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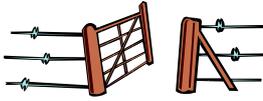


BROWN GLASSFORD  
AND CO LTD

# Beyond the Farm Gate

## Farming Newsletter

August 2009



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### 2008 Farm Statistical Survey

Please find enclosed a copy of the Brown Glassford & Co Limited farm statistical survey for 2008.

Probably only one of the eight farm groups will interest you but we suggest that you read through all groups and the relevant comments as it will give you a good overview of the physical and financial results from the agricultural industry for the 2008 year.



### Newsletter by Email

In an effort to reduce our carbon footprint we are going to discontinue sending this newsletter by post and will be sending it to everyone on our newsletter database via email from the October edition onwards.

We realise some of our client email addresses may not be current so will endeavour to contact clients if we have any issues emailing the newsletter.

Should you still wish to receive the paper version by post, please contact Rebecca on (03) 365 0881 and you will continue to receive a hard copy.



### Staff News

#### New Staff Member

We are pleased to welcome **Emma Howard** to the Brown Glassford team. Emma grew up in North Canterbury and has just bought her first house with her partner and is enjoying having her own space with her two dogs. Emma plays indoor netball during the week, touch rugby in the summer and has a road bike so when she has free time she enjoys cycling. Weekends are spent catching up with friends & family, supporting her partner Chris' rugby and she loves helping him on his parents' farm in Lincoln.

Emma has been preparing Annual Accounts for over three years and is studying part-time towards her Bachelor of Commerce at Canterbury University and will continue her studies to become a Chartered Accountant (CA).

#### Baby News



Haydn and Anna Randall became the proud parents of their first child, Isabella, who was born on the 21<sup>st</sup> of June 2009. She has been brought into the office twice to see the Brown Glassford team and she seems to have the effect of stopping traffic and work at the same time!!!



#### Change to FBT Filing

Under the small and medium business tax relief package announced by the Prime Minister John Key in February 2009, tax payers who have been filing quarterly FBT Returns may now qualify to file the Returns annually. If your business has less than \$500,000 of annual PAYE deductions, then you can qualify to file your FBT Returns on an annual or yearly basis.

#### Income Year FBT Return

This is available if your company has shareholder employees only and your annual PAYE deductions are less than \$500,000, or you are a closely held company and you only provide motor vehicles for private use.

#### Annual FBT Return

This applies if your Annual PAYE deductions are less than \$500,000.

If you qualify to change to an annual or income year FBT Return filing frequency, you must apply to the Inland Revenue Department on the last day of the first quarter of the annual year.

- For those clients with a **31 March balance date**, the end of the first quarter being the 30<sup>th</sup> of June 2009 has now lapsed; therefore you will only qualify to file annual FBT Returns from the 2011 year onwards.
- For those clients with a **31 May balance date**, you have until 31 August 2009 to apply to the Inland Revenue to become an annual filer for the balance of this tax year.
- For those clients with a **30 June balance date**, you have until the 30<sup>th</sup> of September to apply to the Inland Revenue to qualify for annual filing for the rest of this tax year.



#### Comment on Interest Rates

We last made comment on interest rate strategies in the February 2009 edition of this newsletter. At that time the longer term fixed rates had dropped and in some cases it was worth breaking existing fixed rate loans and moving to new, low rates.

The potential advantage of breaking out of a current fixed rate loan to re-fix for a longer period is now marginal if not more expensive.

The current indication from the Reserve Bank is that the low floating rate is likely to stay at this level until the latter half of 2010. Therefore it is worthwhile considering leaving a portion of your borrowings on short-term rates and/or floating rates.

Bill rates are between 4.5% and 5.5% and floating rates are about 6% with the one, two and three year rates being anything from 5.99% to 7%. The longer rates being four to seven years are anything from 7.5% to 8.5%.

