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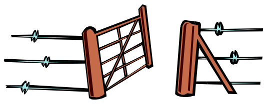
Beyond the Farm Gate



Farming Newsletter

June 2009

THIS EDITION

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Postage Rates

Last year NZ Post changed the price of posting letters within New Zealand. Since the postage change, some mail sent to us from clients has insufficient postage and is therefore being sent back to the client and not reaching our office. To ensure in the future that correct postage is put on incoming mail to the office by our clients, below are the **current** postage rates:

- Standard Envelope **$0.50**
- A4 Size Envelope (large) **$1.50**
- Foolscap Size Envelope (extra large) **$2.00**

We have advised the Post Office where our PO Box is situated to on-send all mail to us that has insufficient postage and we will pay the balance outstanding. This rule is in place until **1 July 2009** where after mail sent with insufficient postage will be returned to sender.

The NZ Post website is a useful tool if you are unsure what postage is required on mail and we use this service regularly within our office:

www.nzpost.co.nz

Click on the 'rate finder' tab detailed on the left hand side of the screen and follow the steps.

Adverse Events Income Equalisation Scheme

The Government has declared North Canterbury a drought area. This means that farmers who have sold stock because of the drought, and where that stock has not been replaced by Balance Date, can deposit a sum equal to the profit on the sale of that stock to the Adverse Events Income Equalisation Scheme. The deposit is then refunded straight away.

The effect of this will be to transfer any profit from the 2009 year to the 2010 year. Any deposit must be made within 30 days of your Balance Date. If you have sold stock because of the drought, and that stock will not be replaced by your Balance Date, and you wish to use the scheme please contact our office so we can arrange for you to provide us with the following information:

- A list of stock sold by type
- Date of the sale
- GST exclusive amount received

90 Day Trial Period

Effective from 1 March 2009, the Government has passed legislation granting employers the right to release an employee within the first 90 days of employment with no right to lodge a personal grievance against the employer.

The Government has introduced this legislation in an effort to encourage employers to provide employment opportunities to people, without financial risk to the employer if the employment relationship does not work out.

In an announcement on 11 December 2008 the Minister of Labour, the honourable Kate Wilkinson, stated that "by lowering the legal risks employers face, they will be more confident in giving people the opportunity to prove themselves" and that "the 90 day trial will provide real opportunities for people at the margins of the labour market".

As with any legislation, it is not as simple as it sounds. The probation period provisions only apply where the employer employs fewer than 20 employees… at the beginning of the day on which the employment agreement is entered into. However, in some cases the point at which an Employment Agreement is entered into can be unclear. For example, is the Agreement entered into when the offer is made and accepted orally, or when the Agreement is signed by the first or second party to affix their signature?

In addition, in order for the 90 day period to be in effect, the legislation requires a trial period provision to be written into the employee's Employment Agreement. However, some employers in small businesses still do not enter into written Employment Agreements with their staff, even though they have been a legal requirement since 2000. If the Agreement and trial provision are not in writing there is no protection under this legislation.

The requirement for an employer to employ fewer than 20 staff for this protection to apply may lead to debate. Small private businesses often include family members as employees, although they might not be actively involved in the business in the same way as other employees.

This provision appears to be based on a 'headcount' methodology as opposed to full-time equivalent staff. Hence, the cleaner who comes in for two hours each day will be included in the headcount, as will job sharing part-time workers. The method of counting staff will become critical as once the employer hits the 20 staff threshold, further employees will not be subject to the provisions.

If an employee is not dismissed within the 90 day period, the employer will be subject to the normal provisions to justify a dismissal and will have no protection from the section of the Act. This will be strictly applied.

The changes to the Act do not protect the employer from a grievance for unjustified action. That means that if the employer changes the employee's role or reduces their pay, the full procedural requirements still apply.

Recognised Seasonal Employer (RSE) Scheme

Are you registered on the Recognised Seasonal Employer (RSE) Scheme? If you are, you should read this:

From 1 April 2009, please use the tax code 'NSW' for any RSE workers you employ. It is a tax code specifically for workers on the RSE Scheme. Do not use the 'CAE' code because this is for New Zealand residents working as casual agricultural employees.

