

REMINDERS

MINIMUM WAGE

The minimum wage increased by 50 cents to \$15.75 on 1 April 2017. The starting-out and training minimum wage rates increased from \$12.20 to \$12.60 per hour - remaining at 80 per cent of the adult minimum wage.

CHANGING TO ONLINE ACCOUNTING SOFTWARE

If you are looking to change to online accounting software, the end of the financial year is the best time to do this. Not sure of what software is best for you? Contact

your Client Manager, they will be happy to assist you.

DONATION REBATES

Along with claiming your Church and charitable donations don't forget you can also claim a rebate of 33% on the school donations you pay. The majority of people do not do this. Simply retain a receipt and include it when you have your financial accounts prepared. You can download the form (IR526) from the IRD website if you wish to complete this yourself. You are able to claim back up to four years of donations. Be aware that you can only claim donations up to your level of taxable income.

IN AND OUT OF THE

Office

We congratulate Jeffrey on being awarded his CA (Chartered Accountant) qualification. This is a significant milestone. Well done Jeffrey.

Jeffrey Kay receiving his Chartered Accountant certificate from Cassandra Crowley, President of Chartered Accountants Australia and New Zealand.



WELCOME

We welcome Rose Robinson to the accounting team at Cuffs. Originally from the Coast, Rose has worked in accounting firms and taught accounting in secondary schools in the North Island for many years. A love of the Coast, the beach, tramping and the outdoors was the catalyst for Rose's return.

Rose enjoys helping business people to achieve their goals.



An accountant, after reading a nursery rhyme to his child, says, "No son. It wouldn't be tax deductible when Little Bo Peep loses her sheep. But I like your thinking."

Ronald Harrison, an elderly farmer, received a letter from the Ministry of Business, Innovation & Employment stating that they suspected he was not paying his employees the statutory minimum wage and they would send an inspector to interview them.

On the appointed day, the inspector turned up. "Tell me about your staff," he asked Ron.

"Well," said Ron, "There's the farm hand, I pay him \$700.00 a week and he has a free house.

Then there's the housekeeper. She gets \$600.00 a week, along with free board and lodging.

There's also the half-wit. He works a 16 hour day, does 90% of the work, earns about \$50.00 a week along with a bottle of whisky and, as a special treat, occasionally gets to sleep with my wife."

"That's disgraceful!" said the inspector, "I need to interview the half-wit."

"That'll be me then," said Ron.

STORKS ARE COMING TO CUFFS OFFICE:

Congratulations to two of our team members who are both expecting their second child. Erica Packman will be on maternity leave from the end of May, while Tina Alison will be joining her in August. On a side note, Peter has started buying bottled water.



CUFFS ON FACEBOOK

Like our page at [cuffsaccountants](https://www.facebook.com/cuffsaccountants)

We regularly post useful information and happenings on our page.



Peter congratulates Alice Rielly, runner up in the Dairy Manager of the Year Award.

Farming

AUTUMN 2017

HIGHLIGHTS

Tax Changes and Reminders
Avoiding Employment Obligation Breaches
Tax Changes to Mileage

"Off the Cuff"

As I write this it appears that we are coming out of a period of extremely difficult farming for most West Coast farmers. The rain and lower than average temperatures have affected grass growth and led to a lack of feed, which for many means they will also need to import feed for the winter period. For dairy farmers this has been exacerbated by the performance of Westland Milk and the related media attention. This is having a downstream effect on being able to sell farms in the district.

Unfortunately we will need to wait until this time next season to see if the current management is on the right track to get the payout back to being competitive.

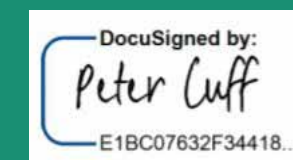
Something else appearing on the Coast is Labour Inspectors. I have concerns that not all farmers are complying with the record keeping requirements related to employing staff, so I have included an article on this. Please make sure you read it and if you need any assistance

please give me or my team a ring.

