



March 2011

End of Financial Year

Over the next four months virtually all of you will pass your 2011 balance date. The correct recording of end of year financial data is crucial to determining your trading profitability and taxation liability. Please take time to fill in your Annual Financial Questionnaire, this may well save us time and you money when we are preparing your Financial Statements and Taxation Returns.

Tax Changes

Depreciation on Buildings

From 1 April 2011 depreciation will no longer be allowed for buildings with an estimated useful life of more than 50 years such as residential houses and offices. Cowsheds and barns will continue to be depreciable as will the fit-out of commercial and industrial buildings. This will not have an impact until your 2011-12 income year and therefore we may need to consider this when reviewing your 2012 provisional tax.

Company Tax Rate Change

The company tax rate changes from 30% to 28% from 1 April 2011 (or your balance date).

Individual Tax Rates

Tax rates from 1 April 2011 are

\$0 - \$14,000	10.5%	\$14,000 - \$48,000	17.5%
\$48,000 - \$70,000	30%	\$70,000 plus	33%

Working for Families Tax Credits

There are major changes in the basis of calculating 'family income' for Working for Families Tax Credits from 1 April 2011. Income left in companies and trusts will (in most cases) be added to personal taxable income to calculate 'family income'. We can no longer utilise trusts to maximise Family Tax Credits.

Land Transactions Zero Rated

From 1 April 2011 GST on land transactions between registered persons will be zero rated. This will be a major issue in respect of farm and commercial property sales and purchases.

Employment changes

Wage Rates

From 1 April 2011 the adult minimum wage increases from \$12.75 to \$13.00 per hour. This applies to all employees aged 18 and over and 16 and 17 year olds who are not new entrants or trainees. The rate for the latter category increases from \$10.20 to \$10.40 per hour.

Cashing up Annual Holidays

From 1 April 2011, each year employees are able to negotiate with their employer to pay out in cash up to one week of their annual holiday entitlement. Employees cannot cash in annual holiday entitlements that arose before 1 April 2011.

Trial Periods

From 1 April 2011 trial period provisions apply to all employers, regardless of the number of employees. Employers are able to employ new employees on a trial period of up to 90 days.

Transferring public holidays

From 1 April 2011, employers and employees will be able to agree to transfer the observance of public holidays to another working day in order to meet the needs of the business or the individual needs of the employee.

Employment Contracts

It is compulsory to have employment contracts for your employees and the Ministry of Labour can sue if you don't have a written contract on site. Random checks and instant fines are understood to be on their agenda.

Please give us a call if you would like to discuss any of your employment issues.

Gift Duty

From 1 October 2011 it is likely that gift duty will be abolished. We suggest you suspend gifting programmes until then. Once full details are known you can decide on further gifting.

Dairy Farmer Incomes

We expect farm net profits to rise this year as a result of the increase in payout, lower interest rates and better budgeting and control of farm expenditure. Farmers should review provisional tax for the current and future seasons with an expectation of sizeable increases. The fall in tax rates will soften the impact of the improved profitability.

We believe that livestock values are yet to peak due to the basic rule of supply and demand. More conversions in the South Island, a high payout, fewer inductions and higher empty rates all point to livestock prices going up.

Although we are starting to see some movement in property sales, things are still very quiet and land values have come back from last season. Will we now see a bounce in prices or do the financing restraints dictate farm values?

Interest rates

With the Reserve Bank Governor dropping the OCR by .5% recently we should continue to enjoy low interest rates for some time. The difference between short term (1 – 6 months) rates and longer term (3 – 5 years) rates make short term rates desirable. We believe that these rates will be with us for some time BUT if you're concerned about future increases then you need to request details of the various options on offer from your bank. When reviewing these, remember that 1% saved in year one is probably worth nearly 2% in year five.

Looking ahead

- ∅ The All Black's will win the world cup.
- ∅ The National Party should win a second term without the help of Winston.
- ∅ The price of fuel will reflect uncertainty in the Middle East and may well reach \$2.50.
- ∅ The government will look to redirect spending on welfare in some shape or form.

Christchurch Earthquake

New Zealanders have been generous in supporting the victims of the Christchurch earthquake. The financial effects of paying for the recovery will be felt for sometime and in a number of different ways.

New Zealanders budgets for charitable donations have probably been grossly stretched. Our message here is twofold. If you are making identifiable donations to the Christchurch quake through a charity, obtain the receipt and make your donation rebate claim. Second, don't forget your local charities, those you support on a regular basis. Your donation goes a long way towards helping the volunteers in your area.