

Telephone: (03) 365 0881
Facsimile: (03) 377 2991
Email: admin@brownglass.co.nz
Website: www.brownglass.co.nz

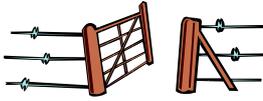


BROWN GLASSFORD
AND CO LTD

Beyond the Farm Gate

Farming Newsletter

December 2009



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Merry Christmas

The team at Brown Glassford & Co would like to wish you and your families a very Merry Christmas and a happy and prosperous 2010 year.

Our office will close at 5:00pm on Wednesday the 23rd of December 2009 and will re-open on Monday the 11th of January 2010 at 8:30am.

Should you need to contact us urgently during this time, you can contact Graham, Peter, Haydn or Paul on their cell phones:



Graham: 027 437 3199
Peter: 027 439 3246
Haydn: 021 242 9488
Paul: 021 263 6669



Tax Legislation

Tax Legislation has just been passed and we comment on the effect of it below:

Resident Withholding Tax (RWT) Alignment

From 1 April 2010 the RWT deduction rates will change to be brought into line with the new personal tax rates of 12.5%, 21%, 33% and 38% depending on the tax payers' income. The RWT deduction rate for companies moves to 30% from the 1st of April 2010 to bring it in line with the companies taxation rate.

A new default rate of 38% will be issued for people who do not notify their bank of their correct tax rate. This will apply to accounts opened from the 1st of April 2010. There will be a transitional period for people

who have a bank account as at the 1st of April 2010 and who currently have a default rate of 19.5%. They will automatically be given a rate of 21% from the 1st of April 2010 and if they do not confirm that 21% is their correct rate or elect another rate within a year, they will be given the RWT default rate of 38% from the 1st of April 2011.

Tax Rates of Portfolio Investment Entities (PIE's)

The tax rate on PIE's are to be aligned with the personal tax rates of 12.5%, 21% and 30% effective from the 1st of April 2010. Currently the PIE rates are 0%, 19.5% and 30% depending on your income. Companies and Trusts continue to have the choice of 0% or 30%.



Changes to Tax Rules Horticulture & Viticulture

From 1 April 2010, employers need to deduct tax from any payments made to contractors for work or services provided under a contract or arrangement for the supply of labour, or substantially for labour, whether provided by an individual, partnership, trust or company when working on land in connection with:

- Fruit Crops
- Orchards
- Vegetables, or
- Vineyards

This does not include work or services by:

- A post harvest facility
- A management entity under a formal management agreement under which the entity is responsible for payment for the work or services provided.

Tax should be deducted at the rate of 15 cents in the dollar, unless the contractor has a Certificate of Exemption or a Certificate authorising a lower rate. If the contractor does not have a Certificate of Exemption and does not give their employer a fully completed *Tax Code Declaration (IR 330)*, then their employer is required to deduct tax at the non-notification rate of 30 cents in the dollar.



Brown Glassford Website



It has been a long time coming, but Brown Glassford have recently gone live with our brand new website. The new site has a lot more information and functions so please go and have a tour!

www.brownglass.co.nz

KiwiSaver & Accommodation Benefits



For employees who are on KiwiSaver, the market value of the accommodation in connection with their employment is excluded from salary or wages for KiwiSaver purposes. The value of housing is included in Gross Taxable Income and is subject to PAYE Tax. Using the example below, the KiwiSaver contribution should be calculated on the gross wage of \$700.

- A reminder that employers are able to supply farm employees with accommodation (either room and board or a house) without charge.
- The value of board (or allowance instead of accommodation) that an employer provides to an employee in connection with their employment or service is not a fringe benefit.

PAYE must be calculated on the total value of the actual (cash) wage plus the market rental value of the board and lodging or accommodation provided.

In effect, a farm employee who gets free board and lodging or accommodation is being paid partly in cash and partly in kind. Both elements form the total remuneration and all of it is subject to PAYE.

For example: If the average market rental in Ashburton for a two bedroom house is say \$250.00 per week then this should be a starting point for determining the level of rent you charge the employee in that location. From this amount you would make adjustments for location (isolation factor or being close to a dairy shed etc) and the condition of the house. Let's assume that the adjusted rental is \$200.00 per week and the employee's gross weekly wage is \$700.00.

Gross Wage	\$700.00
Plus value of rental	<u>\$200.00</u>
Total taxable gross	<u>\$900.00</u>
Less PAYE	\$181.41 (<i>weekly PAYE tables</i>)
Less value of rental	<u>\$200.00</u>
Net Pay	<u>\$518.59</u>

If you are a sharemilker and you have employees living in a house on the farm owner's property, the same situation still applies even though the accommodation supply is not directly between the employer and employee. The provision of accommodation is taxable in the hands of the employee as income.



Minimum Family Tax Credit to Rise

On 24 November 2009, the Government announced that eligible low-income working families will be entitled to an increased minimum family tax credit from 1 April 2010. The minimum family tax credit provides a guaranteed minimum family income to families who are in work. It currently guarantees recipients a net income of \$20,540 per annum. This will rise to \$20,800 from 1 April 2010. The eligibility requirement is that you must work for salary or wages i.e. not be self employed.

Sky TV Country Channel Subscription



Some clients have asked whether they are entitled to a deduction for the cost of subscribing to the new Country Channel paid to Sky Television. A subscription paid to Sky Television is made up of a number of parts. Every customer needs to subscribe to the basic Sky package, currently costing \$11.75 per week. Then they are able to

add extra packages to their basic subscription. One of those is the Country Channel costing \$3.35 per week.

Inland Revenue have concluded that although the cost of subscribing to the Sky Country Channel could be deductible, the cost of the basic Sky package would not be deductible because the principal purpose is private enjoyment. Therefore, only the subscription paid specifically for the Country Channel is deductible for tax purposes.



GST Return Due Date

A reminder if you are filing a GST Return for the period ended 30 November 2009 that it will be due on Friday the 15th of January 2010. If Brown Glassford & Co Limited prepares your GST Returns for you, please have your source data to us by **Friday the 18th of December 2009**.



2009 Tax Refunds

A large number of our clients are expecting significant tax refunds for the 2009 year, most of them due to the economic environment and associated trading conditions. Inland Revenue have notified us that they are reviewing every taxation refund over \$1,000 before it is released. Therefore the release of expected tax refunds is quite slow in most cases.

Inland Revenue have a 10 week turnaround time frame and we do chase up tax refunds where the amount is significant or where the Income Tax Return has been filed for a significant amount of time.

The majority of refunds in question relate to the overpayment of 2009 Provisional Tax, Working for Families Tax Credit Entitlement and Foreign Investment Fund refunds.



'Movember' for the BG Directors

The Directors of Brown Glassford & Co Limited put down their razors for the month of November and participated in 'Movember' which supports men's health issues, particularly prostate cancer and depression.

Graham, Haydn and Paul all grew moustaches for the month and Peter (who has had a beard for many years) shaved his beard off at our work Christmas function. The Directors would like to thank all clients, staff, friends and family who kindly donated. Brown Glassford raised **\$1,335.00** which was a fantastic total for a very good cause.



Staff News

Hannah Hamilton

We would like to introduce you to our newest staff member Hannah Hamilton.

Hannah was brought up on a sheep and beef farm near Winton in Southland and came to Brown Glassford & Co after completing her BCom at Otago University. Once finishing school, Hannah worked as a trainee Accountant at a Chartered Accountancy firm in Invercargill for three years. Hannah enjoys riding her horses, playing tennis and socialising with friends. Welcome to the team Hannah!