Also we've included detail on changes that take effect from 1 April including use of money interest, provisional tax and private use of vehicles.

Three years ago Cuffs became the first accounting firm in New Zealand to trial electronic signatures with our clients using Docusign. This has now been adopted by our practice management software company iFirm and it is now integrated into the systems we are using on a daily basis. We will be using Docusign extensively in our 2017 returns and will discuss this with you first.

DocuSign



Peter Cuff

DAIRY INDUSTRY AWARDS

The Top of the South /West Coast Dairy Industry Awards are an outstanding event Cuffs is a sponsor of. We congratulate Clay

Paton (Dairy Trainee of the Year), Jack Raharuhi (Dairy Manager of the Year) and Jon & Vicki Nicholls (Share Farmer of the Year). We are proud to support this leading event.



CUFFS FORMER EMPLOYEE RUNNER UP IN DAIRY AWARD

Congratulations to former Cuffs employee Carl Wilmshurst and partner Anna Boulton on being runner up in the Share Farmer category at the West Coast Top of the South Dairy Industry Awards. The couple took out the Westpac business performance merit award.

Carl and Anna both have degrees from Lincoln University. Carl went contract milking full-time on his parent’s farm after gaining his CA qualification. The couple milk 390 cross bred cows on 160ha returning 180,000 kgms in the 15/16 season.

Carl credits his accounting background with helping him immensely both on the farm and in the competition. “I think it’s essential to have a budget each year and check it against the actual figures regularly so we can take action sooner and there are less surprises.”

Carl also attributes their success in farming to team work and the increase in production. “It is important to communicate regularly with the farm owner so the week’s work can

be planned in advance. This enables you to get through the most work and maximise productivity. Focusing on pasture management is also a key to success as this is the cheapest feed and has a huge influence on production. It is also critical to ensure cows are well fed through the year for both production and mating.” Health and Safety requirements must now also be met and this was a component of the competition where Carl’s knowledge and the farm focus on compliance was raised.

“Another important success factor is to set goals, both short and long term which provide direction and motivation.”

Carl highly recommends entering the awards. “It makes you thoroughly examine a wide range of areas in your operation. The feedback is valuable to see the areas where improvement can be made. We also learnt a lot from talking with other farmers about how they do things and DairyNZ has a number of great resources on their website that we utilised.”



Carl Wilmshurst and Anna Boulton celebrate their achievement.

RIPARIAN PLANTING

Farmers are permitted a deduction for expenditure “in planting or maintaining trees or plants” for the purpose of “preventing or mitigating detrimental effects on a watercourse or body of water from the discharge of farming or agricultural contaminants”. Fencing costs are also fully deductible as are all costs related to protecting waterways.

ALERT FOR ALL FARMERS - PROSECUTIONS FOR EMPLOYMENT OBLIGATIONS BREACHES

We urge all farmers to ensure you are meeting your employment obligations. The Ministry of Business, Innovation and Employment (MBIE) has launched a nationwide investigation into Employment Law compliance within the dairy industry. This followed an investigation that found a total of 21 employment breaches across 14 farms, with 7 infringement notices issued, 3 warnings and 6 farmers being fined a total of \$9,000 (three fines of \$2,000 and three of \$1,000).

Employers who do not keep these employment records in place are liable to receive an infringement notice of \$1,000 per breach, with fines and penalties increasing depending

on the number and severity of breaches.

As a basic obligation, all farmers employing staff should be keeping the following records:

- A signed copy of an employment agreement.
- An accurate record of the number of hours worked by employees on each day as well as the pay for those hours. A statement of the usual hours of work will suffice, for example in an employment agreement, but if the hours of work differ from this then there must be an accurate record of the hours worked. Farmers particularly

should be aware of the minimum wage rate and ensure your staff are receiving the minimum hourly rate for each hour worked, calculated over a fortnight. Although staff are salaried you will still need records to confirm they are getting at least minimum wage. In particular check around calving.

