



# Graham Brown & Co Ltd

## CHARTERED ACCOUNTANTS

March 2015

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Website: [www.grahambrown.co.nz](http://www.grahambrown.co.nz)

### YEAR END ACCOUNTS

With the end of the financial year fast approaching, please keep in mind the following items which are important to ensure 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** – It is time to review your debtors and write off those you no longer expect to receive. Bad debts cannot be claimed as a tax deduction unless written off prior to the end of your financial year. If queried by the IRD it is important that you can show 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 livestock, 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 tally’s 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 2015 Annual Questionnaires will soon be making their way to you. Please ensure the front page of the questionnaire is signed before returning to us to avoid any delays in processing your accounts. If you have any queries or need some assistance completing the questionnaire, please contact your client manager.

We strongly encourage all clients to make an appointment with your manager when dropping in your records. This allows us to check that the required documents are provided and is also a valuable opportunity for managers and yourselves alike to discuss any specific needs, concerns and/or opportunities. If your records are posted to us, expect a follow up phone call from your manager.

### EMPLOYEE ALLOWANCES

From 1 April 2015, a new set of rules apply to employer-provided accommodation, accommodation payments, allowances and other payments. The changes are intended to bring greater clarity to the rules and make taxpayer compliance easier.

The key changes are as follows:



- **Accommodation** – taxable value of accommodation provided is the market rental value less any rent paid by the employee and any adjustment for business use of the accommodation. Exemptions apply for out-of-town secondments (maximum of two years), capital projects (maximum of three years), ongoing multiple workplaces, and work-related overnight stays (i.e. for meetings, conferences or training).
- **Meals** – exemptions apply subject to a three month time limit at a particular work location away from the employees normal work location and without a time limit for meals and light refreshments in certain circumstances while working at or near the employee’s normal work location. Meals will only be exempt if the employee attends because of the nature of their job. Light refreshments are exempt when the employee is required to be away from the employer’s premises for most of the day and the employer normally provides refreshments.
- **Clothing** – exemptions apply for distinctive work clothing (i.e. uniforms), and for plain clothing allowances paid to members of a uniformed service who are required to wear ordinary clothing instead of their uniform (i.e. police officers required to wear non-uniform clothing).

#### Telephone Extensions

A reminder that staff can be reached directly on the following extension numbers:



#### Putaruru Office - 07 885 1022

Amy	Reception	720	Linda	747
	Chelsea	721	Richard	735
	Erin	724	Rina	708
	Julie Gray	742	Shannon	714
	Julie Still	725	Timatanga	737
	Kimberley	746	Tinika	727

#### Tokoroa Office - 07 886 7099

Reception	202	Sally	213
Jasmine	210	Wiki	212
Robyn	209		

### Moving Farms?

A reminder to those clients who are 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.

## FONTERRA PAYOUT

The Fonterra payout has moved considerably throughout the current dairy season. The current forecast payout of \$4.70 is a significant reduction on last season's \$8.40 payout.



The lower payout will now be having a significant impact on cashflows which will carry on through the winter. The dry summer across many parts of the country will also be impacting milk production and thus cashflows.

We strongly encourage all of our farming clients to prepare a cashflow budget for the remainder of this season and looking forward to next season. Cashflows will need to be carefully monitored over the coming months to get through the winter period. It is better to be proactive than reactive when cashflows are tight so talk to your bank manager and/or us regarding your position. Your client manager can also assist with creating a budget if desirable.

From a tax planning perspective, the timing of advance and retrospective payments are important. The current forecast is as follows:

	2014/15	2013/14
Advance to 31 <sup>st</sup> May	\$4.30*	\$6.90
Retrospective payments	\$1.50	\$0.65
	\$5.80	\$7.55

*\*\$4.30 is derived from the base advance rate plus the capacity adjustment (this will vary slightly across farms).*

The difference between the two tax years is currently a reduction of \$1.75 which will have a significant impact on your tax obligations for the 2014/15 year. Whilst it is likely that we discussed your tax obligations when reviewing your accounts, depending on timing it is possible that the full reduction of \$1.75 was not taken into account. In many cases, we have noted to review tax obligations prior to the third provisional tax payment due on 28<sup>th</sup> June 2015, however please contact your client manager if you think you will benefit from a review.

In addition, the option to use the Income Equalisation Scheme to defer profit forward from the 2013/14 tax year may be beneficial for clients where we have not yet filed your 2014 tax return and you did not have an income equalisation withdrawal in the 2013/14 tax year. We are currently working through potential clients and will be in contact in due course if we think you will benefit from this option. Alternatively, please contact your client manager to discuss whether you qualify if you would like to consider an income equalisation deposit.

## MINIMUM WAGE

From 1 April 2015 the adult minimum wage rate will increase to \$14.75 an hour from the previous rate of \$14.25 an hour. The starting-out and training minimum wage rate is also increasing to \$11.80 an hour.



Important reminders:

- 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.

## GST - LOTTERIES, RAFFLES, SWEEPSTAKES & PRIZE COMPETITIONS

The IRD have recently published some guidance regarding the GST implications of conducting a lottery, raffle, sweepstake or prize competition.

It is important to identify who is supplying the service before considering the obligations detailed below, i.e. a raffle conducted for a school could be conducted by say the Board of Trustees or Parent Teacher Association (as a separate entity from the Board).



In summary:

- If the supplier is GST registered, or liable to be registered, GST needs to be accounted for on any lottery, raffle, sweepstake or prize competition.
- GST is calculated on the amount paid by the participants, less the amount of all prizes paid or payable in money.
- For lotteries, raffles and sweepstakes, GST needs to be accounted for in the GST period that the first drawing or determination of the result commences.
- For prize competitions, GST needs to be accounted for in the GST period that the first drawing or determination of the prize competition commences.
- Input tax can be claimed for the GST component of the cost of goods or services that are purchased for the lottery, raffle, sweepstake or prize competition. Input tax cannot be claimed on donated goods or services.

Please contact us if you have any queries regarding the impact of the above on your organisation.

### Tax Calendar

20<sup>th</sup> March 2015

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

30<sup>th</sup> March 2015

- GST returns and payments due for the period ended 28<sup>th</sup> February 2015
- 2<sup>nd</sup> Provisional Tax due for June balance date clients

31<sup>st</sup> March 2015

- 2014 Income Tax Returns due

7<sup>th</sup> April 2015

- Terminal Tax payments due for all 2014 Income Tax Returns
- Student Loan End of Year repayments due

20<sup>th</sup> April 2015

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

7<sup>th</sup> May 2015

- GST returns and payments due for the period ended 31<sup>st</sup> March 2015
- 3<sup>rd</sup> Provisional Tax due for March balance date clients

20<sup>th</sup> May 2015

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