

Beyond the Farm Gate – Rural Newsletter



BROWN GLASSFORD AND CO LTD

Your Focus : Your Business...

Our Focus : Your Business...

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15 Year Service ~ Jill Prentice

We congratulate Jill for recently completing 15 years service with Brown Glassford. Jill will be known to many of our clients who will agree that she consistently combines her practical experience with a great service ethic to deliver great value to our clients.

Staff Arrivals ~ Claudia Visser

Claudia joined our accounting team in April 2015. She has several years experience with another Christchurch based accounting firm, and prior to that she both studied and then worked as an accountant in South Africa. We welcome Claudia to our team.

A NEW SEASON BEGINS

The 31st March 2015 now seems a distant memory 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 along with a request for your records so that we can begin processing your 2015 annual accounts and income tax returns. We encourage you to get those records to us as soon as possible. If you haven't received our request, please contact our office or you can download a copy of the questionnaire [here](#).

For those of you with a Company, we have also enclosed a Companies Interest Register. The Companies Act requires all companies to keep a record of loans to directors, guarantees given by companies in favour of directors, and other benefits provided by the company to directors. We request that you please complete this document and return it to us so we can file it with your company records. If you are unsure as to whether to include an item on the form please contact us.

UPCOMING ANNUAL FILING DATES

Annual RWT Reconciliations (IR15S) are due to be filed with IRD by **31 May** and RWT certificates for recipients of interest are also to be completed and sent to those people by this date.

Both quarterly FBT returns (IR420) and Ordinary Employee Annual FBT returns are also due **31 May**.

CERTIFICATES OF EXEMPTION FOR RWT AND PAYE

For clients who hold these certificates we remind you that these must be renewed each year if you want to continue to have RWT and/or PAYE deducted at special or zero rates. If you have not already renewed these certificates and would like assistance to do so please contact us.

DECLARATION OF DROUGHT

On 12 February 2015 Primary Industries Minister Nathan Guy officially declared what most of you already knew – drought in the Central & North Otago, Canterbury, and Marlborough regions.

This has meant some modification to the rules for Income Equalisation Deposits for farmers in these regions whose income has been “**significantly affected**” by the drought, and in particular:

- The ability to allow late deposits for the 2014 income year (up until 30 April 2015) – for which we have already identified and made contact with clients whom may benefit from this.
- The discretion to allow an early withdrawal from the Income Equalisation Scheme if you have been “materially affected” by the drought – we have made contact with clients whom we know to have a deposit and may be entitled to make an early withdrawal to consider whether or not this would be a suitable option. If we have made contact with you regarding this and you have yet to respond we encourage you to contact us.

INCOME EQUALISATION – ADVERSE EVENT RULES

In some cases the drought event will create additional taxable income for clients as a result of the sale of livestock that otherwise wouldn't be sold e.g. the sale of store stock that would normally be held over balance date to be sold fat in the next year, or sale of capital stock. The IRD will allow a deposit to the Income Equalisation Scheme within one month of the 2015 balance date under these rules and then allow an immediate withdrawal. This has the effect of transferring the income to the future income tax year. If you think that this situation may apply to you then please contact us.

**FILING AND PAYMENT DATES**

We remind clients that IRD are now strictly enforcing the due dates for payment of various taxes, essentially in an effort to encourage taxpayers to make these payments electronically. You can still choose to make these payments by cheque, however, the payment must be received to IRD by the due date otherwise late payment penalties and interest may apply. Lately we have found the IRD less willing to remit these penalties and interest so we suggest that you allow sufficient time if these payments are being sent by surface mail or that you change to paying electronically.

Similarly, the IRD is also encouraging taxpayers to have any refunds owing paid by direct credit to the taxpayers bank account. This is a secure and quick way to get refunds back to you. We wrote to all clients last year to recommend adopting this payment method and to get the relevant bank account details to enable IRD to do this. If you have not yet supplied that information and would still like to receive refunds by direct credit please contact our office so that we can assist you with this.

BUSINESS TAX UPDATE

Many of our clients receive a monthly publication from IRD called Business Tax Update. It provides a useful and very readable guide for many of the day to day business tax issues that clients encounter, as well as providing a reminder of key tax filing dates. If you would like to subscribe to this update [click here](#).

EMAIL SCAMS

The IRD have recently advised us that there are a couple of email scams doing the rounds at present. The first notifies clients that they have a tax refund due and then provides a link to provide or update your bank account details. The second involves a request to file a Property Disclosure Return (IR4T) – this is a fake return. IRD advice is to forward such emails to them at phishing@ird.govt.nz and then delete the email. If you have any doubts about similar emails you might receive then please contact IRD or us.

STUDYLINK

Eligibility for student allowances have always been subject to a Parental Income test, and in the last 2 years the definition of Parental Income has been broadened considerably to include things such as income in closely held companies in which the parents have an interest, income in trusts that have been settled by the parents, and adjustments for when parents have used the Income Equalisation Scheme or Deferred Fertiliser provisions.

The Studylink Student Allowance application form now requires a Parental Income Worksheet to be completed which can be viewed [here](#). i.e. it is no longer acceptable to simply send a certified copy of each parent's income tax return with the application. If you are completing this worksheet and are unsure of what details to include or exclude then please contact us.

USE OF MONEY INTEREST

IRD have recently increased their Use of Money Interest rates for underpaid tax to 9.21% (up from 8.40%) and overpaid tax to 2.63% (up from 1.75%).

INTEREST RATES

There have been two significant developments in interest rate markets in the past 3 months or so. First, capital markets are pricing short term rates to remain lower for longer with the possibility of a rate decrease. Second, the yield curve has flattened considerably to the point that longer term fixed rates are nearly identical to short term rates. On the face of it, this presents borrowers with the opportunity to lock in some longer term interest rate certainty at what appear to be very low rates by historical terms.

With respect to these developments we have been talking to clients about developing a more active strategy around their interest rate risk management, in particular, for those borrowers who have little or no debt on fixed interest rates. We have been addressing the following broad areas:

- Reviewing a client's interest rate risk tolerance and their view on the direction of rates.
- Understanding a client's preference for the split of debt between fixed and floating interest rates.
- Deciding on a timeframe to move from the current split of debt to the preferred split of debt.

Clearly, each client and their business will have a different tolerance to interest rate risk and how to manage it. If you would like to review your own situation at any time then please contact us.

ACC SERVICE

Late last year we wrote to all clients to let you know we are now offering an ACC Administration service. We have had a number of clients take this service up. We established this service because under the current system ACC send their levy invoices to you directly, but unfortunately they are not always correct. The types of error we find include:

- Incorrect industry classification descriptions
- Incorrect liable earnings calculations
- Incorrect levies where changes have been made to the business structure
- No splitting of income to allow for different types of work carried out

Our ACC Administration service will involve the following:

- We become your ACC agent and receive the ACC invoices
- We will review the invoices to check they are correct
- We will advise you immediately of payments due
- We will keep you up to date with any changes in ACC legislation that may affect you

Please contact us if you would like to know more about this service, including what it will cost and how to get it started.