on average hours on an annual basis

## ACC COVERPLUS EXTRA

Due to the possibility of lower incomes in the 2016 financial year it would be worthwhile to update and discuss your current level of ACC Cover. There are two different types of cover – ACC CoverPlus or ACC CoverPlus Extra. ACC CoverPlus covers up to 80% of your previous years' liable earnings and may be reduced if your business generates less income in the current year, however ACC CoverPlus Extra is based on 100% of the agreed amount of accident cover until you are fit to return to fulltime work. If you would like more information regarding ACC CoverPlus or your options please contact us.