



Graham Brown & Co Ltd

CHARTERED ACCOUNTANTS

Email: info@grahambrown.co.nz

Website: www.grahambrown.co.nz

December 2016

CHRISTMAS OFFICE HOURS

We wish to advise that our office will be closed from 12 noon Friday 23rd December 2016. We will be re-opening on Monday 9th January 2017. If you have any queries over the Christmas Break, you can contact the Directors as follows:



Brendon Hunt	027 270 3699
Phillip Price	027 249 6354
Debbie Gisby	021 447 297
Jasmine Van der Heyden	027 254 3930

ENTERTAINMENT EXPENDITURE

With the festive season imminent, we remind you that deductions for "entertainment expenditure" are generally limited to 50% of the cost incurred. There are however a number of exemptions which may enable you to claim a full deduction.



Below is a summary of the deductions available:

Activity	Deductible		Subject To FBT
	50%	100%	
Morning & Afternoon Tea	No	Yes	No
Taking clients (existing or potential) to lunch	Yes	No	No
Friday Drinks, Christmas Party	Yes	No	No
Gift Baskets (food & beverages) *	Yes	No	Yes **
Gift Baskets (excluding food & beverages) *	No	Yes	Yes **
Dinner out of town (no client present)	No	Yes	No
Overseas travel, including meals with clients ***	No	Yes	No
Meal Voucher (as an award) *	Yes	No	Yes **
Other Vouchers (excluding food & beverages) *	Yes	No	Yes **
Meal Allowance paid to staff working overtime	No	Yes	No



* Gift baskets of food and beverages and meal vouchers are only 50% deductible however non-food and beverage items are 100% deductible. To get the maximum tax deduction it is necessary to calculate or apportion the costs between 50% and 100% deductible items. In many cases the cost associated with this will be more than the expense and therefore we suggest claiming 50% only.

** Although this expenditure falls within the FBT rules, FBT generally will only be payable if the \$1,200 per employee (max \$22,500 per employer) is exceeded.

*** Refer to our July 2014 newsletter for more information on the deductibility of travel expenditure.

ANNUAL LEAVE & CASUAL LABOUR

As the holiday season approaches, it is timely to remind employers of their obligations for annual leave and casual labour.



Annual leave payments are calculated at the greater of the ordinary average weekly pay at the time the holiday is taken or the employee's average weekly earnings over the twelve month period before the annual leave is taken.

Child support, Kiwisaver and student loan deductions continue to be deducted at the normal rate from an employees holiday pay.

Employees are entitled to two weeks of their annual leave as uninterrupted annual leave. Employers are entitled to determine when annual leave is to be taken.

Further, if your business has a 'closedown' or 'shut' period that includes public holidays (such as Christmas or New Years), employees are entitled to be paid for the public holidays if it would otherwise be a working day for the employee.

Casual employees are required to complete a tax code declaration form and be taxed through the payroll system. If the contract is less than 28 days, the employee will not be automatically enrolled in Kiwisaver. Unless you have received an exemption certificate, student loan deductions are required where applicable.

If you have any queries regarding your wages for over the holiday period, please contact Rina in our office.

LUMP SUM SETTLEMENT PAYMENTS

Lump sum settlement payments made under an employee settlement agreement can be revenue (taxable), capital (not taxable) or a combination of both depending on what the payment is for.

The rules specify that:

- Payments for loss of earnings are revenue
- Payments for humiliation, loss of dignity and hurt feelings are capital
- Payments that include both loss of earnings and humiliation, loss of dignity or hurt feelings must be apportioned between revenue and capital



In cases where the amount needs to be apportioned between revenue and capital, the taxpayer has the burden of proving what portion is not taxable if queried by the IRD. As such, if at all possible it is preferable that the settlement agreement details the nature and split of the payment. Note however that IRD can challenge the split even if it is specified in the agreement if they do not believe it accurately reflects the nature of the payment. Please contact us should you need any assistance with determining the tax treatment of employee settlement agreements.

Professional Apprenticeship

Graham Brown & Co are looking for the next young rising star to join us as a cadet. If you are a student and interested in finding out more please call into our office or contact Richard Rutgers on 07 885 1022 or email Richardr@grahambrown.co.nz.



