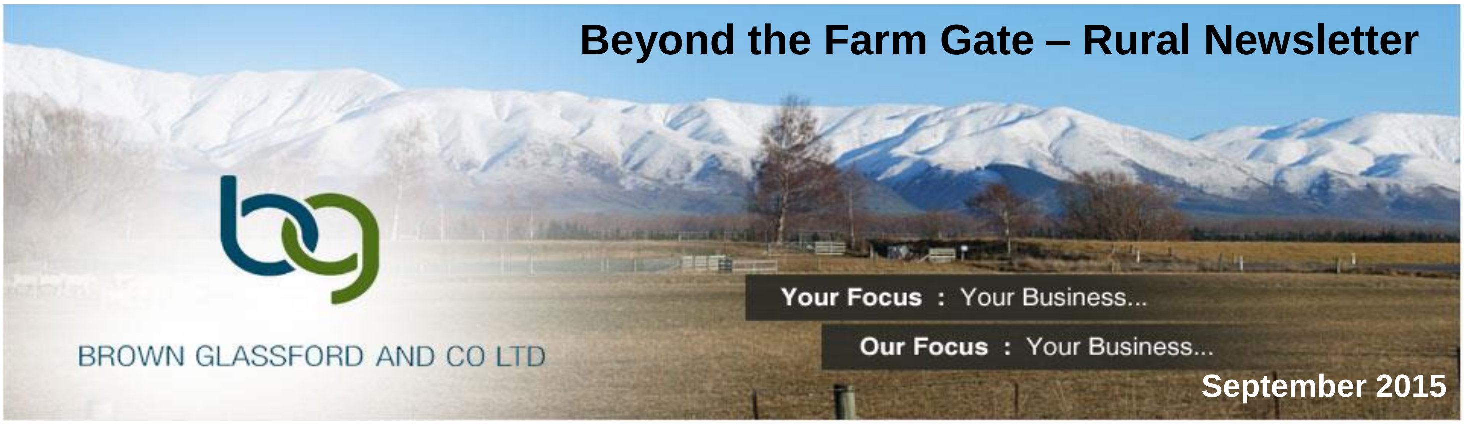

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2015 ANNUAL ACCOUNTS AND TAX RETURNS

By now clients should have been sent our annual questionnaire and been given an indication as to when we hope to complete your work. If for some reason you have not heard from us please get in touch. You can also get a copy of the questionnaire here.

2016 TAXABLE INCOME ESTIMATES

The current relatively low milk price forecast for the 2015-16 season, the ongoing impact of the 2015 summer drought, and current lower forecast prices for grain and other crops we will have a relatively large number of farming clients who will use the "estimate basis" to determine the amount of their 2016 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 IRD) 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 e.g. no. lambs, crop yields, kgMS
- Product prices e.g. lamb prices, crop prices, milkprice forecast
- Changes in farm costs e.g. projects, fertilizer, cost savings
- Availability or otherwise of previous year tax losses to offset future taxable income.

We will cover these things with you when we finalise your 2015 income tax returns, however, we suggest making contact with us if you think your taxable income has changed significantly since then.

IRD – VEHICLE MILEAGE REIMBURSEMENT RATE

The mileage rate has been set at 74 cents per km for both petrol and diesel vehicles from 1 April 2015. This rate doesn't apply to motor cycles, hybrid and/or electric motor vehicles. In most cases returns won't be amended for taxpayers who have already filed their 2015 returns using the 2014 mileage rate.

AUDIT SHIELD

This time last year we partnered with Audit Shield to offer insurance protection against the risk of professional fees incurred as a result of IRD requests for information in relation to taxpayer affairs.

Most of our clients will recently have received correspondence regarding Audit Shield to either renew their existing policy, or, if they opted out last year, consider whether their circumstances may have changed and decide whether or not they would now like to be added to this policy.

We remind you that this service is optional, and also that if you choose not to participate to please let us know so that we can record that with the insurer otherwise they will send a follow up notice shortly. If you have any questions related to this please contact us.

INCOME EQUALISATION SCHEME

Most of our farming clients will be familiar with the income equalisation deposit scheme. Essentially, it enables farming taxpayers to smooth the impact of income tax when farming income fluctuates from year to year. We are seeing increasing use of the scheme at present on the basis that many farming businesses income for the 2016 income year is likely to be significantly less than the 2015 income year.

