

# CG

# Update

## Newsletter June 2011

### **End of Year**

For farmer clients with May or June balance dates please remember to send you annual green questionnaire into the office with your next lot of records. Your end of year livestock numbers are important records so please complete that section of the form.

### **Records processing**

We would like to thank those clients who ensure that when their records come in for GST processing they are complete, in logical order and received promptly after month end.

One item that is sometimes overlooked is the business/farm insurance renewal. We need the full premium breakdown to determine correct deductibility. If you need a copy of the policy at home, then let us know and we will photocopy and return.

### **Donations**

Your donation rebate is limited to the level of your income. Therefore the IRD may delay the processing of your rebate claim until they have evidence that you received positive income. This may mean waiting until your tax return is filed.

### **Livestock Values**

The volatility of dairy cattle herd scheme values over the past five years, and the ability to change schemes has lead to significant tax savings for some clients. It has obviously touched a nerve at IRD and in the Beehive because a review of the scheme will take place this year.

We believe that fundamentally the concepts of the Livestock Schemes are sound and need only tweaking in terms of how the values are set and the notice time required to change schemes may need to be altered.

In the 2011 year the values clearly reflect the increased world wide demand for our meat and dairy products.

Average changes to herd scheme values on 2010 values are:

Sheep +40%	Beef Cattle +13%	Friesian Dairy Cattle +30%	Jerseys +22%
Deer +10%	Dairy Goats – 7%	Pigs -4%	

### **Forests and ETS**

We have been contacting our known clients with forestry blocks to bring to their attention upcoming deadlines with respect to entry into or exemption from the Forestry ETS trading scheme.

The message is that if you have any sizeable amount of vegetation planting on your property then you need to take immediate steps to determine you exposure the ETS rules.

Give us a call for an initial discussion but we may well recommend that you engage with an ETS consultant.

### **Environment**

Recently we attended a seminar on water usage and runoff on Waikato Farms. We learned that very few farmers in our region have water consents. There is an exemption under the RMA for farmers to take sufficient ground or surface water for domestic or stock watering purposes. However there are limits imposed and we were advised that if you milk more than 215 cows then you have likely exceeded the limit and should have a water consent.

We are not scaremongering here but do consider that after effluent disposal, water usage is going to be the next big environment issue and being left without a consent if needed could cause some issue.

### **Staff News**

We love our staff and they love us (sometimes)

Congratulations to Heath Tapper who has gained his admission to our Institute. (NZICA) We welcome to our team Sarah Germann who has joined the Admin team and in July we will welcome Debra Prujean who will join one of the accounts processing groups.

### **Paying IRD on line**

We have had several recent instances where clients have paid their tax or GST on line and subsequently received a notice about non payment. If you are paying on line then the period end date becomes crucial.

If you are paying your April/May GST bill on June 28<sup>th</sup> then May is the crucial date.

If you are paying your first installment of next years provisional tax then 2012 is the year.

### **Minimising Shareholder Employer ACC Levies**

Changes were made last year enabling shareholder employees to be classified under their individual occupation rather than the business activity of their employer company. This change can make quite a difference to the levies you pay. For example, the levy rate for an office manager is much lower than that of a factory supervisor.

We provide an ongoing ACC administration and advisory service to our clients on an agreed annual fee basis. Let us review your cover structure and premiums, to ensure your cover is appropriate and levies are minimised.

### **ACC Levies, No Claims Discount and Experience Rating**

Government has introduced experience rating into the ACC levy system on 1 April 2011. Here's how it is likely to work:

Small employers (paying less than \$10,000 per year in work related levies) will be entitled to a no-claims discount

Larger employers (paying more than or equal to \$10,000 p/a) will be part of an experience rating programme. This programme will reflect both the employer's and its industry's performance in preventing injuries and claims and could create an increase or reduction in levies of up to 50%!

Clearly Government is trying to provide employers with a financial incentive to prevent injuries as well as make levies fairer by ensuring low-risk employers aren't paying for high-risk ones. Having said that, is a no claims discount or loading of minus or plus 10% (the majority of employers will fall into the 'small employer' category) really going to incentivise employers to get serious about workplace safety?

### **Private Use Adjustments on Cars**

As of 1 April, when purchasing a car, the rules for calculating private use adjustments on vehicles for sole traders and partnerships have been simplified... sort of.

By way of example, if you expect business usage to be 80%, then you simply claim 80% of the GST on the cost of the car and any running expenses. Sounds logical, some would say obvious (accountants have been suggesting this to Government for years).

That was the simple bit. If you underestimate your private usage by 10% or more, or if any GST over-claimed due to such underestimating comes to more than \$1,000, an adjustment (not so simple) has to be made.

But wait... there's more. There's a wash up calculation when you sell the car and it's complicated. In fact, we won't bore you with the details, give us a call or email us, and we'll provide you with the maths!

### **Building Depreciation Gone**

Depreciation deductions on buildings with an estimated useful life of 50 years or more disappear from the start of the 2011/2012 year (for most clients 1 April 2011). New rules have been introduced to ensure the fit-out of commercial and industrial buildings continues to be depreciable.

### **At Last: Some GST Simplification**

#### **Sales of land now zero rated**

In the past, whether GST should be added or not to the sale of land, has sometimes been a complex matter. From 1 April 2011 these transactions will be zero rated, as long as all the following apply:

The purchaser declares in writing that the property is to be used for a GST activity  
Both the purchaser and vendor are GST registered  
Not principal place of residence