

myIR & myACC

Inland Revenue and ACC are encouraging the use of their online tools myIR and myACC, for faster handling of your tax and ACC obligations. This enables you to:

myIR

- File and pay returns including GST and PAYE
- Check and view any of your tax accounts
- Make payment arrangements for overdue taxes
- Correspond directly with Inland Revenue

myACC

- View and update your business details
- Download invoices and view your transactions
- Make payments via direct debit or credit card

There are many advantages to using these online tools. Register at www.ird.govt.nz/login and www.acc.co.nz/myacc-for-business



A farmer was milking his cow. He was just starting to get a good rhythm going when a bug flew into the shed and started circling his head. Suddenly, the bug flew into the cow's ear. The farmer didn't think much about it, until the bug squirted out into his bucket. It went in one ear and out the udder.



WINTER 2018

HIGHLIGHTS

- Payday Filing
- Farm House Expenditure
- Employment Obligations

Farming

"Off the Cuff"

We've had a bit of a break from the newsletters, but the wonderful Tina Alison is getting us back on track.

On the compliance front, please pay particular attention to our article on employment obligations and pay day reporting. This is particularly important around calving when hours worked can be long. Early next year you have to shift to reporting to IRD after every pay. This will cause many employers to move to online software that does it for them, or like many, getting their payroll done by an accountant.

As I write this, there is a lot of commentary regarding business sentiment being low despite conditions being good. The problem with sentiment is that it can be a self-fulfilling prophecy. This low sentiment is likely to be because of increased costs, increased uncertainty about our government, strikes, union access to farms, increased environmental compliance on the horizon, concerns re Trump and global trade, a drop in auction prices likely to put pressure on payout and changes to labour rules, to name a few. Then there are issues with both Westland and now Fonterra becoming evident.

Fonterra shares have dropped from around \$6.30 to \$5.11. For a 100,000kgMS supplier this is a drop in equity of \$119,000. Even worse external investors in Fonterra will be concerned about falling dividends and this will impact on future capital raising. It obviously isn't easy moving into the value-added world.

On the plus side there is continuing low interest rates, a growing US economy, a falling exchange rate and positive GDP growth in NZ. I note that the Reserve Bank is forecasting the OCR to remain at 1.75% until at least 2020. This may mean that you would lean to having less exposure to long term (3yr plus) debt.

We are looking for new farming clients, so if any of your neighbours aren't happy with their accountant, please recommend us. On that note, if we aren't giving you the service you want, give me a ring to discuss it as we are always looking at ways to improve.

Let's hope the weather improves and the grass grows.



CUFFS ON FACEBOOK

Like our page at [cuffsaccountants](https://www.facebook.com/cuffsaccountants)
We regularly post useful information and happenings on our page.



BEST START TAX CREDIT

The Best Start Tax Credit (BSTC) is a new element of Working For Families, announced by the government to help Kiwi families. It's available to all qualifying parents with children due or born on or after 1 July 2018.

If you are receiving paid parental leave, the Best Start payments will start once your paid parental leave payments end.

How much will you receive?
\$60 a week for the first year – regardless of household income.

An abated amount for the second & third years – based on income:

Annual Family Income	BSTC for 2nd/3rd years
\$79,000 or below	\$60 a week (\$3,120)
\$80,000	\$55 a week (\$2,910)
\$85,000	\$35 a week (\$1,860)
\$90,000	\$15 a week (\$810)
\$93,858+	\$0

How do you apply?

Apply online when you register the birth of your baby www.smartstart.services.govt.nz or complete a Working For Families Tax Credits Registration www.ird.govt.nz/wff-tax-credits



IN AND OUT OF THE Office



Tina & Erica.

A warm welcome back to Erica and Tina, who have returned from maternity leave and are in the office part time. They each have two little ones keeping them busy at home, but it's great to have them back in the office!

Departing the office shortly we have Christine and Melanie. Christine is venturing into the world of self-employment and we wish her all the best.

Melanie is changing her focus to her



Melanie.



Christine.

family and other adventures. She's been a long standing employee of 16 years here at Cuffs and her knowledge and humour is going to be greatly missed. We wish her every success in her chosen path.

IMPORTANT: This is not advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not constitute or convey advice per se. Also, changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. Our newsletter is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.

PAYDAY FILING



From 1 April 2019, payday filing will be mandatory in New Zealand. What does this mean for you as an employer? Instead of submitting an Employer Monthly Schedule each month (IR348) to Inland Revenue, you'll need to file an Employment Information Schedule after every payday. Due dates for submitting the Employer Deduction form (IR345) and paying PAYE remain the same. If you'd like to get cracking earlier than

1 April 2019, you can call IRD to set this up now, although we recommend waiting until it becomes mandatory, unless you have software that supports direct payday filing.

There are 3 ways you can file online:

- Direct from your payroll software (if supported)
- File upload in myIR
- On-screen in myIR

Additional information that will

be included in the Employment Information Schedule will be your employees date of birth and their contact address – therefore you need to obtain this information when a new employee starts.