Brendon J. Hunt
BMS, CA - Director

Phillip G.E. Price
B.Bus, CA - Director

Debbie A. Gisby
B.Bus, PGDipAcc, CA - Director

Jasmine T. Van der Heyden
BMS (1st Class Hons), CA - Director



FONTERRA PAYOUT

Following our September/October 2016 newsletter the Fonterra payout has increased by a further \$0.75 to the current forecast of \$6.00. The full \$0.75 increase is expected to be received prior to May and with significant increases in the advance rates from December onwards this will relieve some pressure on farming cashflows.



Whenever the payout changes it is important to consider the timing of the advance and retrospective payments. From a tax perspective the current Fonterra payout profile is as follows:

	2016/17	2015/16	2014/15
Advance to 31 st May	\$4.95*	\$3.40*	\$4.28*
Retrospective payments	<u>\$0.50</u>	<u>\$0.12</u>	<u>\$1.50</u>
	\$5.45	\$3.52	\$5.78
Dividends	<u>\$0.40</u>	<u>\$0.35</u>	<u>\$0.15</u>
	\$5.85	\$3.87	\$5.93

*These are derived from the base advance rate plus the capacity adjustment and will vary slightly across farms.

The difference between the 2016/17 and 2015/16 seasons for tax purposes is an increase of \$1.93 excluding the dividends or \$1.98 including the dividends. These are significant increases and will have a material impact on the 2017 year profit.

If we have not already done so, we will discuss the impact of this increase on your tax obligations when we review your 2015/16 accounts. If we have already reviewed your accounts, we will review your tax obligations when you next have provisional tax due (for May balance date clients this is 28th February 2017). Please do not hesitate to contact your client manager or Director if you would like us to review your tax obligations sooner or believe you may need to pay voluntary provisional tax now.



PRE-INCORPORATION EXPENSES

When a new company is set up we are often asked if the company can claim an income tax deduction for expenditure incurred prior to the incorporation and if the GST can be claimed on these expenses. For income tax purposes, the answer is yes provided the expenditure is incurred in deriving income or the expenditure was incurred in the course of carrying on a business for the purpose of deriving income. For GST purposes, the company is entitled to claim the GST provided the goods or services were acquired for or on behalf of the company by a person who becomes an officer or employee of the company, the company reimburses the full amount within six months of incorporation, and the goods or services were acquired for the purpose of the taxable activity to be carried on by the company. It is important for both income tax and GST that sufficient records are retained to establish the particulars of the expenditure.

GIVEALITTLE DONATIONS



A donation made via a Givealittle page does not necessarily entitle the donee to claim a donation rebate (individual) or tax deduction (company). A donation rebate can only be claimed for monetary gifts over \$5 made to donee organisations. With Givealittle donations, you must look through Givealittle to the recipient of the donation and determine whether the recipient qualifies as a donee organisation. Only if they do can the rebate or deduction can be claimed.



Tax Calendar

20th December 2016

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

16th January 2017

- GST returns and payments due for the period ended 30th November 2016
- 2nd Provisional Tax due for March balance date clients
- 1st Provisional Tax due for May balance date clients with 6 monthly GST registrations

20th January 2017

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

30th January 2017

- GST returns and payments due for the period ended 31st December 2016
- 2nd Provisional Tax due for June balance date clients

IRD ONLINE SERVICES



IRD are currently contacting some clients directly regarding the online GST and PAYE abilities through myIR services. If you are not currently using myIR services and would like to please do not hesitate to discuss the abilities with your client manager.

ACC LEVY RATES



The Government has recently announced that ACC levy rates for the 2017/18 and 2018/19 years will be reduced. The average work levy paid by employers and self-employed people will reduce from 80 cents to 72 cents per \$100 of liable earnings. The average motor vehicle levy will reduce from \$130.26 to \$113.93 and the petrol levy will reduce from 6.9 cents to 6 cents per litre. The earners' levy remains unchanged.

Telephone Extensions

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



Putaruru Office - 07 885 1022

Reception	0	Linda	747
Jill	730	Richard	735
Julie Gray	742	Rina	708
Julie Still	725	Shannon	714
Kimberley	746	Timatanga	737
Kirsty	710	Tinika	727

Tokoroa Office - 07 886 7098

Reception	0	Sally	213
Carol	221	Wiki	212
Robyn	209		

*We would like to take this opportunity to thank all our clients for your continued support and business.
We wish you all a very Merry Christmas and a Happy New Year.*

PO Box 204, Putaruru 3443

Phone - 07 885 1022

Fax - 07 883 7297



Brendon, Phillip, Debbie, Jasmine & Team



PO Box 11, Tokoroa 3444

Phone - 07 886 7098

Fax - 07 886 7209