



JUNE 2021 SNIPPETS

FAIR MARKET SALARY REMINDER

There is a general need for a business to pay associated employees a fair market salary for their personal service. Given the implementation of a 39% personal marginal income tax rate on income over \$180,000 from 1 April 2021, Inland Revenue's scrutiny of such salaries is expected to increase. This has been confirmed by Inland Revenue issuing in March a couple of related documents aimed at warning taxpayers against the use of associated entities (such as a trading trust or a company) to avoid the highest personal income tax rate on income from the supply of services that they personally perform. An example would be surgeons operating through a company.

So it is a timely reminder to review salaries paid to associated employees to ensure they reflect current market conditions. Instances noted by the IRD will be where the same flat salary amount has been allocated annually to working shareholders for numerous years, without an annual review of that salary nor a comparison to the current market rates.

PAID PARENTAL LEAVE ONLINE

As of March 2021, paid parental leave can be applied for online via myIR on the IRD website. The site can now pre-populate information it already holds for applicants such as contact details, the name of employer(s) and an estimate of average weekly income (calculated at your highest 26 weeks' worth of income from the 52 weeks before your child's expected due date or date of birth, divided by 26) - making the process much easier and quicker with a notice of entitlement available on submission of the application.

STANDARD MAIL INCREASES

From 1 July 2021 the cost to send a Standard Mail letter will increase by 10 cents (incl GST). This means a medium size letter will increase to \$1.50 and an oversize letter will increase to \$4.10.

The Priority Business Mail service (Fast Post) will end on 1 July 2021.

LOW VALUE ASSET THRESHOLD

Although the opportunity to purchase and deduct the full cost of business assets with a value of less than \$5,000 expired on 16 March 2021, the \$500 amount previously in place prior to 2020 has been permanently increased to \$1,000 so put the time aside to review your business asset expenditure – this way you will be able to claim an immediate deduction for assets up to \$1,000 purchased on or after 17 March 2021 under low-value asset write-off.

SUPPLY SHORTAGES

COVID-19 has fundamentally disrupted global trade to the point there are a number of product shortages of some surprising items!!

- Shipping containers – with only two manufacturers of shipping containers globally and containers being trapped in the congestion at ports, there is now a shortage of these
- Toilet paper – while most people are aware of the high demand for toilet paper with countless people stockpiling and panic-buying, the risk now exists that manufacturers will run low on wood pulp – due to the container shortage!
- Marmite – the popular but polarizing spread has also been in short supply due to lack of brewer's yeast amidst pubs' restricted opening hours.
- Ketchup packets – the change from restaurant dining to takeaways and their delivery during multiple lockdowns has resulted in ketchup packets being in high demand and in short supply in the US
- Garden Gnomes – gardening has become major entertainment activity and this boom in demand, coupled with a shortage of raw materials, has seen the humble garden gnome become a hot commodity!



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KIWISAVER DEFAULT PROVIDER SCHEME CHANGES

The Government recently advised that, on the advice of an independent panel, the number of default Kiwisaver providers will reduce on 30 November 2021 from the current nine to six – the ongoing default providers being Bank of New Zealand, Booster, BT Funds Management Westpac, Kiwi Wealth, Simplicity and Smartshares. According to the Commerce and Consumer Affairs Minister David Clark these six default providers were selected because they offer the best value for money for their members in terms of lower fees and higher levels of service.

Around 381,000 Kiwisaver members are currently in default funds to which they were automatically allocated when they started a new job – this is because they did not make any active decisions about their funds provider at the commencement of employment.

As the Government wants all New Zealanders to reap the benefits of their Kiwisaver, whether they are actively engaged in their fund or not, the default fund investment type will change from a conservative to a balanced setting to increase the likelihood of higher returns over the long term. However, if a member wishes to remain with their current provider or in their current funds, they can choose to do so by contacting their Kiwisaver provider.

KIWISAVER UPDATES

From June 2021 the Inland Revenue intends to contact employees directly where the IRD has a record that they are Kiwisaver members and where the IRD has not received Kiwisaver contributions. They will be asking these employees to either apply for a savings suspension by contacting the IRD or to start making deductions by notifying their employer.

In a follow-up in July, if no action has been taken by employees, the IRD will be asking employers to make contributions on the employees' behalf. To ensure your employees are aware of what this means, the IRD would appreciate it if employers could advise employees to take action to avoid any unexpected deductions from their wages.

