

Beyond the Farm Gate



Farming Newsletter

September 2012

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Spring is here #1

The 1st of September has come and gone, there are already plenty of lambs and calves running around in most districts, and preparations beginning for the new cropping season. We hope you and your staff have a successful 2012-13 farming season.

Spring is here #2

Staff News/Announcements

As of September 2012 Rachel McVie, Christie O'Donnell and Jing Yi Chin are beginning their maternity leave.

We eagerly await the news of the safe arrival of each of their babies later in September.

If one of these staff members is your contact person within Brown Glassford, you should have received an email outlining who you can contact for assistance in their absence. Alternatively, you may contact your Director, or any of our other staff, who would be willing to assist you.

At this stage, we are expecting Rachel, Christie and Jing Yi back at various stages throughout 2013.

IRD Delinking Clients

We have had several instances over the last couple of months where the IRD have delinked clients from our IRD agency list, thereby preventing us from accessing client information at the IRD.

Most commonly it is the children of clients for whom we complete income tax returns, and we find the usual cause of this to be where they use, or are approached by, tax refund services which are often found in shopping malls or similar places.

Often it is preferable for us to complete the income tax returns for children of clients, particularly when they are being allocated income as beneficiaries of Trusts and/or where they have Student Loans and

we review their taxable income to ensure Student Loan obligations are being met.

Where we need to re-link clients to our agency list with the IRD, we also need to complete new "Authority To Act" forms and have them signed by these clients, which all adds to the time and cost of completing the job.

We would ask that, where possible, you contact us prior to engaging these types of tax refund services so that we can advise you accordingly.

Accommodation Provided to Staff

We often get questions from clients regarding how to treat the value of accommodation provided to staff, for the purposes of deducting PAYE and employer Kiwisaver deductions.

From 1 April 2008, the definition of salary and wages was amended to exclude allowances paid in place of a benefit. This means the market value of accommodation which an employee may receive in connection with their employment is **liable for PAYE**, but is **excluded from salary or wages for KiwiSaver purposes**.

Example:

A farm worker with a gross salary of \$500 per week lives in the farm cottage which has a market value rental of \$200 per week, this results in the following:

- Gross salary \$500
- Accommodation benefit \$200
- Taxable Gross salary \$700
(gross salary \$500 + accommodation benefit \$200)

The employer needs to calculate and deduct PAYE on the \$700.

The employer needs to calculate and deduct the employee and compulsory employer Kiwisaver deductions on the \$500

Example:

A farm worker with a gross salary of \$500 per week lives in the farm cottage, which has a market value rental of \$250 per week, but pays the employer rent of \$100 per week, this results in the following:

- Gross salary \$500
- Accommodation benefit \$150
(market rent \$250 less rent paid \$100)
- Taxable Gross salary \$650
(gross salary \$500 + accommodation benefit \$150)

The employer needs to calculate and deduct PAYE on the \$650.

The employer needs to calculate and deduct the employee and compulsory employer Kiwisaver deductions on the \$500

Petrol Rebates



We have covered this in previous newsletters, however, given the recent upward direction of fuel prices, we think it is timely to give you all a reminder.

All petrol sold in New Zealand has an Excise Duty tax applied to it. This tax is theoretically for the creation and maintenance of the country's roading infrastructure. It follows then that petrol not used in vehicles on the road should have the Excise Duty refunded.

Excise Duty applies to the following fuels at the following current rates (as at April 2011):

- Petrol \$0.5052 per litre
- LPG \$0.1040 per litre
- CNG \$3.17 per gigajoule

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 for details).

Farmers are entitled to claim a rebate on the above fuels used in the operation of the following:

- Petrol Tractors
- Farm Bikes & Quad Bikes
- Chainsaws
- Brush Cutters
- 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.

At \$0.5052 per litre, the petrol rebate is worth claiming. Farming bikes, particularly quads, use a lot of petrol. Many farmers easily use several thousand litres per year. \$0.5052 per litre rebate over 2,000 litres generates a \$1,010 rebate. This is not a bad reward for minimal paperwork and quarterly claims. 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.

Claims are filed quarterly and require details of usage of fuel, a reconciliation of opening and closing stock and proof of purchases. It is possible to claim refunds as far back as two years, but you lose 10% of the refund for any claims older than three months.

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.

Grazing Agreements



Every year we hear stories from farmers who have had a disappointing experience regarding the grazing off of either replacement heifers or winter cows (or both for some unlucky ones!!), or ewe hoggets. In many cases, the ability to address these concerns with the grazier involved is severely limited due to the lack of a formal grazing agreement between the parties.

Given the often large monetary value of the livestock being grazed off, but also the potential impact on future production performance of the

livestock (i.e.: conception, liveweight gain, milk production), we recommend that a formal grazing agreement is worth considering to outline the responsibilities and protect the interests of the parties involved.

Such an agreement would cover some of the following:

- A schedule of stock
- Reference items (eg: term, grazing fees, liveweight targets, condition score minimums, payment terms)
- The Agreement to Graze
- Weighing or Condition Scoring
- Payment of Fees
- Owner's Obligations
- Grazier's Obligations
- Other Rights & Obligations
- Responsibility for Stock
- Dispute Resolution Process

Some good examples of grazing agreements (along with a whole host of other common farming agreements) can be found on the DairyNZ website at the following link:

<http://www.milksmart.co.nz/Resource/ListForDairyNZSite?pagelD=2145866565>

Interest Rates



Our view hasn't really changed regarding what is currently happening with interest rates. We repeat our thoughts as per the last newsletter.

Given continued volatility in overseas capital markets in particular, we continue to recommend that you obtain regular (say two weekly) information from your bank as to the movement in interest rates (e.g.: floating through to 5 years fixed). It will help you get a feel for the general direction of interest rates.

This is certainly useful if you have fixed interest rates expiring, or if you are contemplating fixing interest rates on debt that you currently have on a floating rate.

Something that banks are doing more of for their clients is the "forward fixing" of interest rates. Essentially, they can book an interest rate now to come into effect at some point in the future eg: agreeing now for a fixed rate to apply on a loan from, say, 1/6/2013. Depending on your circumstances, this may mean that you can take advantage of currently lower floating rates for now, but "lock in" the certainty of a fixed rate in the future.

Brown Glassford – Premises Update



The construction of our new premises at 504 Wairakei Road is progressing well and we will be in the building from early October.

We will be sending a flyer to all clients soon to advise our new contact details, together with a map of our location.

