

NEWSLETTER - MARCH 2010

Dear Clients

Once again a financial year end is upon us and we have put together some matters which may be of interest to you.

NON-TAXABLE ALLOWANCES

For full time employees who carry out physical work, there is an opportunity to pay them a sustenance allowance to recognise their physical activity (which may include work on foot or bicycle), the fact that they are working outdoors and that they may be providing their own morning and afternoon tea, water, etc.

The non-taxable nature of allowances means they are not factored into your employees Working for Families calculation and the deduction for you as an employer is unchanged - still 100%.

Other non-taxable allowances include overtime meal and relocation allowances, plus any reimbursement of actual expenditure.

STUDENT LOANS – 10% VOLUNTARY REPAYMENT SCHEME

From 1st April 2009, students can repay \$500 or more as a voluntary payment and receive a 10% repayment bonus. There are some conditions:

- Loan balance at 1st April 2009 must be \$550 or more.
- Be up to date with repayment obligations.

The repayments can be made as a lump sum or by requesting employers to take extra - if this option is taken, an IR 23BS needs to be completed by the borrower.

AGRICULTURE, HORTICULTURE AND VITICULTURE CONTRACTORS

From 1st April 2010 payments made to any type of contractor (individual, partnership, trust or company) in the agriculture, horticulture or viticulture industries are subject to tax being deducted from schedular payments if:

- The work or service provided under a contract or arrangement is for the supply of labour, or substantially for the supply of labour, and
- The work or service is being provided in connection with land that is intended to be used for the cultivation of fruit crops, vegetables, orchards or vineyards.

The requirements to have tax deducted from the schedular payments do not apply to work or services by a:

- Post-harvest facility
- Management entity under a formal management agreement under which the entity is responsible for payment for the work or services provided.

You can apply for a Certificate of Exemption online via www.ird.govt.nz or phone us for assistance.

For the farm, vineyard or orchard, you need to keep a copy of the valid Certificate of Exemption when a contractor gives you an account to pay. These certificates have varying expiry dates so make sure the certificate is current.

For contractors, ensure you have copies of your Certificate of Exemption and attach one to any account the first time you bill that vineyard or orchard, or any time you receive a new Certificate of Exemption (or special tax code deduction rate change).

FUEL TAX REBATES

If you use fuel in a vehicle or machinery off the road (e.g. pumps, farm motorbikes, chainsaws, boats, etc) the fuel rebate is now over 45 cents per litre. If you require any information about claiming fuel tax rebates, let us know.

SCHOOL AGE CHILDREN

If you pay school age students you do not have to pay PAYE if their regular weekly earning does not exceed \$45 (\$2,340 annually). You do not need to include these payments in your PAYE schedule (IR348) either. However you are required to keep a record of these payments.

FINES (TRAFFIC OR PARKING)

Inland Revenue recently clarified the position in respect of fines. Generally these are **not** deductible and not claimable for GST purposes.

TAX RECORDS FOLDER

We are now offering a records folder to all clients to enable you to organise your information for us. The grey lever arch folder contains a checklist of information required and tabs to organise that information. This system is to eliminate messy and/or incomplete records which often leads to delays and extra costs in completing your financial accounts. The price is \$25.00 incl GST.

WAGES

From 1st April 2010 the adult minimum wage rate is \$12.75 an hour, and applies to all workers 18 years and over. The new entrants' minimum hourly rate increases to \$10.20, or 80 per cent of the adult minimum wage. The new entrants' rate can be paid to 16 and 17 year olds for the first 200 hours or three months of employment, then the adult minimum wage applies. Amounts are gross before tax.

KIWISAVER

If you are an employer, just a reminder to give the *KiwiSaver employee information pack (KS3)* to new employees who qualify for automatic enrolment, and existing employees who want to opt in. Contact IRD when you require more *KS3*'s

PAYE TABLES

From now on IRD are no longer sending out printed annual PAYE tax tables to employers. Instead, an easy way to calculate your PAYE is to use their PAYE calculator. Go to the IRD website, "**Work it out**", "**PAYE/KiwiSaver calculator**". If you want to view or print the most up-to-date tables *Weekly and fortnightly PAYE deduction tables (IR340)* or *Four-weekly and monthly PAYE deduction tables (IR341)* go to "**Work it out**".

IRD THRESHOLD CHANGES

- a rise in the pay as you earn (PAYE) once-a-month filing and payment threshold, from \$100,000 to \$500,000
- a rise in FBT thresholds, under which accounting for FBT is not required for minor benefits provided to employees. The new thresholds rise from \$15,000 a year per employer and from \$200 each quarter per employee, to \$22,500 and \$300 respectively. Unfortunately vehicle fringe benefits are **not** included in minor benefits.
- a rise in the FBT annual filing threshold, from \$100,000 to \$500,000
- a rise in the Goods and Services Tax (GST) six-monthly return filing threshold, from \$250,000 to \$500,000
- a rise in the GST payments basis threshold, from \$1.3 million to \$2 million
- a rise in the GST registration threshold, from \$40,000 to \$60,000

PORTFOLIO INVESTMENT ENTITIES (P.I.E.'S)

New prescribed investor rates (PIR) will apply for income years commencing on or after 1 April 2010. You will need to notify your financial institution of your new PIR. If you have a KiwiSaver investment this will apply.

New PIRs from 1 April 2010

To work out your PIR for the 2011 income year (1 April to 31 March) you need to use your taxable income from either of the two previous income years. See below for the different income thresholds and PIRs.

Taxable income was \$14,000 or less

If your taxable income was \$14,000 or less, and your taxable income plus your PIE income or loss was:

- \$0 to \$48,000 in either of the previous two income years, your PIR is 12.5%
- \$48,001 to \$70,000 in either of the previous two income years, your PIR is 21%
- \$70,001 or more in both of the previous two income years, your PIR is 30%.

Taxable income was \$14,001 to \$48,000

If your taxable income plus your PIE income or loss was \$0 to \$70,000 or less in either of the previous two income years, your PIR is 21%. If your taxable income plus your PIE income or loss was \$70,001 or more in both of the previous two income years, your PIR is 30%.

Taxable income was more than \$48,001

If your taxable income plus your PIE income or loss was any amount in each of the previous two income years, your PIR is 30%. If your taxable income plus your PIE income or loss was \$70,001 or more in both of the previous two income years, your PIR is 30%.

FINALLY

We wish all clients a happy and prosperous 2011 financial year ahead.



"I phoned the fire station and they just laughed and hung up."



"Any chance of a receipt for my accountant?"

PLEASE NOTE: This newsletter is only for general information and should not be taken as a substitute for specific advice. Consequently we accept no responsibility to any person who acts on information herein without consultation with us.