- Records of leave entitlements as well as leave taken.
- If you take deductions out of wages you must have a record giving permission for this. If any employee cash’s up a week of their annual leave you must have a record of the request for this.

WHAT’S NEW - TAX CHANGES INTRODUCED ON 1 APRIL 2017

USE OF MONEY INTEREST

Amongst a package of changes applying from the 2018 income year (i.e. from 1 April 2017 for standard balance date taxpayers) is the removal of use of money interest from the first two provisional tax instalments (for those who pay in three instalments) and who continue to use the standard method to calculate and pay provisional tax (commonly referred to as the ‘uplift method’).

Businesses (including companies and trusts) and individuals with residual income tax of less than \$60,000 and paying provisional tax in three instalments using the standard method will not be subject to use of money interest.

PROVISIONAL TAX CHANGES

Provisional tax changes apply from 1 April 2018. These include the proposed accounting income method (AIM) of paying provisional tax.

While current methods for calculating and paying provisional tax will still be available, AIM proposes that you pay provisional tax calculated from your accounting software, where you are a business with less than \$5m annual gross income. AIM capable software will calculate provisional tax owing throughout the year and enable you to pay provisional tax direct to Inland Revenue. So the year-end tax return becomes more about verifying payments made through the year and making any adjustments or

corrections needed.

This could work well for new businesses who don’t have to worry about paying tax in their first year, but when it enters its second year, it has to meet not only its tax obligations for their first year but also make provisional tax payments towards the second year. This is somewhat of a double whammy businesses struggle with. With AIM, new businesses would start paying tax instalments when they start making a profit.

Seasonal businesses may be particularly keen on this method as they would pay less or no tax in their off season when profits are low/non-existent.

MILES TO GO – CHANGES PROPOSED FOR MOTOR VEHICLES

Currently companies providing a motor vehicle for the private use of shareholder-employees must pay FBT on the value of the benefit provided. This value is based on the availability of the vehicle rather than its actual private use and this means higher FBT compliance costs for small companies. For most of our clients we do a book entry that increases the taxable profit, and hence tax, rather than pay FBT.

NEW OPTION FOR SMALL COMPANIES

The recently introduced legislation changes this for the 2018 tax year (i.e. from 1 April 2017 for standard balance date taxpayers). Under the new rules companies which provide one or two vehicles to shareholder-employees could elect to use the motor vehicle expenditure rules instead of paying FBT. This would mean that, like sole traders and partnerships, small companies could use a log book to measure the business use of a motor vehicle and calculate the tax deductions allowable for motor vehicle expenditure based on business use.

NEW METHOD FOR CALCULATING BUSINESS USE TO CLAIM DEDUCTIONS

Also introduced is a new simplified method of calculating business use for vehicles. The new option would allow you to choose to calculate your business usage and resulting deductible expense differently. The new method does not have a ceiling (currently the ceiling in place is 5,000 kilometres of business use).

If you are self-employed or if you operate through a small company and you want to use this method then you would need to know the total mileage travelled each year and be able to work out what proportion of that is business use.

The actual requirement would be for you to keep a vehicle logbook for three months every three years.

When it comes to calculating the tax deductible amount, the calculation is ‘two tier’:

- for the first 10,000 kilometres, the rate is calculated on the

proportion of business use for the vehicle (say 60%) multiplied by Inland Revenue’s first tier rate (for example 75 cents/km but the IRD will advise the rates each year)

- for every kilometre after that, the rate is calculated on the proportion of business use for the vehicle (e.g. 60%) multiplied by Inland Revenue’s second tier rate (for example 25 cents/km but again subject to change)

WHAT YOU NEED TO DO

At the close of business on your balance date you should record your odometer reading. Make a diary note to do this next year. You want to be able to tell us the total number of kilometres travelled in the tax year when you bring in your records. And, sometime during the year starting 1 April 2017, keep a logbook for each vehicle for a three-month period to record mileage, costs and when the vehicle is being used for business or private purposes.

If you want to discuss these options for your business, please contact us.