

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

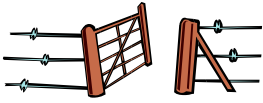


BROWN GLASSFORD
AND CO LTD

Beyond the Farm Gate

Farming Newsletter

October 2009



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2010 Provisional Tax

This month we will be sending out tax letters and payment slips for the first instalment of 2010 Provisional Tax payments for those clients with 31 May Balance Dates, or for clients with 31 March Balance Dates and six monthly GST registration. These payments are due by the **28th of October 2009** and the tax letters will be based on either:

For Individuals:

- 2009 Residual Income Tax (RIT) less \$730 or
- 2008 RIT less \$1,460 plus an uplift of 105%

For Companies and Trusts:

- 2009 RIT or
- 2008 RIT plus an uplift of 105%

The choice of which of these options we use will depend on whether your Income Tax Returns have been completed and filed at the time we send out the tax letters.

Because of the continued variability in farm income, we believe neither of these mechanisms for calculating Provisional Tax will necessarily arrive at the correct answer. It is therefore worth considering whether you need to estimate your Provisional Tax for 2010 based on what you think your actual income will be.

If we have this information, we may be able to assist you to estimate your income for 2010, but in order for us to have sufficient time to complete that estimate, we would need you to contact us before **Monday the 19th of October 2009**.

Sheep and Beef: Indications are that prices could be lower in 2009/2010 because of the higher exchange rate. However, costs may be lower with respect to fertiliser and feed prices.

Arable: Arable gross income may decrease in 2009/2010 particularly with respect to feed grain prices.

Dairy: In light of the variability in forecast for the current season, dairy farm gross incomes look to be up on 2009. Costs could also look to be slightly lower in respect of feed and fertiliser prices.

If you think that your income is going to be significantly different to 2009, the three options available to you are as follows:

1. Remain on the uplift basis (individuals, companies & trusts).
2. Estimate your 2010 income.
3. Make voluntary payments of 2010 Provisional Tax on top of the uplift instalments.

For dairy farmers, we will again be using our Dairy Production Calculator for those who wish to estimate 2010 Provisional Tax using the forecast rates as published by Fonterra. To use this calculator, we need to obtain from you:

- Year end 31 May 2009 total production in kilograms.
- 2010 estimated production in kilograms.
- Estimated income from stock sales and movement in stock numbers.
- Which dairy company you supply.
- Estimated farm working expenses per kilogram.
- Total rent and interest paid (or debt and interest rate).
- We will add depreciation and salaries as appropriate.



Student Loan Repayment Bonus

A tax legislation was passed on the 17th of September 2009 which provides a bonus of 10% on any payments in a tax year exceeding the borrowers' compulsory repayment obligation for that tax year by \$500 or more.

For example, if you make a voluntary payment of \$500, then you will get a credit for \$50 towards the repayment of your Student Loan.

The aim is to encourage borrowers to repay more than the compulsory minimum amount so they can pay off their Student Loans sooner.



Dealers, Developers & Builders Beware

A tax legislation has recently been enacted which will have adverse implications for some tax payers, particularly land dealers, developers and builders who wish to hold investment properties as well as properties they are dealing in, developing or building. The Bill replaces the Income Tax Acts' four current definitions of 'associated persons' with one standardised definition.

Generally the new definitions of associated persons will apply from the 2010/2011 income year, however for the purposes of land taxing, the new definitions apply to land acquired on or after the enactment of the Bill being the 25th of September 2009. For builders, the new definitions apply to improvements which began on or after the 25th of September 2009.

The extent of the changes are too detailed to list in this newsletter, but the message is that the Government is looking to tax people who deal in land and if you have an association with a builder, developer or dealer you could be considered to be one of these by association.

If you are looking to buy, sell or develop land, please contact us first to discuss whether or not there could be a taxation consequence which you would have to consider prior to entering into the transaction. The new rules are quite wide-reaching and could have adverse implications for a large number of our clients.



Donations and Childcare Tax Credits

Applications for IRD Numbers



In order to get a personal IRD number for yourself or a child in your care, you now need to apply in person at an Automobile Association (AA) Drive Licensing Agent, Post Shop or selected New Zealand Post retail outlet. These agencies are known as Inland Revenue appointed verifiers.