The Inland Revenue also advises they will be monitoring ESCT deductions later in the year and will get in touch with employers who may need assistance to apply the correct ESCT rate to the Employer Kiwisaver Contributions.

IMMIGRATION NZ NEW EMPLOYER ACCREDITATION SCHEME

There are 24,000 New Zealand businesses employing migrant labour from various overseas countries to cover skills shortages. From 1 November 2021, the Accredited Employer Work Visa will replace the commonly used Essential Skills Visa and will be employer-led, meaning that before hiring a migrant on the AEWW, employers will need to:

- Apply for accreditation - estimated to take up to one month to complete for the standard accreditation

- Make sure the role they want to fill cannot be done by New Zealanders
- Request a migrant worker to apply for a visa

Employers who require standard accreditation (for up to 5 migrant workers at any one time) will be required to complete an online course, meet business and employment standards and pay a fee (amount is currently unknown). High volume employers will need to complete a more rigorous process, including a labour market test unless the job is very highly paid (200 percent of the median wage), is on a skills shortage list or is in the regions and pays at least the median wage. Accreditation, which will be followed by a job check, will last for twelve months initially, with accreditation renewable every two years with fees to be announced in August this year.

Employers who only hire migrants on visas with open work rights – including partnership sponsorship, working holiday visas and students with valid job-seek rights – do not need to become accredited.



NZ JOINS GLOBAL CHILD SUPPORT INITIATIVE

There are approximately 16,700 overseas based parents with support obligations to New Zealand children. The vast majority, about 12,500 live in Australia, where for almost 20 years New Zealand has had good reciprocal arrangements for collecting these payments. However, about 4,200 parents who owe child support do not live in either New Zealand or Australia and are relied upon to voluntarily comply with their obligations. As might be expected, there is limited ability to find and keep in touch with these people and so voluntary compliance is low with around \$7.7 million in child support currently outstanding.

Consequently, it was recently announced that New Zealand would sign the Hague Convention on the Recovery of Child Support – if the liable parent lives in one of the 42 countries signed up to the Hague Convention, information will be able to be passed to NZ IRD to allow it to assess the defaulter for child support and that support will then be collected by that state government on New Zealand's behalf.

EMPLOYMENT RECOVERY

Employment levels slumped to an eight year low in September 2020 with over 150,000 unemployed people as businesses and communities alike experienced their share of COVID-19 induced uncertainties. So nearly six months on, how does the job market stack up now?

Statistics released by Seek NZ reveal that April 2021 saw the highest number of jobs ever advertised on their site. With listings for jobs up 12% on the prior month and up 355% on April 2020, and up 19% on 2019. In every region

in New Zealand, opportunities for work were on the increase, with Marlborough experiencing the largest growth. Perhaps in response to the expectation of a NZ/Aussie travel bubble, hospitality and tourism showed one of the most significant increases – retail and consumer products vacancies followed closely behind.

Trade Me job listings, which appeal to widely different employment sectors, paint a similar picture with over 70,000 jobs listed for the quarter ending 31 March 2021, the largest increase being in automotive, construction and roading jobs with manufacturing and operations vacancies following closely.

With an abundance of listings, job hopefuls should feel optimistic that their career or job search is looking up.

However, interestingly, despite the increase in job listings, Seek NZ data shows that applications per job are actually down. This may lead to employers feeling the pressure to find the right 'fit' – but they need to be aware that the consequence of a less than perfect fit has a ripple effect with lost productivity, increased workload for existing team members and low staff morale.

LEPTOSPIROSIS - IT ONLY TAKES A SPLASH!

While coming into contact with animal waste is all in a day's work for farmers, it should not something to be taken lightly, especially during winter. Anyone working close enough to farm animals to be splashed or sprayed with urine or urine-contaminated water is at risk of contracting this bacterial disease. If you are affected by leptospirosis, you might not feel any different or you could feel like a bad case of the flu with permanent complications for some farmers as leptospirosis affects the liver and kidneys.

Leptospirosis, a notifiable disease, is hard to get rid of and difficult to diagnose so minimisation of the risk is best

practice. A vaccine is available for cattle, pigs, deer, sheep and dogs. However, everyday hygiene measures such as the following need also to be maintained:

- Do not feed raw offal to dogs
- Control rodent infestations
- Wear the proper protective equipment when handling live animals (during milking, tagging, birthing) and wash hands with soap and disinfectant
- Cover all cuts and abrasions with waterproof dressings
- Wear suitable footwear outdoors when walking in mud or moist soil.

