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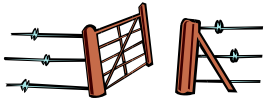


BROWN GLASSFORD
AND CO LTD

Beyond the Farm Gate

Farming Newsletter

June 2010



THIS EDITION

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2010 Provisional Tax Payments



Clients with 31 May balance dates (dairy farmers) will have their third instalment of 2010 Provisional Tax due on the 28th of June 2010. Those clients who have estimated their 2010 Provisional Tax may find that the estimates which we did earlier in the season may no longer be appropriate given the current level of forecast payout from Fonterra.

We have recently sent out tax payment slips for the instalment due on the 28th of June and in the cases of the clients who have estimated, we have attached a letter asking whether you think the last estimate made is still fair and reasonable. With the significant improvement in the forecast payout from the start of the season to the end of the season, we expect there will be quite a number of revisions done.

Adverse Events Income Equalisation Scheme



Farmers may have experienced drought conditions over the last four months which may or may not have been relieved by the recent rain. The drought may have caused the forced sale of livestock.

If you consider that you are in this category, and the stock has not been replaced by balance date, then you can deposit a sum equal to the profit on the sale of that stock to the Adverse Events Income Equalisation Scheme. The deposit can then be refunded straight away. The effect of this will be to transfer any profit from the 2010 year to the 2011 year. Any deposit must be made within 30 days of your balance date so for those of you with 30 June balance dates you have until 30 July and those of you with 31 May balance dates have until 30 June.

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

The alternative to the Adverse Events Income Equalisation Scheme is the main Income Equalisation Scheme which we have discussed in previous newsletters. A deposit into that scheme provides more flexibility in that the physical payment would not need to be made until 31 March 2011, therefore allowing you to keep any planned Income

Equalisation deposit in your bank account for longer than if you made an Adverse Income Equalisation deposit now.

Buying Your First Home with KiwiSaver



The KiwiSaver scheme has **two** new features available from 1 July 2010:

1. KiwiSaver First Home Deposit Subsidy
2. KiwiSaver First Home Withdrawal

Both of these features can be used to help buy land to then build a house on, or buy an apartment that is being built. Housing New Zealand administers the deposit subsidy and your scheme provider administers the savings withdrawal.

KiwiSaver First Home Withdrawal

After three years membership of a KiwiSaver scheme or complying scheme, you may be able to withdraw all, or part of your savings (but not the Government contributions) to put towards buying your first home. As a first home buyer, you need to contact KiwiSaver or your qualifying scheme provider to apply.

KiwiSaver First Home Deposit Subsidy

You can apply for first home deposit subsidy if you have belonged and contributed to a KiwiSaver scheme, complying scheme or exempt employer scheme for at least three years. The subsidy is \$1,000 for each year of contribution to the scheme up to a maximum of \$5,000 after you have contributed for five years.

Eligibility Criteria

To be eligible for the deposit subsidy you must:

- Be 18 years or over
- Have not received a deposit subsidy before
- Be a member of a KiwiSaver scheme
- Have contributed at least the minimum percentage of your income to KiwiSaver for at least three years – this does not need to be consecutive. From 2009 the minimum contribution was 4% of income, from 1 April 2009 the minimum contribution was reduced to 2%.
- Have a combined yearly income of \$100,000 or less before tax
- Be buying one of the following types of property and land arrangements:
 - Fee Simple
 - Stratum estate freehold and leasehold
 - Cross-lease (freehold and leasehold)
 - Leasehold

If you are a couple buying a house together and you both qualify for a subsidy, you could receive a combined subsidy of up to \$10,000. If you have owned a home before, in some circumstances you may still be eligible for the first home deposit subsidy. Housing New Zealand will need to determine that you are in the same financial position as a first home buyer.



Student Loans and Overseas Travel

If you have a Student Loan and are intending to travel overseas, you must let the Inland Revenue know of your intention to travel. The length of time that you plan to be away may or may not affect your interest charges on your loan. As long as you have been in New Zealand for six months or 183 days or more before going overseas, your student loan will remain interest free. The interest charged on your loan will automatically be written off. If you decide to be overseas for more than six months (184 days or more) you will need to let the Inland Revenue know as this will affect interest charges on your loan.



