



### YEAR END ACCOUNTS

With the end of the financial year fast approaching, please keep in mind the following items which are important to ensure that there are no delays with your Annual Accounts.



- **Debtors/Creditors** – Make a list of the amounts owed to you (invoiced) but not yet received and the amounts you owe but have yet to pay at the end of your financial year.
- **Holiday Pay** – Keep a record of any holidays paid to staff within 63 days of balance date. These expenses, to the extent that they relate to holidays owing prior to balance date, can be claimed.
- **Bad Debts** – Review your debtors and write off those you no longer expect to receive. To claim a tax deduction for bad debts, these need to have been written off prior to the end of your financial year. If queried by the IRD it is important that you have appropriate records to show that this has been done. Note that writing off a bad debt does not mean you have to stop trying to collect it but you must have taken all “reasonable” steps to collect it prior to writing off.
- **Stock on Hand** – Complete a stock take on the last day of the financial year. Whilst some industries have special provisions for valuing stock, generally commercial stock is valued at the lower of cost or net realisable value (i.e. sale price). The stock values should be GST exclusive and you will need to have records to support the values used. Also note that if your total stock is under \$10,000, an estimate of stock on hand is adequate. For farming clients, livestock tallies and bought-in feed on hand over \$58,000 at the end of the year need to be recorded.



- **Timing** – Consider the impact significant transactions might have on your profit for the year. For example, selling an asset after balance date rather than before might defer any depreciation recovered.



If you are at all unsure about any of the processes above, please do not hesitate to contact your client manager to discuss.

### QUESTIONNAIRES

Our 2017 Annual Questionnaires for March balance date clients will soon be arriving in your mail boxes with those for May balance dates soon to follow. Please ensure the front page of the questionnaire is signed before returning it to us to avoid any delays in processing your accounts.



If you have any queries or require some assistance with completing the questionnaire, please touch base with your client manager. It is a good idea to speak with your client manager when dropping off your records so that we can check the required documents are provided and it also provides a valuable opportunity to discuss any specific needs, concerns and/or opportunities.

### MINIMUM WAGE

From 1 April 2017 the adult minimum wage rate will increase to \$15.75 an hour from the previous rate of \$15.25 an hour. The starting-out and training minimum wage rate will increase to \$12.60 an hour from the previous rate of \$12.20 an hour.



Below are some important reminders about applying the minimum wage rates:

- The adult minimum wage applies to all employees aged 16 and over who are not starting-out workers or trainees.
- The starting-out wage applies to workers aged 16 or 17 who have not yet completed six months continuous employment with their current employer, workers aged 18 or 19 who have received a specified social security benefit for six months or longer and have not yet completed six months continuous employment with their current employer, or workers aged 16 to 19 who are required to undertake industry training to become qualified.
- The training minimum wage applies to employees aged 20 and over who are doing recognised industry training to become qualified.
- There is no minimum wage for employees aged under 16 but all other employment rights and entitlements still apply.



### EASTER TRADING RULE CHANGES

From Easter 2017 changes to the Shop Trading Hours Act mean that local councils can allow shops in their districts to open on Easter Sunday but employees cannot be made to work on that day.

Employers need to check with their local council as to whether they are entitled to open or not. We note South Waikato District Council along with many others have decided not to allow shops to open on Easter Sunday this year.

For employers who are entitled and wish to open on Easter Sunday, you must tell staff of their right to refuse to work in writing between eight and four weeks before Easter Sunday or as soon as possible for new staff starting less than four weeks before Easter Sunday.

For employees, the law changes mean they can refuse to work on Easter Sunday without giving a reason and without repercussions but employees must tell you they are not going to work in writing within 14 days of receiving your notice of their right to refuse. Employees can also raise a personal grievance against you if they believe they have been made to work or treated badly for refusing to work on Easter Sunday.



### Moving Farms?

*Are you shifting farms next season? Please contact your client manager to advise if you are moving farms or picking up an extra supply. This can help reduce problems and speed up the mail, Banklink data and Dairy Company information.*

## FARMHOUSE EXPENSES

The Inland Revenue Department have very recently released an Interpretation Statement which changes the deductibility of farmhouse expenses from the start of the 2017/2018 income tax year.