You must file online if you make employer deductions of over \$50,000 a year or more. If your total is less than \$50,000 for the previous year ended 31 March you have the option to file paper returns.

Don't get caught out! Choose which category you fall into and be prepared for these changes. Either contact us or your payroll software company and discuss how to file the new schedule. If you don't already file online, now is a good time to create a myIR account with Inland Revenue and familiarise yourself. Take a look at our separate article about myIR.



FARMHOUSE EXPENDITURE

Inland Revenue have released a new Interpretation Statement relating to the deductibility of farmhouse expenses for the house the business owner lives in. This replaces their old policies, most of which originated in the 1960s, which allowed full-time farmers to claim all their telephone rental, rates, interest and 25% of farmhouse expenses.

Instead of distinguishing between full-time and part-time farmers, the new test will categorise farming businesses as Type 1 or Type 2 farms.

Type 1 – the value of the farmhouse and curtilage is 20% or less than the total value of the farm

Type 2 – the value of the farmhouse and curtilage is more than 20% of the total value of the farm

Curtilage is a fancy word for the land around the house that is used primarily for domestic purposes, like the barbeque area or the area around the washing line.

Farmers may now only claim 50% of their home telephone rental charges, unless you can show that the actual

business use is greater than 50%, regardless of what type of farm they are.

Type 1 farmers are still able to claim all the interest and rates relating to the farmhouse. They can claim 20% of other farmhouse expenses like electricity and insurance without any supporting evidence to justify the split between business and personal.

We expect the majority of our dairy farming clients will be Type 1 farms. The changes will mean reducing the farmhouse claims from 25% to 20% and only claiming 50% of the telephone rental.

It is expected that only Type 1 farms will be of the scale to support a contract milker or sharemilker. Therefore, the contract milker or sharemilker will be allowed to claim farmhouse expenses the same as a Type 1 farmer.

Type 2 farms are where it comes a lot trickier, and it will capture most lifestyle farmers and even some small beef and sheep farms. Farmhouse

expenses will have to be apportioned between business and personal on a 'fair and reasonable basis', and there is no minimum percentage that Inland Revenue will accept. This would generally be on a time and space used for business purposes. Where there is an office set aside in the house, the space is easy to measure but we tend to see the kitchen table is also the meeting room and the computer is in the lounge.

For the expenses that relate to the whole farm, like the rates and interest, we need to apportion between the farm and the house. Inland Revenue expect that this apportionment would be done based on the value of the farmhouse compared to the total value of the farm.

If we prepare your GST, we will be checking and updating the apportionments when we prepare your GST return. If you are unsure of what you should be claiming in relation to your farmhouse, please contact your client manager to discuss your situation.

DOCUSIGN

We mentioned in a previous newsletter that we've made the move into the electronic signature world. DocuSign is now widely used by us as a fast and easy method for signing your documents, including your tax return. The computerised signature is a verification that you've seen and approved the document.

Here's how it works:

You'll receive an email with a link asking you to "docuSign" your paperwork. Follow the prompts, then click "finish" at the end. The document will then be returned to us, simple as that!

If multiple people need to sign, and share the same email address there will be separate emails sent for each person. Please remember to use your own personal link so you don't encounter any problems.



COMBATTING GLOBAL TAX EVASION

The New Zealand government has joined more than 100 other countries in a global initiative to combat tax evasion. It's called the Automatic Exchange of Information – or AEOI.

This international collaboration will make it even harder for people who are trying to evade paying tax by hiding money or investments overseas.

Please make sure you disclose any overseas investments, bank accounts, retirement funds or

pensions to us, so we can ensure you do not unwittingly become a tax evader.

On a similar note accountants' get pulled into the Anti Money Laundering compliance regime from 1 October, which will mean we will need identification when we do things like form a company for you. Not exactly looking forward to asking someone we have known for years to positively identify who they are, but we don't have a choice in this.

EMPLOYMENT OBLIGATIONS

Calving season is a timely reminder to check you are meeting your employment obligations.

You must keep clear records for your employees around wages, timesheets, leave, employment agreements and paying your employees all their entitlements. It is law that you must document:

- Timesheets – showing start, finish and break times
- Accurate leave records – details of entitlements and time off that your employees have taken
- Compliant Employment Agreements – signed copies of full employment agreements on file
- Health & safety policies – show employees read and agree to comply with these

Be careful around the extra hours your salaried employees work during calving. You need to ensure all employees are paid no less than the minimum wage (currently \$16.50) for every hour they work. "Seasonal averaging" is forbidden. Keeping detailed timesheet records (including start, finish and break times) enable you to track this. Should you find your employee is falling under the minimum, options include reducing the work hours or negotiating an hourly pay rate for additional hours.

Labour inspectors call into dairy farmers to check they have compliant records – it could be your door they knock on next. Don't get caught out – make sure you hold compliant records you can easily access. Hefty fines of up to \$20,000 may be

charged for those failing to meet these requirements.

Contact us if you'd like assistance.