PANIC BUYING - AN INFURIATING TREND!

During the coronavirus pandemic, panic buying emerged as a consumer trend. Following surveys of 10,000 Australian consumers, new research from the University of Adelaide reveals that panic buyers tend to be parents younger than 55, female, and university educated.



Wendy Umberger, a professor of agriculture and food economics at the University, said panic buyers feared running out of food and had an above-average tendency to plan ahead. These people are the ones more likely to become anxious when there is a little bit of uncertainty in their day-to-day life, no matter what the cause. "Excess buyers are people who have a tendency to react negatively – with respect to emotions and behaviour – when faced with uncertainty," she said.

But why the demand for toilet paper? Toilet paper is one of the bulkier items in supermarkets so not as much could be put out on display. It is believed that the visual perception of its scarcity leads to unnecessary stockpiling.

Livestock Valuation – National Average Market (Herd) Values 2018 - 2021

| Type | Class | 2018 | 2019 | 2020 | 2021 | \$ Change | % Change |
|--------------------|----------------------|------|------|------|------|-----------|----------|
| Sheep | Ewe Hoggets | 123 | 135 | 108 | 123 | 15 | 13.9% |
| | Ram & Wether Hoggets | 119 | 125 | 105 | 119 | 14 | 13.3% |
| | 2th Ewes | 179 | 214 | 177 | 191 | 14 | 7.9% |
| | M/A Ewes | 160 | 190 | 156 | 174 | 18 | 11.5% |
| | 5 & 6yr Ewes | 142 | 164 | 128 | 153 | 25 | 19.5% |
| | M/A Wethers | 109 | 124 | 105 | 129 | 24 | 22.9% |
| | Breeding Rams | 289 | 338 | 340 | 323 | -17 | -5.0% |
| Beef Cattle | Rising 1yr Heifers | 735 | 717 | 526 | 563 | 37 | 7.0% |
| | Rising 2yr Heifers | 1137 | 1097 | 888 | 911 | 23 | 2.6% |
| | M/A Cows | 1497 | 1355 | 1090 | 1138 | 48 | 4.4% |
| | Rising 1yr Steers | 922 | 844 | 678 | 716 | 38 | 5.6% |
| | Rising 2yr Steers | 1283 | 1209 | 1035 | 1088 | 53 | 5.1% |
| | Rising 3yr Steers | 1608 | 1513 | 1315 | 1391 | 76 | 5.8% |
| | Breeding Bulls | 3004 | 3407 | 2950 | 2894 | -56 | -1.9% |
| Red Deer | Rising 1yr Hinds | 380 | 384 | 236 | 174 | -62 | -26.3% |
| | Rising 2yr Hinds | 511 | 559 | 405 | 327 | -78 | -19.3% |
| | M/A Hinds | 572 | 595 | 430 | 349 | -81 | -18.8% |
| | Rising 1yr Stags | 396 | 441 | 283 | 212 | -71 | -25.1% |
| | Rising 2yr Stags | 627 | 662 | 455 | 420 | -35 | -7.7% |
| | Breeding Stags | 2055 | 2324 | 1990 | 1873 | -117 | -5.9% |

Be Careful What You Preach!

A PRIEST, A MINISTER AND A RABBI WANTED TO SEE WHO WAS BEST AT THEIR VOCATION. THEY DECIDE TO FIND A BEAR AND ATTEMPT TO CONVERT THIS WILD ANIMAL TO THEIR FAITH AND COMPARE THEIR SUCCESSES.

THE PRIEST BELIEVES HE HAS HAD SUCCESS –
“WHEN I FOUND THE BEAR, I READ TO HIM FROM THE CATECHISM AND SPRINKLED HIM WITH HOLY WATER.
NEXT WEEK HE TAKES HIS FIRST COMMUNION.”

THE MINISTER BELIEVES HE ALSO HAD SUCCESS –
“I FOUND A BEAR BY THE STREAM AND PREACHED GOD’S HOLY WORD TO HIM.
THE BEAR WAS SO MESMERIZED HE LET ME BAPTISE HIM.”

THEY BOTH LOOKED AT THE RABBI WHO IS
LYING ON A GURNEY IN A BODY CAST.
“LOOKING BACK,” HE SAYS,
“MAYBE I SHOULDN’T HAVE STARTED WITH THE CIRCUMCISION”.

