

NEWS & VIEWS

SHAND THOMSON



Accountants who know Agri business

WINTER 2020

■ ■ WELCOME TIM



We are very pleased to welcome Tim Bathgate as an Associate. Tim is from a farming family and was brought up on a sheep and beef farm at Hindon, near Outram. He has also spent several student summers working on a variety of farms in Canterbury and Otago – sheep and beef, dairy and arable properties.

We first met Tim in 2012 when he was a summer intern looking for experience in an agri advisory firm.

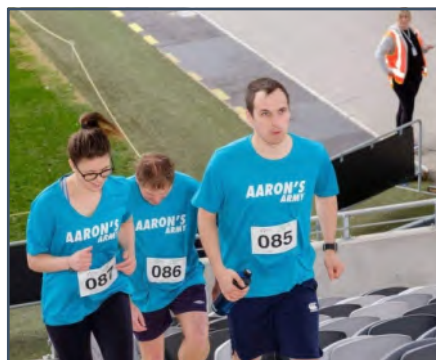
At the time, he was studying towards a Graduate Diploma in Accounting at Otago University as a postscript to a Bachelor of Farm Management and Rural Valuation from Lincoln University. Deciding against a career in valuation, Tim was gravitating instead towards agri business services and the internship sealed this path – he joined Shand Thomson in early 2014 at the conclusion of his studies.

Roll forward to 2020 and Tim is a fully qualified CA with six years' experience of working with agri, forestry and agri support industries providing a broad spectrum of advisory services. His agri background and qualifications make him ideally suited to our community and we have welcomed his growing involvement in our agri benchmarking work in the sheep, beef and dairy sectors.

Tim has been involved in Young Farmers and mentors Young Enterprise groups at SOHS. He is also a member of an RMPP action group with a focus on increasing understanding of international markets and the interplay between the economic environment, the agri sector and rural communities.

Skiing in the winter and biking and tramping in the summer are Tim's outdoor pursuits. Indoors he is an accomplished piano and guitar player – an interesting mix!

Tim joins Carolyn Mills as the latest additions to the Shand Thomson advisory team.



Tim stepping up at the 2019 Stadium Climb

IN THIS ISSUE

- Your Family Trusts
- Paid Parental Leave
- Best Start
- Funding for Trainees
- KiwiSaver
- Working from Home
- Staff Matters
- Recent Tax Changes
- Update for Charities
- Clutha Foundation

While we believe the information in this newsletter is accurate, it must of necessity be of a general nature. We recommend that you obtain specific advice on matters of concern to you, and that you do not rely solely on this newsletter.

© Copyright 2020

■ ■ Newsletter by Email?

If you would prefer to receive this newsletter electronically please let us know at newsletters@shandthomson.co.nz. You will be able to refer back to older newsletters through our online library which you can find at our website www.shandthomson.co.nz/publications.





■ ■ YOUR FAMILY TRUSTS

In brief, the Trusts Act 2019 comes into effect next January. Trustees have newly clear duties about how they act, what records to keep, and formal documented meetings will be mandatory. Increased disclosure to beneficiaries includes that they are named as beneficiaries, details of trustees including changes as they occur, and their right to seek information about the trust including the financial statements. For a fuller explanation, please see page 2 of our 2019 'Summer' newsletter on our website at <https://www.shandthomson.co.nz/publications>

We recommend that trustees and their advisers consider the future and terms of their trusts this year.

In particular, we urge you to review the extent of your beneficiary pool as the new act requires all beneficiaries of a trust to be advised of their beneficiary status in writing. It is therefore timely to make sure you know who the beneficiaries of your trust are and to consider if the pool is still appropriate for your current circumstances.

■ ■ BEST START PAYMENTS

Best start payments are \$60 per week and are available from the registration of the baby's birth until they turn one. Eligibility for payments from age one to three is determined by family income (income tested).

■ ■ FUNDING FOR TRAINEES

In June, wage subsidies of up to \$16,000 per apprentice were announced in an initiative aptly named Apprenticeship Boost. This provides \$1,000 per month for apprentices in their first year of training, and \$500 per month for up to eight months in the second year. The funding is available from August 2020 to April 2022.

It is available for apprentices in all fields through the Work and Income website: <https://www.workandincome.govt.nz/work/apprentice-support/index.html#null> About 18,000 employers will be eligible to apply.

Previously announced was funding to provide free training in industries most needed for economic recovery. This is the Targeted Training and Apprenticeship Fund (TTAF) which runs until the end of 2022. This provides funding to tertiary education organisations to allow free fees for training, for all apprentices and some other trainees.

It is targeted towards industries where there is demand for skills to help with recovery from Covid-19. These include primary industries, construction, community support, manufacturing, mechanical and electrical engineering and road transport. Typically the savings per trainee will be between \$2,500 and \$6,500 annually.



■ ■ PAID PARENTAL LEAVE

This has increased to 26 weeks from 1st July 2020. The maximum amount payable is presently \$606.46 per week and is payable fortnightly. Up to 64 "keeping in touch" hours are provided for to allow an employee to stay connected with their employer and do some work from time to time while they are on leave.



■ ■ KIWISAVER

Inland Revenue has announced that it will close the dedicated KiwiSaver websites. Information can now be found at ird.govt.nz/kiwisaver.



■ ■ EMPLOYEES USING PHONES OR LAPTOPS FOR WORK?

