



AUGUST 2015

USEFUL SNIPPETS

PAYING BONUSES & DEDUCTING THE RIGHT AMOUNT OF TAX

It can be tricky working out how much PAYE to deduct from bonuses or lump sum payments to an employee. Bonuses or lump sum payments can include annual or special bonuses, cashed in annual leave, backpay and retiring or redundancy payments.

Overtime or any regular payments are not lump sum payments. Follow these steps to work out the PAYE rate to use for a lump sum payment:

1. Work out what your employee has earned (before PAYE) over the past four weeks
2. Multiply this figure by 13
3. Add the lump sum payment to the figure in Step 2
4. Use the table below to work out what income bracket your employee is in
5. Deduct PAYE from the lump sum payment at the rate shown in the right-hand column for that income bracket.

Income Bracket	PAYE rate (including ACC earners' levy)
\$14,000 or less	11.95%
\$14,001 to \$48,000	18.95%
\$48,001 to \$70,000	31.45%
Greater than \$70,000 but less than the ACC earners levy maximum threshold of \$120,070 (for the 2016 tax year)	34.45%
Greater than \$120,070	33% (excludes ACC)

6. Note: you can use the PAYE rate of 34.45 cents in the dollar if the employee asks you to.
7. Where applicable to the employee, you will also need to calculate student loan, Kiwisaver employee deductions and Kiwisaver employer contributions on the lump sum payments.
8. ACC earners' levy is not deducted from redundancy payments and retiring allowances and in these cases the above rates are reduced by 1.45%. Redundancy payments and retiring allowances are exempt from Kiwisaver employee deductions and employer contributions.

WHINRAY ECO TRUST SPONSORSHIP

Graham & Dobson has taken up annual sponsorship of a hectare in the Whinray Reserve at Motu in order to assist the Trust with the restoration and protection of wildlife, namely the kiwi, in this area near the Motu Falls.

WINDOWS 10 UPGRADE EMAIL SCAM

There is a new Windows 10 upgrade email scam going around that has the ability to take over your computer if you fall for it. The scam sends users an email that appears to come from Microsoft and asks users to download a file to upgrade to Windows 10 for free. But if you install the file, it actually puts a type of programme called ransomware on your computer – this locks your computer and demands payment to return everything to normal. These guys usually ask for the digital currency Bitcoin since it is untraceable.

Here is what you need to know:

Microsoft is NOT upgrading computers to Windows 10 through email. If you get the email, it is a scam – delete the email immediately.

Windows 7 and Windows 8 users can upgrade to Windows 10 for free. In June, Microsoft started sending notifications directly to the desktops of these users. Below is what the official Microsoft notification looks like - this is the only way you should upgrade to Windows 10:



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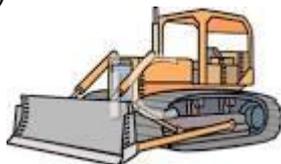
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REDUCE SPENDING BY IDENTIFYING 'LEAKAGE'

The low 2014/2015 dairy payout has generated a lot of discussion around how farmers in all sectors can reduce their costs. Reducing farm working expenses and other unnecessary expenditure by closing the cheque book, thus making the bank balance healthier, may sound like a solution - however, farming relies on continued inputs to achieve acceptable results.

It may be better to identify 'leakage' expenditure. Examples of 'leakage' include:

- Applying fertiliser without the appropriate soil tests and targeted application
- Buying and keeping excessive farm supplies
- Spoilage of farm supplies due to poor storage
- Paying high interest on suppliers' accounts, ACC and insurance premiums when these could be funded by the bank
- Excessive animal health spending
- Paying insurance on assets no longer owned, over insuring assets, insuring assets unlikely to be stolen or insuring old buildings that would not likely be replaced.
- Paying life insurance when the family may no longer need it
- Failing to claim excise rebate on fuel used on-farm (\$0.64105 cents per litre)
- Purchasing farm machinery when contractors may do the job more cost-effectively
- Purchasing farm vehicles without considering the most appropriate vehicle for the job



Comment:

A review to identify 'leakage' expenditure could provide an opportunity to reduce waste which may occur when farmers take their eyes off the overall business management and focus entirely on maximising production as there is evidence that, while gross farm incomes have significantly increased, net incomes have remained relatively static.