Applicants must complete an IRD number application form (IR 595) and provide two original identity documents (one from Category A and one from Category B, as detailed below), and also provide photocopies of these. The Inland Revenue appointed verifier will confirm the original documents and forward the photocopies to the IRD. The IRD will then process the application and advise you of your IRD number within 10 working days.

The same application form is now used if you are applying for an IRD number for a child in your care. However, as well as full proof of your own identity, you must also provide a Category A or B document for the child and a document indicating the nature of the relationship between you and the child.

These rules do not affect people who already have an IRD number, nor does this process apply to IRD numbers for non-individual taxpayers, such as Companies, Partnerships and Trusts.

CATEGORY A	CATEGORY B
New Zealand full Birth Certificate (issued on/or after 1 January 1998)	New Zealand Driver Licence
New Zealand Passport	New Zealand 18+ card
Overseas Passport	New Zealand student photo ID
New Zealand emergency travel document	A letter confirming registration as a student in New Zealand
New Zealand firearm or dealers licence	An 'offer of employment' letter from your employer, on company letterhead
New Zealand refugee travel document	International Drivers' Permit
New Zealand certificate of identity	Overseas Drivers' Licence
New Zealand citizenship certificate	

GST on Bare Land vs Farm Dwellings



Where you construct or transport onto the farm a dwelling, you must return as output tax the GST on the value of the section (or curtilage) where the house sits.

The most common examples of this are where a tax payer buys a bare land lifestyle block, claims the GST on that and then erects a private dwelling on part of the block, or where a farm is converted and additional staff housing is constructed on land which had previously been grazed or cropped as part of the farming business.

Generally speaking, the apportionment or pro rata method of apportionment of cost will be appropriate; however in limited circumstances some other method of apportioning costs may be necessary. Any method adopted however must be made on an intelligible basis and must be based on the facts known at the time of the purchase and must not be too theoretical or artificial. If you are in this situation, please contact us to discuss.

Individuals

A donation tax credit can be claimed for the lesser of 33.33% of the total donations made, or 33.33% of your taxable income.

Companies

Companies can claim all donations made to charitable organisations as a tax deductible expense limited only by the total amount of the company's net income. The tax deduction for the charitable donations made is detailed in the company's Income Tax Return and we are required to list every donation made by the donee entity and the amount paid. Therefore you will need to include all your donation receipts when you send us your annual accounting information. We have always requested that you include the donation receipts for donations made by individuals in the past and this now extends to donations made by companies.

Childcare Tax Credit

If you paid a person or institution for childcare during the year you can claim this tax credit if:

- You were a single parent and your child was either under 18 or unable to work due to a disability.
- You were married or living in a civil union/de facto relationship.
- Both you and your spouse/partner were in employment/self employment (this does not apply to couples who are separated).
- You or your spouse/partner were disabled or physically unable to care for a child.

The tax credit available for childcare is the lesser of:

- 33% of the total payments you have made, or
- \$310 (\$940 x 33%), or
- 33% of your taxable income

Housekeeper Tax Credit

You can claim a housekeeper tax credit if you have receipts to show you paid for a housekeeper because you or your spouse/partner were disabled or physically unable to tend to the home. This excludes amounts covered by subsidies and reimbursements.

Recording of Payments to Nannies and Housekeepers

It has been quite common practice for some clients to pay the nanny or housekeeper on the same payroll as the farm employees and deduct PAYE. There is no tax deduction for these payments other than the childcare rebate as the nanny or housekeeper are not technically employees. There will be circumstances where a staff member may be employed on a farm to do part time farm work and part time child minding.

Staff News



Felicity Gardner

Fliss will be leaving the Brown Glassford team at the beginning of November and is going to work for dairy consultancy practice FarmRight as a Managed Farm Support Officer.

We would like to take this opportunity to thank Fliss for all her hard work during her time with us. Her smiling face and positive attitude will be greatly missed around our office. We wish Fliss all the very best in her future work endeavours.