Please make sure any new or returning RSE workers who complete a tax code declaration (IR 330) choose the 'NSW' tax code. Make sure you use this code on your Employer Monthly Schedules so RSE workers are taxed at the flat rate of 16.7 cents in the dollar for the 2009/2010 income year (15 cents PAYE and 1.7 cents ACC earners' levy).

Check your payroll software has the correct PAYE tax rate of 16.7%. If the rate is not 16.7% contact your payroll software provider for help. Do not forget to calculate the PAYE. You can use the PAYE calculator on the IRD website: **www.ird.govt.nz** 'work it out'.

Background

The horticulture and viticulture industries often suffer from a shortage of workers. The RSE Scheme is a new policy that will facilitate the temporary entry of overseas workers to plant, maintain, harvest and pack crops in the horticulture and viticulture industries to meet these labour shortages in order to remain competitive with the rest of the world.

How Does RSE Work Policy Work?

1. Employers must apply to become a Recognised Seasonal Employer.

2. Employers must obtain an Agreement to Recruit. Those granted an Agreement to Recruit can employ overseas workers to plant, maintain, harvest and pack crops.

3. Workers must apply for Seasonal Work Visas. Applicants must met health and character requirements and show they will depart New Zealand at the end of their stay.

How Does an Employer become a RSE?

An employer must submit a completed RSE application to the Department of Labour's RSE unit. The unit will assess and decide the application in light of the RSE Work Policy requirements. Employers must show they:

- Are in a sound financial position
- Have human resource policies and practices of a high standard
- Have demonstrated a commitment to recruiting and training New Zealanders
- Have good workplace practices
- Have, in the past, met all relevant immigration and employment laws

The Department of Labour must also be satisfied they will meet other requirements such as paying market rates and looking after their overseas workers. Employers will also be responsible for the following:

- Paying half of the travel costs for the workers flying to and from New Zealand
- A guarantee of pay for at least 240 hours of work (this can be varied for very short term engagements)
- Ensuring hours of work average at 30 hours per week
- Evidence of pastoral care – including suitable accommodation, translation, transportation, opportunities for religious observance and recreation and induction to life in New Zealand.
- A commitment that workers will be paid market rates.
- A commitment to paying towards the costs of removing workers from New Zealand if they overstay.

RSE Status is initially granted for two years. Subsequent applications may be granted for a period of three years. For more information contact the Department of Labour: **www.dol.govt.nz**

Budget 2009 Tax Changes

The Budget 2009 announced that:

- Personal tax cuts that were due to take effect on 1 April 2010 and 1 April 2011 are to be delayed.

- The associated increase of $5.00 per week in the independent earner tax credit, which was to have taken effect from 1 April 2010, is to be cancelled. It remains at $10.00 per week.

- The KiwiSaver mortgage diversion facility is to be closed to new applicants from 1 June 2009, but will remain available to existing participants.

The Minister of Finance, the Honourable Bill English, stated that the Government's medium-term goal remains to align and reduce the top rate of personal tax, trust and company tax rates at a maximum of 30%.

Mileage Rate for Motor Vehicles

A self-employed person may use one of three methods to calculate the proportion of business use of a motor vehicle, namely:

1. Actual Records
2. A Log-book
3. Mileage Rate

The Mileage Rate applies to:

- Self employed tax payers.
- Up to a maximum of 5,000 kilometres of work-related travel each year.
- Motor vehicles irrespective of engine size whether they are powered by petrol or diesel.

Please note that the Mileage Rate does not apply to motor cycles. The mileage rate set by the statement for motor vehicles is $0.70 per kilometre. The mileage rate applies from the 2008/2009 income year.

Annual Information Questionnaire

We have uploaded onto our website the master Annual Information Questionnaires as follows:

- 2009 Farming
- 2009 Commercial
- 2009 Investment

If you require further copies of the Annual Information Questionnaire, please feel free to print it from our website or contact the office.

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