

# Beyond the Farm Gate – Rural Newsletter



BROWN GLASSFORD AND CO LTD

Your Focus : Your Business...

Our Focus : Your Business...

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## CONGRATULATIONS

Brown Glassford and Co Ltd would like to extend its congratulations to client Syd Worsfold on being named the Federated Farmers Arable Farmer of the Year in recognition of his contribution over the last three decades to the arable industry and stakeholder groups, Federated Farmers, FAR and United Wheatgrowers.

## IMPORTANT CHANGES TO THE PLATFORM BEHIND THE FARM SOURCE TRADING ACCOUNT – TRADING FONTERRA SHARES

ANZ Bank New Zealand Limited (ANZ) has agreed to sell the ANZ Securities Service - which includes the platform that allows trading of Fonterra shares and units - to First NZ Capital Securities Limited (FNZC). The sale will mean some changes, but both ANZ and FNZC are committed to ensuring that there is as little disruption as possible.

Trading of Fonterra shares and units can continue as normal until the sale completes. The sale is anticipated to be completed in the second half of 2018, expected to be September 2018.

After the sale is completed, FNZC will operate the online trading service. The FNZC service will be called Direct Broking and will have new branding, but will offer similar features to the current ANZ Securities Service.

To continue trading on your Farm Source trading account, once the sale has completed, you will need to complete the following:

1. Sign in to your Farm Source trading account and follow the prompted process to register for the FNZC service.
2. Signatories to the account will then be emailed to take some action to sign-up to the trading account with FNZC.
3. **Failure to complete this registration by 15 July 2018** will impact the ability to trade after the sale completes. **If farmers do not register, they will have to go through a new account application and verification process.**

The following links have some more information and a step by step screen on how to complete the above.

- [FAQs sale of the ANZ Securities Service](#)
- [How to register to FNZC & consent to data sharing](#)

## STAFF NEWS

### ARRIVALS

#### Lisa Cooper

Lisa recently joined Brown Glassford as an accountant. Lisa grew up on a Sheep and Beef farm south of Nelson and completed her Bachelor of Commerce whilst working for a large CA Firm in Nelson. After five years, and a season in Vermont USA as a camp councillor, Lisa moved into the commercial sector focussing on Viticulture then most recently working in the Agricultural industry. We welcome Lisa to the Team.

### 2018 ANNUAL QUESTIONNAIRES

For those of our clients with MAY & JUNE BALANCE DATES you should have by now received our annual questionnaire. If you have not received this, please contact our office or you can download a copy of the questionnaire from our website, click [here](#).

These questionnaires are an important part of the accounting process and help both us and you to prepare your Annual Reports in a timely cost effective manner. Please read and fill in the questionnaire as completely as possible before you return this to us.

### DWELLING AND CURTILAGE VALUATIONS

It is important when purchasing or selling a property including farmland to have a dwelling and curtilage valuation done. A dwelling and curtilage valuation exempts the supply of the dwelling and associated land from the sale or purchase of the property with the remaining farmland being subject to GST rules. When a transaction occurs between two registered parties there will be no GST component as the entire transaction will be zero-rated. However, issues can arise when you purchase a property and no dwelling and curtilage valuation has been done.

For example if you are registered for GST and purchase a property from another registered party and do not get a dwelling and curtilage valuation there is still no GST component in the transaction as this will be zero-rated. If you however then on sell this property to a non-registered party you will be liable to pay GST on the entire sale value of the property, not just on the farmland, as the original purchase was zero-rated and did not contain an exemption from supply for the dwelling and curtilage.

## DEDUCTABILITY OF FARMHOUSE EXPENSES

A reminder from our June 2017 Issue that Inland Revenue changed the rules around the deductibility of farm house expenses effective for the 2018 income tax year. Farmers had traditionally been able to make claims that recognise the use of the farm dwelling for business purposes. However, the prevalence of smaller holdings with high property housing relative to the total value of the property, and low farm income generation potential led to a rethink of these rules.

The new interpretation classifies farms into two categories: Type 1 (Farms where the value of the farmhouse & curtilage is 20% or less of total farm value) and Type 2 (Lifestyle blocks where the value of the farmhouse & curtilage is 20% or more of total farm value).