Given the number of people working from home over lockdown it is timely that Inland Revenue have issued guidance on the tax treatment of reimbursements paid to employees for the running costs of business tools. This includes an option that involves no record keeping or PAYE obligations. The alternatives are as follows:

Reimbursement	Private Use	% to Tax (PAYE)
100%	0%	Nil
100%	< 50%	25% ¹
100%	> 50%	75%
actual % business	actual %	0%
\$5/week	any	0%

¹ This can be 0% if the employee is on call or must be contactable at all times.

Other than the \$5/week option, some evidence supporting the % applied and actual costs needs to be available.

■ ■ STAFF MATTERS

These are difficult times for employers and employees and there is a commensurate increase in HR activity and risk. Some reminders and recent facts:

- Both parties to the employment relationship have a duty of 'good faith', and this means clear communication, consultation and consent are critically important.

- If you are thinking of making changes, or circumstances are forcing you to alter staff's employment terms we encourage you to:
 - seek appropriate professional advice before you start
 - follow the process set out in the advice in every tiny detail
 - tell your people what you are thinking as soon as you can
 - ask them for other ideas – they know your business too and they may suggest other savings or options
 - ask their consent before sharing their information – this must be in writing – as information sharing between departments may cause them personal difficulties
- There has been a notable increase in the compensation awards made in recent months by the Employment Relations Authority for humiliation, loss of dignity or injury caused to an employee's feelings. Between July and December 2019, 32% of claims received up to \$10,000, 58% received up to \$25,000 and the remaining 10% received over \$25,000.
- It is expensive to get it wrong, as it is hard on all parties in terms of stress, costs and potential settlement.

■ ■ RECENT TAX CHANGES

- The use of money interest (IRD interest) rates changed on 8th May 2020:
 - Interest charged on underpaid tax reduced from 8.35% to 7.00%
 - Interest on overpaid tax reduced from 0.81% to 0.00%
- The prescribed interest rate used to determine FBT on low-interest loans decreased on 1st July 2020 to 4.5%, previously 5.26%.
- Increase in low-value asset threshold as follows:
 - \$500 up to 16th March 2020
 - \$5,000 from 17th March 2020 to 16th March 2021
 - \$1,000 on and after 17th March 2021

Assets costing less than these thresholds are fully tax deductible in the year of purchase.



■ ■ UPDATE FOR CHARITIES

Legislative changes made last year may affect some local charities from 1st April 2020:

- Unregistered charities will have to register to keep their donee status (where people can make donations to you and claim a donation tax rebate)
- This will catch the remaining charities that are not incorporated, and therefore cannot register under the Charities Act
- Solutions are to either incorporate as a trust or incorporated society and register, or merge with a similar registered charity
- There are costs to obtaining registration, but you will not retain the tax advantages without it.

Changes that may make life easier for donors:

- Rather than holding all your receipts and claiming a rebate once a year, donors can submit receipts through MyIR during the year
- At the end of the year Inland Revenue will release your refund without further effort from you
- It's not compulsory, so you can still put in an annual claim
- For charities, this is a time to check that your receipt can be provided electronically and includes:
 - Donor's full name, and amount and date of donation
 - A clear statement that it was a donation
 - Charity's name, charity registration number and IRD number
 - Official stamp or logo or letterhead and a unique receipt number
 - Full name, designation and signature of person authorised by your charity.

Is it time to consider whether your charity has reached its term?

- There are 27,396 registered charities in New Zealand
- Many are tiny, and the annual reports show that there is limited charitable activity occurring
- To wind up, the net assets must be disposed of according to your rules (sell, or transfer to another charity)
- Advise Charities Service that you wish to deregister
- If you keep any assets over \$10,000 this is seen as income, and most charities will have to file a final tax return and pay tax. Tax is due one year after deregistration (some exclusions apply).

■ ■ CLUTHA FOUNDATION

The Clutha Foundation is part of a NZ wide movement that is embodied in Community Foundations of NZ (CFNZ). Our local foundation has been set up to provide the opportunity for people to give where they live and see their generosity at work in their local community.

There has been a great response to the Foundation since its inception with support from the Otago Community Trust and some incredibly generous people who have either made significant endowments or committed to regular giving - in some cases both! Because of this generosity the foundation has already been able to make some grants to community organisations.

You can see more about the foundation at <https://www.cluthafoundation.org.nz/>

The Foundation is hosting Sir Stephen Tindall (The Warehouse), John McCarthy (The Tindall Foundation) and Eleanor Cater (CFNZ) at an event at Rosebank Lodge on Tuesday 11th August from 5.30 pm till 7.30 pm. The topic is "What can the Clutha Foundation do for the communities of the Clutha District?". You are very welcome to participate in this event!

Alternatively you may be interested in participating in a business breakfast meeting on Wednesday 12th August at 7.00 am where Stephen Tindall will speak on the topic of "Building resilient communities".

To participate in either (or both) of the events, please RSVP no later than Friday 31st July to denise@cluthafoundation.org.nz.

clutha Inspiring Generosity
FOUNDATION

102 Clyde Street, P O Box 2, Balclutha, 9240

P 03-4180020 | F 03-4180026

7th Floor, Westpac Building, Cnr Moray Place & George Street, Dunedin 9016

P 03-4741394

accountants@shandthomson.co.nz

www.shandthomson.co.nz