Brown Glassford Direct Dial List

A majority of the Brown Glassford staff have a direct dial number and these are listed below for your information. We encourage you to use these direct dial numbers where possible: Graham, Peter, Haydn and Paul can be contacted on the normal Brown Glassford number of:

(03) 365 0881

Allison Brook	353 1140
Angie Mehlhopt	353 5968
Avis Marsh	353 5964
Chris Hussey	353 5961
Danie Henderson	353 1146
Diane Leslie	353 1142
Hannah Hamilton	353 1143
Janine Pearce	353 5969
Jill Prentice	353 5967
Kathleen Woodside	353 5965
Linda Hook	353 5962
Nancy Wang	353 1141
Rachel Gardner	353 5960



2010 Budget Snapshot

Personal Tax Rates

All personal tax rates will be cut from 1 October 2010 and are scheduled as follows:

Income	Current Rate	New Rate
\$0 to \$14,000	12.5%	10.5%
\$14,001 to \$48,000	21.0%	17.5%
\$48,001 to \$70,000	33.0%	30.0%
\$70,001 and over	38.0%	33.0%

Company Tax

The current company tax rate is 30% and this will fall to 28% from the beginning of the 2012 income tax year.

GST

The current rate of GST of 12.5% will increase to 15% effective from 1 October 2010. The Government will be providing compensation for the rise in GST increasing payments from 1 October 2010 by 2.02% for all those receiving New Zealand Superannuation of veteran's pensions, sickness benefits, family tax credit and student allowances.

For those clients still running the old Cash Manager program (version 5.5 – pre 2002), this program will not be updated with the latest GST changes as it is no longer supported by Cash Manager. If you use this program you will need to upgrade to the new Cash Manager or chose another computer program to prepare your GST. Please contact us if you wish to discuss options.

Depreciation

Deductions for depreciation on buildings with an estimated useful life of 50 years or more will no longer be allowed from the 2011/2012

income tax year. The current 20% depreciation loading on new plant and equipment will be removed for assets purchased after May 2010.

Changes to the Loss Attributing Qualifying Company (LAQC) Regime and Qualifying Company Regime

Possible new rules are expected to come into effect from 1 April 2011 and it is likely that the LAQC regime will be treated like Limited Partnerships with both profits and losses flowing through to the shareholders and assessed at the individual marginal tax rates.

Working for Families Tax Credits

Tax payers will no longer be able to use investment losses including losses from rental properties to reduce their income to become eligible for Working for Families Tax Credits. This is effective from 1 April 2011.



Wages Paid to Children

Most children who live on farms are involved in some form of farm work. It is allowable for farmers to pay wages of currently up to \$2,340 per annum per child where the payment is a tax deductible expense to the farmer and may be tax free to the child. Additionally the farmer is not required to deal with PAYE deductions on the children's wages and the child does not need to file an Income Tax Return. Children are entitled to a tax credit if they derive income and are:

- Under the age of 15 years
- Under the age of 18 years and still attending school

The tax free nature of the wages comes about as the lowest individual tax rate and the child tax credit are both 12.5% up to \$2,340 annual active income and these offset each other. This means the child can earn up to \$2,340 without paying any tax. A tax liability of \$292.50 being \$2,340 x 12.5% is offset by the tax credit of \$292.50. If the child earns more than \$2,340, PAYE deductions must be made. The child will still receive the \$292.50 tax credit but will be liable for tax on the additional earnings. To pay wages to children and qualify for the deduction, the following conditions must exist:

- Wages paid to the children must have been a genuine payment
- The children must be doing farm related work

To be able to ignore the normal requirement to deduct PAYE from wages, currently (2011 year) the amount paid must not exceed:

Weekly	\$45.00
Fortnightly	\$90.00
Monthly	\$195.00

The amount paid can exceed the above amounts provided the child's total annual income does not exceed \$2,340.



Staff News

Sarah Caldwell

Sarah is now on maternity leave and we wish her all the very best on the impending arrival of her first baby.

Angie Mehlhopt

Angie joined the Brown Glassford team at the beginning of June and is a true Cantabrian born and raised in Southbridge. She graduated from Lincoln University in 1998 and on completion of her degree; Angie ventured overseas working in various roles in London before returning in 2002. She has spent the last eight years working in small accounting practices in Christchurch and has relished the opportunity offered at Brown Glassford to now specialise in farming. In her spare time Angie loves to travel, spend time with her family especially her nieces & nephews, catching up with friends, gardening and chilling out.