



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

Questionnaires

Our 2018 Annual Questionnaires for March balance date clients will soon be arriving in your mail boxes with those for May balance date clients 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. We encourage you to speak with your client manager when dropping off your records so that we can check the required documents are provided and it is also a valuable opportunity to discuss any specific needs, concerns and/or opportunities.

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.

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

Travel Expenses

Travel expenses, both locally and internationally, are generally deductible to the extent that they related to generating income.



In relation to local work-related travel, in order to claim a deduction you must be able to demonstrate that the travel is connected to earning income. IRD’s longstanding view is that travel to visit a property is not deductible as it is merely the “protection of a capital asset”. This is particularly relevant for passive investments, e.g. rental properties managed by real estate agents.

For overseas travel, the purpose of the trip determines the deductibility of the expenditure. If the trip is solely work related, i.e. attend a work conference overseas, all of the costs can be claimed. In cases where there is a private element to the trip, i.e. attend a work conference overseas and add on extra holiday days to the trip, the deductibility of the costs falls into one of three categories:

- **100% deduction** – work-related trip with holiday component being incidental
- **Apportionment of costs** – dual purpose trip
- **No deduction** – holiday trip with work-related component being incidental

IRD have wide powers to request information such as travel itineraries, business contacts visited, business conducted, diversions from business for private purposes, breakdown of expenditure and total costs of the trip. It is important that you keep accurate records of this information in addition to the receipts of the trip so that the costs can be correctly assessed when your accounts are prepared.

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For those who travel on business with companions, such as spouses or family members, you may be entitled to a deduction for the companions travel costs. Whilst the costs are generally not deductible, a deduction would be allowed if the companion supports the business being undertaken to a reasonably substantial degree or the companion has some knowledge of the business being undertaken and has a specialist skill or expertise to support the business being undertaken. The companion does not need to be an expert in the business, but there does need to be a reasonable element of support.

If you are at all unsure about whether or not you can claim a deduction for travel costs, please discuss with your client manager and retain as much information as possible regarding the costs and travel itinerary so that informed decisions can be made in due course.

Minimum Wage

From 1 April 2018 the adult minimum wage rate will increase to \$16.50 an hour from the previous rate of \$15.75 an hour. The starting-out and training minimum wage rate will increase to \$13.20 an hour from the previous rate of \$12.60 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.

Bright-Line Test Changes

In our September/October 2016 newsletter we discussed the bright-line test applying to land sales from 1 October 2015. In summary, this taxes gains on

the sale of residential land owned for less than two years unless one of the specific exemptions apply (for further information refer to the earlier newsletter). The bright-line test is in the final stages of being extended from two years to five years which means that more properties will potentially be caught by the rules going forward. If you are considering, or in the process of selling property and are concerned about how this may affect you, please do not hesitate to contact us.

Paid Parental Leave Changes

From 1 July 2018, the paid parental leave entitlement increases from 18 weeks to 22 weeks. From 1 April 2018 the minimum weekly payment before tax is \$165.00 and the maximum is \$538.55. Self-employed parents (including farmers) are eligible for paid parental leave. We encourage expectant parents to contact us if you are unsure if you qualify.



Fonterra Payout

Fonterra recently increased the 2017/18 season forecast from \$6.40 per kgMS to \$6.55 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 only the deferred payments changed so there is no impact on the profit to 31 May 2018. 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	\$1.07	\$0.50	\$0.12
	\$6.42	\$5.55	\$3.52
Dividends	\$0.40	\$0.40	\$0.35
	\$6.82	\$5.95	\$3.87

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

As we near the final provisional tax instalment (being 28 June 2018 for May balance date clients), we will be in contact with you if we think you may need to pay additional voluntary tax. We also encourage you to contact us if you haven't heard from us and would like an indication of your tax obligations for the 2018 year.

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.