The taxpayer makes a cash deposit to IRD and is entitled to a deduction for that amount. Then, when the deposit is withdrawn it is treated as assessable income. Generally a deposit must stay with IRD for 12 months before it can be withdrawn, however, early withdrawal is possible in some circumstances. Currently, the IRD are allowing deposit then immediate early withdrawal of those deposits if the farming business is located in the drought zone declared in February 2015 i.e. North Otago, Canterbury, Marlborough.

Again, we will cover these things with you when we finalise your 2015 accounts and income tax returns if we think there are benefits in using the income equalisation scheme.

~ Peter, Paul, David, Graham, Allison, Avis, Charlotte, Claudia, Diane, Elaine, Emily, Erin, Hannah, Jamie, Jess, Jill, Jing Yi, Kathleen, Laura Nancy, Nicole, Rachel M, Rachel F, Ravi, Terri ~

FARMSTRONG – WELLBEING PROGRAMME FOR FARMERS

A large number of our farming clients use FMG as their insurance provider, and recently FMG have launched their Farmstrong initiative which is a rural wellbeing programme designed by farmers for farmers and aims to promote tools and resources to "live well, farm well, and get the most out of life". If you want more information on this programme we recommend you visit this website.

Also, for those with significant investment in irrigation infrastructure FMG in conjunction with Lincoln University have recently released a guide to avoid irrigator damage, this along with other on farm risk management advice can be found here.

USEFUL RESOURCES

We are all bombarded with material from a variety of sources every day on a wide range of topics (including this newsletter), rather than repeat that information, here are some topics with links to a couple of useful things we have seen recently;

Beef and Lamb: Extreme Dry Management & Planning Toolkit – click here

Mark Townshend: Disciplines to Survive Low Income Farming Cycles – click here.

IRD – STUDENT LOAN BORROWERS GOING OVERSEAS

We have a large number of clients for whom we prepare tax returns for their children, and a large number of those have student loans. When student loan borrowers go overseas some of their obligations to IRD change, a couple of the key things to note are;

- Borrowers are still eligible for an interest-free loan if they go overseas for 183 days or less and they've been living in NZ for at least 183 consecutive days prior to leaving.
- Loan repayments are still required to be deducted from any NZ salary or wages received whilst away.
- Borrowers must disclose at the end of the tax year any other income they earn from NZ &/or overseas because they are still a NZ-based borrower and repayments are based on worldwide income.
- If away for 184 days or more, borrowers will become an "overseas-based" and the loan will no longer be interest-free from the day after you leave New Zealand, even if you're on a repayment holiday.
- Borrowers need to make two payments each year towards your student loan, based on your total loan balance. The due dates for these payments are generally 30 September and 31 March.

For more information on taxpayers obligations when going overseas click here .

FONTERRA SHAREHOLDER LOANS

As most Fonterra suppliers will be aware Fonterra is currently offering financial support to all of its shareholder suppliers via an up to 2 year interest free loan based on $0.50 per every kgms supplied between 1 June 2015 and 31 December 2015. We remind those Fonterra suppliers who intend to apply for this support that **applications close 5pm Friday 25 September 2015.** Visit the Farmsource Cooperative Support page on the Farmsource website. Please note that cash received and paid to Fonterra under this scheme are not subject to income tax nor GST.

90 DAY TRIAL PERIODS

Duncan Cotterill have prepared a useful article regarding the 90 day trial period *(January 2014).*

If you have recruited staff, you may have employed a new staff member, only to find that their skills and experience are insufficient for the job. Perhaps your star recruit is less than perfect for the role, even though they presented so well in the interview. You may be left questioning your hasty decision to hire, or the genuineness of a referee.

So, it's understandable that a statutory 90 day trial period is an attractive option if you're hiring staff. Employers relying on this trial period can notify staff of their dismissal within 90 days of employment, without facing a personal grievance over their dismissal. However, staff can raise personal grievance claims on other grounds (including discrimination, harassment or unjustified disadvantage), or claim that you have breached your duty of good faith.

Much debate surrounds 90 day trial periods. Are they legally enforceable? Can you dismiss staff on the 91st day? What happens if you haven't told staff that they need to improve?

It is useful to know the legal implications of 90 day trial periods. Keeping to legal requirements can save you from the headache of dealing with personal grievance claims.

While employers of all sizes can rely on trial periods to dismiss new staff, the Courts have made it clear that the criteria around the trial period is strictly applied. There have been many instances of employees successfully claiming that trial periods are invalid. An employee, who had been employed for just one day before signing to the trial period, successfully argued that she was not a new employee. The Court decided that her dismissal under the trial period was unjustified.

Follow this link to the Duncan Cotterill website for the rest of this article which includes some trouble-shooting tips for employers.