



Quarterly news, so you have one less thing to worry about.

Christmas Office Hours

Our office will be closed from 12 noon Friday 22nd December 2017 and will be re-opening on Monday 8th January 2018.

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



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.

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 or Beverage Vouchers (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 will generally 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.

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Taxable Value of Accommodation



Accommodation provided by an employer to an employee is a taxable benefit and subject to PAYE. The basic tenet is that the value of the accommodation must be based on the market rental value if the employer was to provide the accommodation to an arms-length person.

In recent years rental values have come under increased scrutiny by IRD. As a result, what might have been commonly accepted practice in the past is perhaps no longer appropriate and it is important to have supporting evidence backing up how the market rental value is determined.

To assist with determining an appropriate market rent, IRD have published guidance notes. In essence, where the employer is providing accommodation that they have rented from a non-associated party, the market value will be the rent paid however where the accommodation is owned by the employer or an associated party, a market value must be established.

Some key factors that can be taken into account when establishing an appropriate market value include:

- Location of house (ie desirability, access to transport & shops, building values, security)
- Functional characteristics of the house (ie number of bedrooms, size, quality of house)
- Overall condition of the house
- Ease of travel to and from work, schools, shops etc
- Restrictions on use of the house that substantially inhibits the rights of the employee

On the other hand, the following factors cannot be taken into account:

- Contractual or employment related matters such as it being a condition of employment that the employee occupy a specific dwelling

- There is no arm's length market for the specific accommodation (ie where the accommodation would never be made available to the general public)

IRD have suggested the following methods might be used when establishing the market value:

- Valuation from a registered valuer
- Estimated value from a real estate agent or property manager
- Review of comparable properties on internet sites such as Trade Me

IRD's expectation is that employers take reasonable steps and exercise reasonable care in reaching a view on the appropriate market rental value. As such, keeping documentation is critical to illustrate this in the event that IRD question the market rental values.

Fonterra Payout

Fonterra recently reduced the 2017/18 season forecast from \$6.75 per kgMS to \$6.40 per kgMS. From a tax and cashflow point of view, the timing of the advance and deferred payments is critical. The recent change in payout saw some advance payments brought forward with only a \$0.05 reduction prior to 31 May 2018 and the other \$0.30 coming off the deferred payments next year. The current payout profile is as follows:

	2017/18	2016/17	2015/16
Advance to 31 st May	\$5.35*	\$5.05*	\$3.40*
Retro Payments	<u>\$1.07</u>	<u>\$0.50</u>	<u>\$0.12</u>
	\$6.42	\$5.55	\$3.52
Dividends	<u>\$0.40</u>	<u>\$0.40</u>	<u>\$0.35</u>
	<u>\$6.82</u>	<u>\$5.95</u>	<u>\$3.87</u>

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

Even with the reduced payout, 2017/18 is shaping up to be stronger than the prior few seasons. As we near the second and third provisional tax instalments, we encourage you to discuss with us the possible tax liabilities arising from the improved payout.

Team News

Congratulations to Timatanga who has recently been admitted to the Chartered Accountants Australia and New Zealand institute as a Chartered Accountant! A fantastic achievement for Timatanga and we commend him on his outstanding effort!

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



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.



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