

# Beyond the Farm Gate – Rural Newsletter



BROWN GLASSFORD AND CO LTD

Your Focus : Your Business...

Our Focus : Your Business...

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## DAIRY SEMINAR

### Monday 13 October 2014 – Russley Golf Club

We, along with BNZ, are hosting a complimentary seminar that will outline some of the key things those aspiring to a successful career in the dairy industry should consider.

It is aimed at those in the early stages of their dairy farming career and have aspirations to progress in the industry and includes the following topics - developing skills to attract employers and business partners, employment issues, capital requirements and where to source it, and business administration.

We will also hear from a couple who have successfully navigated their way from entry into the industry to farm ownership. If you would like more information about this seminar or would like to attend please see our [website](#) or contact the office.

## STAIR ACCESS TO OUR OFFICE IS NOW AVAILABLE

The stairwell is now available between 8.30am – 5pm for those clients who would prefer to use the stairs instead of the lift to access our office at Level 2, 504 Wairakei Road.

## INTEREST RATES

The Reserve Bank has lifted the OCR 1.00% since the beginning of April 2014 and left it unchanged at its last meeting on 11 September whilst it assesses the impact on medium term inflation of those increases. Most economic commentators believe the Reserve Bank will resume the increases in early 2015 and that the peak in this cycle will be marginally lower than first thought – time will tell. What is evident, though, is that some of the longer term fixed rates have decreased by a reasonable amount over the past 3 – 4 months, and that the gap between floating and fixed has narrowed considerably.

As in previous editions of this newsletter, we recommend that clients get regular (say two weekly) information from your bank as to the movement in interest rates (ie: floating through to 5 years fixed) to help get a feel for the general direction of interest rates, and whether any opportunities might exist to take on some more fixed interest rate cover.

## *Staff Arrivals ~ Emily Eddy*

We welcome Emily Eddy who joined us last month in her role as personal assistant to Peter Glassford and Paul McCarron. Prior to joining us Emily worked for 7 years as a tax administrator for another accountancy practice.

## AUDIT SHIELD

As outlined in our previous newsletter, clients will have recently received from us an invitation to consider joining this insurance scheme. It covers the risk related to any professional fees incurred in dealing with IRD requests for information in relation to a taxpayers affairs.

We remind you that this service is optional, and also that if you choose not to adopt the insurance cover 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.

## IRD – PAYMENTS BY POST

A reminder that as from 1 October 2014 taxpayers who post payments to IRD need to have those payments arrive at the IRD on or before the due date to avoid late payment penalties and interest. New Zealand Post recommends you allow 3–4 working days for delivery from cities and towns and 5–10 working days from rural areas. Also, only cash or eftpos payments will be received by Westpac bank branches for tax payments. Where possible, IRD are encouraging taxpayers to make payments online.

## IRD ONLINE PAYMENTS

We recommend clients not to use the GAP tax type when making GST and Provisional Tax payments at the same time. We are often finding that these payments are taking longer for Inland Revenue to process and that the combined payments are not being split correctly between GST and Provisional Tax.

In some cases the Provisional Tax portion has ended up going to the GST and eventually being refunded as an overpayment. This in turn causes the Provisional Tax payment to be late which incurs late payment penalties. We recommend clients pay GST separately using the GST tax type, and then pay Provisional Tax using the INC tax type. Always keep an eye on the year you are paying the amounts to.

**IRD AUDIT ACTIVITY**

After many years where IRD audit activity of farming clients was generally minimal, they have now altered their process to issue Risk Review – Requests for information. A risk review is a preliminary review of selected information to determine whether or not a formal audit is warranted. This process can be compared to a “fishing trip” to see if there is anything which will interest the IRD. Once this process is complete the department will, if required, formally commence an audit. Prior to the audit commencing, you may voluntarily disclose any errors or omissions reduce the taxation penalties by up to as much as 100%

Ordinarily, these initial requests for information will be sent to us as your agent. However, in some cases they are sent directly to our clients. If you receive one of these, we request that you contact us.

**IRD – PHONE SCAMS**

These are still happening, and are taking a more aggressive tone with the callers sometimes threatening deportation or imprisonment if taxpayers do not pay. Ignore them and make contact with us if you have any concerns about possible unpaid taxes.

**FUEL EXCISE DUTY REBATES**

Petrol sold in NZ has an Excise Duty applied to it. However, for petrol not used in vehicles on the road, you may be entitled to a rebate of this duty.

Excise Duty applies to the following fuels at the following current rates (as at July 2014):

- Petrol \$0.56524 per litre
- LPG \$0.1040 per litre

Excise Duty does not apply to diesel. Instead of having the tax applied to the fuel, owners of diesel vehicles pay a road user charge based on mileage. Road user charges can also be refunded when vehicles are used off road (refer to: [www.nzta.govt.nz](http://www.nzta.govt.nz) for details).

Farmers are entitled to claim a rebate on the above fuels used in the operation of petrol tractors, farm bikes, chainsaws, brushcutters, stationary motors and generators, gas bottles for docking.

The key point is that this is an on-road vs off-road vehicle test. It is not the business use test that we use for Annual Accounts or GST. Claim forms (MR70) are available from the New Zealand Transport Authority, or are found at <http://www.nzta.govt.nz/resources/factsheets/14/doc/mr70-excise-refund-form.pdf>.

An Excise Duty fact sheet (Factsheet 14) provides details on the Excise Duty refund process. For those who apply for and obtain a petrol rebate, these refunds are subject to GST and Income Tax. The refund should be credited back against the appropriate expense code, or recorded as taxable sundry income. Service providers who will complete this process include:

- <http://www.fuelrefunds.co.nz/>
- <http://fuelrebatesnz.com/>

**2014 ANNUAL ACCOUNTS AND TAX RETURNS**

By this time of the year all 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 from [our website](#).

**2015 TAXABLE INCOME ESTIMATES**

Some of you will use the “estimate basis” to determine the amount of your 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, payout 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 2014 income tax returns, however, we suggest making contact with us if you think your taxable income has changed significantly since then.

**IRD – MILEAGE RATES**

The mileage rate for both petrol and diesel fuelled vehicles remains at \$0.77/km for the 2015 income year. The rate is for individuals who travel 5,000km or less pa. It can be used by businesses using private vehicles for business purposes to calculate expenses for business use of a vehicle. It can also be used by employers as a reasonable estimate of vehicle expenses incurred by employees for the use of their vehicles for business travel.

**EMPLOYEE DEBT DEDUCTIONS**

Sometimes IRD may request employers to deduct monies owing to IRD by employees directly from their wages. If you are an employer in this circumstance the IRD will request this action by notice including payment instructions and will also notify you when to stop making those payments. These deductions are in addition to and must be kept separate from the usual PAYE and other deductions made from an employee’s wages, and are not to be included on the IR348 employer monthly schedule or IR345 employer deductions form.