FORFEITURE OF WAGES FOR FAILURE TO GIVE NOTICE

Standard employment agreements may include termination clauses with the requirement by either party to give notice, usually of a number of weeks. Many agreements also incorporate a forfeiture clause which provides "When employment is terminated by either party without the contractual period of notice being given, ...? weeks' pay shall be paid or forfeited in lieu of such notice". Does this allow the Employer to retain wages and/or holiday pay if the employee leaves without working the proper notice?

There is a simple rule concerning deductions from employees' wages - i.e. unauthorised deductions may not be made under the Wages Protection Act 1983,

except where there is a need to recover overpaid wages made in particular circumstances.

The Wages Protection Act also provides that deductions can be made if the employee requests them or gives his or her consent to them (as authorised deductions). However, general consent by an employee to a deduction from wages as set out in an Employment Agreement does not necessarily amount to an "authorised deduction".

Comment:

Given the provisions of the Wages Protection Act above, any deductions clause must be clear in its terms, and in particular with regard to forfeiture of wages for failure to give notice, the terms must not amount to a penalty for the employee because there must be a genuine forecast of the loss the employer would suffer if the employee failed to give notice.

For example:

An Employment Agreement clause which provides for the forfeiture of wages/holiday pay in a final pay if a cleaner fails to give six weeks' notice would not be enforceable as the forfeiture was not a genuine forecast of loss to the employer who could be expected to readily fill the vacant cleaner's position within that period. Moreover, the deduction would serve as an unreasonable penalty against the employee.

KIWISAVER FIRST-HOME WITHDRAWAL CHANGES

Changes have been made to the first-home withdrawal rules. Kiwisaver members can now withdraw:

- their contributions and their employer's contributions
- the investment income received, and
- their member tax credit paid into their Kiwisaver scheme by the Government.



The \$1,000 kick-start payment still cannot be withdrawn.

From 1 June 2015, the withdrawal can be used as part of the initial deposit on the member's first home purchase. Previously, the purchase of the member's first home had to be unconditional before being eligible for the first-home withdrawal. Other changes include greater flexibility for new builds under the Kiwisaver HomeStart grant policy and an increase in house price caps. For more information go to the Housing New Zealand website.

CALL GRAHAM & DOBSON BEFORE YOU CLICK

The Companies Office has made it really quick and easy to update your company's details on their website and rightly so for small companies. However, it may not

occur to you when you log on to the Companies Office website and conveniently update your shareholder details that you could have also made your tax position more complicated.

There is nothing on the Companies office website to remind you that major movements in shareholdings may change:

- Imputation credits - Changing the company's shareholding by more than 33% in any year may cause the loss of 'continuity of shareholding' and as a consequence the loss of imputation credits. This is because the rules around shareholder continuity are about making sure that this year's shareholders who enjoy the benefits today of the tax losses that were carried forward and the imputation credits that accrued last year are largely the same people who were shareholders when those benefits were building up.
- Dividend payments – it would be advisable to consider the size and timing if the proposed change is more than 50% of the shareholding as payment of a dividend to utilize available imputation credits should be made before the change
- Tax losses – if the proposed change in shareholding affects more than 49% of the shares, then the company will not be able to carry tax losses forward.
- Look Through and Qualifying Company status – if the Company is a Look Through or Qualifying Company, a transfer or change in shareholding may cause the company to fall out of the Look Through and Qualifying Company regimes.
- Directors' interest – does the proposed change affect directors' interest in any way?

So next time you want to just make a quick update to your company details, and in particular shareholdings, put down that mouse and talk to your principal at Graham & Dobson.

SEASONAL AVERAGING OF WAGES

Do you employ staff whose hours vary but their pay is fixed?