If you have loans rolling over, it is worthwhile making careful analysis of whether to fix short, fix long or to float. It is still worthwhile obtaining the following information from your bank:

1. Current interest rate status.
2. Fixed rate rollover date.
3. Cost of breaking current fixed rate now.
4. Current interest rates for:
  - 30-60-90 day bill interest rates
  - Variable/floating
  - Fixed rates for one to ten years



## Payments to Seasonal Workers

### Casual Agricultural Employer

Individual casual agricultural employees (CAE) are people employed on a casual day-to-day basis for up to three months and are classified as employees. They have PAYE deducted at a flat rate of 22.7%. This includes the ACC Earners' Levy.

### Independent Contractor

Much of the work carried out in the farming business these days is carried out by independent contractors. In these situations the relationship of the parties is not strictly one of employer and employee.

Where a person engages an independent contractor to carry out horticultural or agricultural services they must either sight the independent contractor's Certificate of Exemption (if they hold one), or alternatively deduct Withholding Tax at 15%. There is an exception to this if the contractor is a company (but not for a company involved in viticultural work).

Often independent contractors are registered for GST and if they are the employer must withhold tax from the GST exclusive amount, of any payment. If a GST tax invoice has not been issued the employer must withhold tax from the gross amount of the payment inclusive of any GST.

The regulations took effect from the 1<sup>st</sup> of April 2006 but the Tax Legislation has recently been updated to incorporate all agricultural and horticultural contracting types.



## Administration Deductions for Farmers

### Telephone

The IRD accept that 100% of the phone rental plus business toll calls are deductible to a farmer. In 1994 the IRD suggested that the telephone rental for farmers would be looked at together with other farming deduction issues as part of a wider view. To date no such review has been carried out.

### Newspapers

The IRD accept that 100% of the costs associated with newspapers, magazines or journals that provide relevant farm information such as stock prices, weather and exchange rates are 100% deductible.

### Rations

The IRD accept \$10.00 per week per employee as costs associated with feeding a farm worker or actual costs if records are kept as the correct tax treatment. It appears that \$10.00 per week threshold was set for the 31<sup>st</sup> of March 1982 year and has not been updated since.

### Wages paid to Children

There are certain requirements that need to be met by farmers employing children in their business. They must ensure that:

- Wages are paid regularly.
- The money is actually paid out in cash.
- The wages reflect actual work done.
- A child tax payer is someone younger than 15 years of age or less than 18 years of age attending a school.

It is not necessary to deduct PAYE from wages providing each child does not receive payments greater than \$45.00 per week, which equates to \$2,340.00 per annum. This is because the child tax credit of \$292.50 per annum would be equivalent to the PAYE deducted on wages paid up to \$2,340.00. Therefore if payments are greater than \$45.00 per week, PAYE deductions must be made for each child.



## Brown Glassford Record Keeping Dividers

We offer to our clients' free record keeping dividers to help clients organise their records throughout the year. Efficient record keeping enables us to complete Annual Accounts more accurately.

The record keeping dividers consist of 10 tabs and each tab has a heading as follows:

- |                          |                             |
|--------------------------|-----------------------------|
| ★ Tax Return Information | ★ GST, FBT and RWT          |
| ★ Income                 | ★ Expenses and Tax Invoices |
| ★ Wages and ACC          | ★ Bank Statements           |
| ★ Assets                 | ★ Monthly Suppliers         |
| ★ Loans, HP's and Leases | ★ Computer Reports          |

If you would like to place an order for a set of the dividers, please contact the office or email Jayne on: [jayne.lewis@brownnglass.co.nz](mailto:jayne.lewis@brownnglass.co.nz).

We would like to thank those clients who use our record keeping system and appreciate all the positive feedback we have received.

## 50:50 Sharemilking Position Wanted



We have a young couple looking for a 50:50 sharemilking position in Canterbury for the 2011 season. They are happy to look at all 500 to 1,200 cow positions. Good references available.

Please contact James McCone 021 848 004.