



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

## Christmas Office Hours

Our office will be closed from 12 noon Friday 21<sup>st</sup> December 2018 and will be re-opening on Monday 7<sup>th</sup> January 2019.

If you have any queries over the Christmas Break, you can contact the Directors as follows:

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



## 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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## Identification and Address Verification

From 1 October 2018 Accountants have been required to comply with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009. Please be aware that, in the same way banks and other financial institutions already comply with this Act, we are required to complete customer due diligence on our clients and their related parties prior to carrying out "captured" activities. This means we will be asking for additional information like your identity documents and proof of address.



We will be conducting customer due diligence on all of our clients over time, but will be in contact directly if we require the information sooner for a specific reason. If you wish to provide your identity documents when you are next in the office, please talk to the reception staff who will check if you have the required information. Please bring the original documents and we will make photocopies and verify the details.

## Payday Filing

As you may already be aware, from 1 April 2019, payday filing comes into effect for all employers. Instead of filing an Employer Monthly Schedule (IR348) every month, you will now file this information every payday. The Employer Deductions form (IR345) will continue to be filed monthly. More information can be found on the IRD website about payday filing.



Whilst this change is largely administrative, it is an opportune time to look at your current pay systems. To reduce the compliance cost, if not already the case, it might be worth moving all employees to the same payday and possibly changing the pay frequency from say weekly to fortnightly.

## Companies Office Reminders

We have had a number of clients contact us regarding emails from the Companies Office reminding them that the Annual Return is due. The reminder emails are sent to every email address with authority for the company so unless you have filed the Annual Return in the past, please disregard these reminders as we will attend to filing the return at the end of the month.

## Fonterra Payout

Fonterra recently reduced the 2018/19 season forecast to \$6.15 per kgMS. Over the past six months the payout has reduced considerably from the opening payout of \$7.00 per kgMS and the October 2018 dividend was also not paid. From a tax and cashflow point of view, the timing of the advance and deferred payments is critical. The current payout profile is as follows:



	2018/19	2017/18	2016/17
Advance to 31 <sup>st</sup> May	\$4.89*	\$5.35*	\$5.05*
Retro Payments	\$1.34	\$1.07	\$0.50
	\$6.23	\$6.42	\$5.55
Dividends	\$0.10	\$0.30	\$0.40
	<b>\$6.33</b>	<b>\$6.72</b>	<b>\$5.95</b>

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

Even with the reduced payout and dividend, 2018/19 is looking to be above the average breakeven payout. Based on our farm stats for the 2016/17 season, farm owners average farm working costs before finance costs were around \$3.40-\$3.50 per kgMS and sharemilkers are around \$1.90-\$2.00 per kgMS. Looking forward, if the payout holds, the average farmer will be profitable for the 2018/19 season.

Provisional tax is a topic we will cover with you at your annual accounts interview and on an as needed basis throughout the year. With the current IRD use of money interest rules, in many cases it is advisable to pay the default amounts for the first two instalments with a wash up at the third instalment if required. If we have completed your 2017/18 accounts you will already have a plan for provisional tax and in the event we are still to do your 2017/18 accounts, any provisional tax will be based on the 2016/17 year where the tax year payout was lower than the current forecast so the defaults are likely to be relatively close. If you are at all concerned about upcoming tax payments, please touch base with us.

## Emailing of Tax Letters & Invoices

We are now able to send tax payment slips and invoices by email. Email is the preferred method for tax letters as the postal system can cause delays. Please let your client manager know if you would like to switch methods for either tax letters or invoices.



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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	PUTARURU OFFICE. 45-49 Tirau Street; PO Box 204, Putaruru 3443 PHONE. 07 885 1022 FAX. 07 883 7297
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