

Beyond the Farm Gate – Rural Newsletter



BROWN GLASSFORD AND CO LTD

Your Focus : Your Business...

Our Focus : Your Business...

September 2016

P 03 365 0881



F 03 377 2991



admin@brownglass.co.nz



www.brownglass.co.nz

2016 ANNUAL ACCOUNTS AND TAX RETURNS

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

PAPERLESS INITIATIVE

Brown Glassford is moving to become a more paperless working environment. Our first step in implementing this is to start emailing our Brown Glassford invoices and monthly statements. Clients will soon receive written correspondence from us advising them of this change, confirming contact details and giving the option to continue receiving invoices and statements via post.

We encourage our clients to send through any accounting information to us electronically (whether it be for GST or Financial Statements). This can be done via email, or by sending it to us on a USB. We appreciate this is not always suitable and are still happy to receive hard copies of records.

ACC LEVIES

Recently ACC have identified that a number of tax payers have been overcharged ACC Levies where they have been on ACC Cover Plus Extra and receiving shareholder salaries from Companies which have also been levied for these salaries. As a result they are reviewing the levies paid for some of our clients and in most cases offering a credit for overpaid levies which can be applied toward levies owing for current and future periods.

If you receive any communication from ACC regarding this issue, we suggest you send the documentation to us to check as the information supplied can be confusing.

RATIONS PROVIDED TO EMPLOYEES OR CONTRACTORS

You or your business will normally be entitled to claim a deduction for the cost of meals provided to employees or contractors whilst they are carrying out work at your property. You should keep a record of the number of meals provided, and their cost, and include this in the Annual Questionnaire so that your business can claim the deduction. In the absence of records being kept in respect of the cost, we would normally allow \$5/person for morning/afternoon teas, and \$10/person for main meals as a reasonable estimate.

KATHLEEN WOODSIDE

With great sadness the Directors and Staff of Brown Glassford & Co advise the passing of Kathleen Woodside. Kathleen was a senior staff member and practice manager for 25 years and her contribution to our company was immeasurable. Our condolences go out to Merv, Samuel, Emily and her extended family at this sad time. We would like to recognise and thank all clients and friends of Brown Glassford & Co who offered their condolences and sympathies to us and Kathleen's family.

Staff News

CHARLOTTE NELSON

We have farewelled Charlotte who has decided to pursue a career outside accounting. We wish her all the best for the future.

KELLY JIANG

We would like to welcome Kelly who recently joined our firm. Kelly came from China 14 years ago to study in NZ and graduated from Otago University with a BCom. Kelly is married with 2 small children who keep her very busy.

EMPLOYMENT LAW MORE TRIALS AND TRIBULATIONS WITH TRIAL PERIODS

The requirements for an effective trial period provision are pretty simple but they have to be complied with. For there to be an effective trial period the following criteria must be met:

- the employee must be a new employee - if they have worked for the employer before or have started work before being given and signed an employment agreement, they won't be a new employee;
- the maximum trial period is 90 days from the date of commencement of employment – it can not be extended;
- the period must be specified in the Employment Agreement;
- the agreement should state that during the trial period, the employer may dismiss the employee and if that occurs, the employee can not bring a personal grievance or any other legal proceedings in relation to the dismissal.

If you have any questions regarding this please contact us.



FARM EMPLOYEE HOUSING – SERVICE TENANCIES

As the 2016/2017 season begins, farmers should be ensuring that their staff employment contracts adequately deal with employee housing.

Employees are provided with accommodation while they are employed on the farm. Once the employment contract ceases, the farm owner needs the house to be vacant so that it can be used by the next employee.

It is advisable that where the employer provides accommodation, it is covered by a 'service tenancy' agreement. A 'service tenancy' is a specific type of tenancy agreement that relates to accommodation being provided as part of an employment relationship. This agreement is generally an additional separate agreement to the employment contract.

Under a service tenancy, the tenancy usually ends when employment finishes, and the employer has given the employee 14 days notice to move out of the house. The 14 days can be reduced if the accommodation is needed by another employee and there is no alternative accommodation available.

When the tenancy agreement is not a service agreement, problems can arise when the employment finishes. Under a normal tenancy agreement, the landlord must give the tenant at least 90 days notice to end the tenancy.

This could lead to an unpleasant three-month period where the now former employee remains in the farm house while the new farmer worker has to find alternative accommodation.

The 90 day notice under a normal tenancy agreement can be reduced to 42 days if the property owner or their family are to move into the property, or if the property is to be sold. However, neither of these situations are likely to occur in a normal farming operation.

Federated Farmers advise that employees should be required to pay a bond for the accommodation. If the employee damages the property or leaves unexpectedly, the bond can be used to cover the costs of damage. The bond will need to be lodged with Tenancy Services (part of the Ministry of Business, Innovation and Employment).

Using a bond to cover damages or outstanding expenses is easier than trying to make deductions from the employee's final pay which can be difficult. No deduction can be made without the employee's agreement.

BRIGHT LINE TEST/FARM HOUSES

Recently we outlined the new "Brightline Test" that can result in any gains made on the sale of residential property owned for less than 2 years being taxable with some exceptions. Although this does not apply to "farmland" as such this can apply to lifestyle blocks or farm cottages.

If you are selling property within 2 years of purchase thought needs to be given to whether this test will apply. If you are concerned, please contact us for clarification.

HOLIDAY PAY

We get many enquiries from clients regarding holiday pay for their employees. Employees are paid the average weekly earnings for the previous 12 months or the ordinary weekly pay at the beginning of the holiday pay period. ***Whichever is greater.***

Employees are entitled to **four weeks annual holiday.**

Example 1

Alex is a salaried Office Manager on a large dairy farm business. He works 25 hours per week, five hours per day. Monday to Friday. He is entitled to four weeks based on his working week which is 20 days or 100 hours per year.

Example 2

Mary is a salaried Farm Manager. She works a set roster of 6 days on, 2 days off throughout the year.

- 1 Mary's employer calculates that she has 90 days rostered off per year.
- 2 She divides the number by 52 weeks to calculate 1.73. This is the average number of rostered days off per week.
- 3 Therefore an average working week is 5.27 days per week (*7 days less 1.73 off*)
- 4 5.27 days per week times 4 weeks equals 21 days. Four weeks for Mary equates to 21 days annual leave per year.

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 Inland Revenue 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 PROTECTION INSURANCE

Many of you may have Income Protection Insurance policies to provide for your income in the event of accident or illness in addition to any cover you may receive under ACC.

We remind you that premiums for these policies may be deductible against taxable income provided that the benefit from the insurance policy is taxable. Please let us know if you have an Income Protection policy so that we can ensure it is treated appropriately when completing your income tax return.