The longstanding policies dating back to the 1960s entitled farming businesses operating as sole traders or partnerships to deduct 100% of interest, rates and telephone costs and 25% of electricity, repairs and maintenance, insurance and other general farmhouse costs. These generic deductions have now been removed and replaced with new rules that require expense incurred on farmhouses to be apportioned between business and private based on the actual use.

The new rules firstly classify farmers as "Type 1" or "Type 2" farmers:

- **Type 1 Farmers** – where the value of the farmhouse (including curtilage and improvements) is 20% or less of the total value of the farm; or
- **Type 2 Farmers** – where the value of the farmhouse (including curtilage and improvements) is more than 20% of the total value of the farm.

Establishing the farmhouse percentage generally only needs to be done once and a reasonable estimate is acceptable. Some options include rateable value (although not appropriate where multiple improvements), bank valuation, estate agent appraisal, or respective costs (but only where the farm and house costs are comparable and contemporaneous).

The second step is to apportion costs. Where it is possible to dissect expenses into deductible and non-deductible amounts (i.e. electricity for the farmhouse), that approach should be applied. Where costs cover business and private use (i.e. rates), an apportionment approach on a "fair and reasonable" basis is required.

To mitigate compliance costs for farms with a low private use element (Type 1 farmers) IRD accept that 20% of the farmhouse is used for business purposes without any supporting evidence. Type 2 farmers on the other hand are required to have supporting evidence for all deductions. The table below summarises the deductions available to farmers under the new rules.

Expense	Type 1 Farmer	Type 2 Farmer
Interest & Rates	100% deduction for costs relating to farm, including the farmhouse	Dissection where possible, then apportion between farm and farmhouse, then deduction allowed for amounts attributable to actual business use of farmhouse **
General Farmhouse Expenses	Dissection where possible between farm and house, then 20% deduction for farmhouse costs *	
Telephone Costs	50% deduction for telephone charges for both business and private purposes, 100% deduction for business toll calls *	

\* Deductions for greater than 20% or 50% can be claimed if a farmer is able to prove that the actual business use is greater than this.

\*\* For example, if the farmhouse is 45% of the total farm value and the home office is 10% of the farmhouse, 10% of 45% of the interest and rates can be claimed. Also 10% of the farmhouse electricity and repairs and maintenance can be claimed.

Farmhouses provided to employees or shareholder-employees for market rent entitle the owner to a full deduction for interest, rates, repairs and maintenance, and costs reimbursed to the employee. Deductions by companies for shareholder-employees power and phone costs should be based on actual business use. The 20% deduction applying to Type 1 farmers could be used in companies if deemed appropriate.

We will in due course be reviewing the appropriate deductions with you and making the necessary adjustments.

## Tax Calendar

31<sup>st</sup> March 2017

- 2016 Income Tax returns due

7<sup>th</sup> April 2017

- Terminal Tax payments due for all 2016 Income Tax returns
- Student Loan end of year repayments due for 2016

20<sup>th</sup> April 2017

- Employer Deduction returns and PAYE payments due
- RWT returns and payments due

8<sup>th</sup> May 2017

- GST returns and payments due for the period ended 31<sup>st</sup> March 2017
- 3<sup>rd</sup> Provisional Tax due for March balance date clients

22<sup>nd</sup> May 2017

- Employer Deduction returns and PAYE payments due
- RWT returns and payments due

29<sup>th</sup> May 2017

- GST returns and payments due for the period ended 30<sup>th</sup> April 2017

## IRD TAX PAYMENT REMINDER LETTERS

For the second year now Inland Revenue Department have issued tax payment reminder letters for 7<sup>th</sup> April terminal tax to a selection of customers as part of the work they do to collect and limit overdue debt. They have also in some cases sent text message reminders to customers who did not receive a letter.



We remind you that our office also sends tax payment letters usually 2-3 weeks before the due date. Due to the timing, in some cases you may receive a letter from IRD prior to ours. In most cases the amounts should match and only need to be paid once. However, if you do receive letters from IRD that differ from our letters, please contact your client manager to confirm the amount due before making any payments.

## Telephone Extensions

The team can be reached directly on the following extension numbers:



### Putaruru Office - 07 885 1022

Reception	0	Richard	735
Julie Gray	742	Rina	708
Julie Still	725	Shannon	714
Kimberley	746	Timatanga	737
Kirsty	710	Tinika	727
Linda	747		

### Tokoroa Office - 07 886 7098

Reception	0	Robyn	209
Carol	221	Sally	213
Jill	222	Wiki	212