Reasonable estimations of value must be used. Options that are acceptable are rateable value coupled with a QV assessment of the value of the dwelling & curtilage; bank values; and values assessed by registered valuers.

For Type 1 farms (which is generally what fulltime farmers fall into) the changes were

Partnership and Sole Traders	Was	Now
Electricity, Repairs, Insurance	25%	<b>20%</b>
Home Telephone Rental	100%	<b>50%</b>
Interest & Rates	100%	<b>100%</b>

Companies and Trusts (Where a rental is charged)

Electricity & Insurance (No GST)	25%	<b>20%</b>
Interest, Repairs (No GST) & Rates	100%	<b>100%</b>

The changes for Type 2 (Lifestyle Blocks) are more significant and expenses can only be claimed on the basis of the actual office area percentage of the farm house. Please contact us if you think that you fall under this category.

These changes were effective from the start of the 2018 financial year, so 1 April 2017 for March Balance Dates, 1 June 2017 for May Balance Dates and 1 July 2017 for June Balance Dates. Please ensure care is being taken when preparing your GST returns to claim the new amended percentages as some software used for preparing GST will need to be amended if default settings were being used for personal portion of expenses.

Please note that contract and sharemilkers are only allowed a deduction for the above farmhouse expenses if they are trading as sole traders or in a partnership. If you are trading as a company, you must use the IRD square meter rate, which will require a proportional measurement of the dwelling being used for business purposes, which will then be multiplied by the IRD rate which for the 2018 year is \$41.10 per square metre.

## CASHMANAGER RURAL

CRS software have advised that the Desktop version of Cashmanager Rural will not be supported from February 2019. If you are still using the desktop version now would be the time to change to either the Cashmanager Rural Online or Cash Manager Focus programs.



~ Paul, David, Cameron, Graham, Peter, Allison, Angela, Avis, Diane, Emily, Erin, Hannah, Jamie, Jess, Jill, Jing Yi, Karim, Kevin, Lisa, Minna, Nancy, Nicola, Nicole, Rachel, Ravi, Scott, Terri, Vinnessa ~

## FIGURED

Brown Glassford and Co Ltd are now recognised as Figured Bronze Partners. Figured is the online livestock, crop and production tracking, farm budgeting and forecasting tool that works hand-in-hand with Xero. This is the addition to Xero that farm accountants have been waiting for as we now have the ability to prepare stock and production reports that were previously unavailable on Xero. There are two different plans available, which both require Xero subscriptions, so if you are thinking about switching please contact us to discuss which plan would best suit you.



## SELF-EMPLOYED ACC

ACC have started taking a hard line approach with respect to late payments of their levies. If you are on ACC CoverPlus Extra and you are late paying your premiums ACC will automatically remove your cover and entitlements under CoverPlus Extra and you will be reverted to the standard CoverPlus. As per IRD's policy, this includes if you are paying by cheque that may have been posted before the due date but is not physically received by ACC by the due date. There is no easy fix such as a phone call and apology for paying late to get CoverPlus Extra reinstated and you will have to reapply, and in the meantime paying levies and being covered under CoverPlus. As there have been a few instances of this happening there is also a backlog of applications being processed so the time it is taking ACC to process these applications is longer than usual.

When you receive any correspondence from ACC please carefully read and check when any payments are due and ensure you pay these on time. Brown Glassford offer an ACC Administration Service to check all ACC invoices are current and correct on your behalf. Please contact us if you would like to know more about this service, including what the cost is and how to get it started.

## PAYMENTS TO INLAND REVENUE

Please take care when making tax payments to the IRD online that you have selected the correct year when paying terminal and provisional taxes. If you have mistakenly selected your payment to go to the next income tax year instead of the current one you may not have a provisional tax notice generated, or a notice for a lesser amount, if a payment is due and this is not picked up in time. Regardless of your Balance date end of year tax payments are always referred to as 31 March. If your balance date is 30 June 2018 you would select tax payment for year ended 31 March 2018. Some clients will also soon start receiving first provisional tax notices for 2019 provisional tax so would choose the year ended 31 March 2019. If you notice you have paid to the wrong period it is not an issue as we can transfer any payment to the correct period as long as we are made aware of this. IRD are generally good at notifying us when a payment has not been made but not when one has been made they are not expecting.