The practice of seasonal averaging (when employers average wages over the season/year) is in the spotlight. A recent Employment Relation Authority (ERA) determination has clarified that an employee must receive at least the minimum wage for actual hours worked in any one pay period and the employee's salary payments "cannot be used as a mechanism to avoid the rates set out in the Minimum Wages Order". Rural industries are most likely to be affected because they have seasonally high labour demands combined with the practice of seasonal averaging.

To put the seasonal averaging issue into perspective consider the following example:

In a week where an adult permanent employee worked 12 hours a day for 6 days, the weekly gross pay would

need to be a minimum of \$1,062 or a minimum annual salary of \$55,224 to meet the minimum wage of \$14.75 per hour. A lower gross pay or higher hours worked would breach the Minimum Wage Act.

Comment:

If your employees sometimes work long hours under seasonal averaging or a salary, the commitment to regular weekly timesheets identifying all hours worked by employees may be all that is required to ensure compliance around employment law and record keeping.

LIVESTOCK VALUES

The national standard costs (NSCs) and Herd Values have been released for livestock for the 2014-15 income year. The NSC values are for 100% homebred livestock.

Category of Livestock	NSC	HERD
Sheep		
Ewe Hoggets	\$30.80	\$ 88.00
Rams & Wether Hoggets	\$30.80	\$ 83.00
2th Ewes	\$59.50	\$126.00
Mixed-age Ewes	\$59.50	\$113.00
Rising 5yr & Older Ewes	\$59.50	\$ 90.00
Breeding Rams	\$59.50	\$253.00
Beef Cattle		
Rising 1yr Heifers	\$329.10	\$607.00
Rising 2yr Heifers	\$533.10	\$940.00
Mixed aged Cows	\$553.10	\$1,171.00
Rising 1yr Steers & Bulls	\$329.10	\$706.00
Rising 2yr Steers & Bulls	\$553.10	\$1,104.00
Rising 3yr Steers & Bulls	\$730.40	\$1,376.00
Breeding Bulls	\$553.10	\$2,293.00
Red Deer		
Rising 1yr Hinds	\$103.70	\$169.00
Rising 2yr Hinds	\$176.20	\$333.00
Mixed-age Hinds	\$176.20	\$375.00
Rising 1yr Stags	\$103.70	\$215.00
Rising 2yr & Older Stags (Non breeding)	\$176.20	\$434.00
Breeding Stags	\$176.20	\$1,478.00

NEW MOBILE APP SIMPLIFYING GST FILING

Inland Revenue's new myIR mobile application was developed in collaboration with the winners of IRD's crowd-sourcing challenge called APP4IR, a competition to find a way to make it easier for small businesses to interact with the Inland Revenue.

MyIR mobile allows people who are registered for GST and myIR online to file GST101 returns (including a nil GST return), pay their tax using credit and debit card, be notified of due dates and update their personal details on their iPhone.



NEWSLETTERS VIA THE WEBSITE

Newsletters are available by e-mail - please go to our website at www.grahamdobson.co.nz, click on the "Register for *Electronic Newsletter*" icon and complete the registration screen.

IF YOU MARRY AN AUSSIE GIRL!

The first man married a woman from Italy. He told her that she was to do the dishes and house cleaning. It took a couple of days but on the third day he came home to see a clean house and dishes washed and put away.

The second man married a woman from Poland. He gave his wife orders that she was to do all the cleaning, dishes and cooking. The first day he didn't see any results, but the next day he saw it was better and by the third day he saw his house was clean, the dishes were done and there was a huge dinner on the table.

The third man married a girl from Australia.

He ordered her to keep the house clean,
the dishes washed, the lawns mowed,

the laundry washed and ironed, and hot meals on the table for every meal.

The first day he didn't see anything,
the second day he didn't see anything
but by the third day some of the swelling had gone down and he could see a little out of his left eye. By the fourth day his arm was healed enough that he could fix himself a sandwich and load the dishwasher!



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