



NEWS & VIEWS

Autumn 2010

LOCAL SPONSORSHIP

Shand Thomson is pleased to be able to support three local events in the next few weeks.

The Otago Chamber of Commerce "Business After Five" event is being hosted by us, and is to be held at the Rosebank Lodge on 3rd March 2010.

The Otago Dairy Industry Awards 2010 are to be held on 26th March 2010. Awards are given to the best dairy trainee, farm manager, and sharemilker.

The Clutha Sheep Council is holding a mystery tour, the Catlins 4WD Farmers Foray, on 15th April 2010. It will be an in-depth look at a variety of farm styles, and it looks like being a great day out.

If you are interested in either event, please contact Jim Johnstone.



FONTERRA SHAREHOLDERS AND SHAREMILKERS

Following the recent vote to change the capital structure of Fonterra, there are now some important decisions that need to be made by farm owners and sharemilkers.

A key component of the restructure was to allow farmers to own shares in Fonterra up to 120% of their recent or expected production. To encourage people to invest in shares above their production (dry shares), Fonterra have split out the value added component and are now going to pay this separately by way of a dividend payment rather than including it in the milk payout as done previously. The result is that there is now a clear distinction between payment for milk supplied by farmers, and the dividend paid on shares invested in Fonterra.

The issue for sharemilkers is that by law dividends need to be paid to the owner of the shares. Under an existing 50/50 sharemilking agreement each party may be entitled to half of the value added portion of the payout for "wet" shares.

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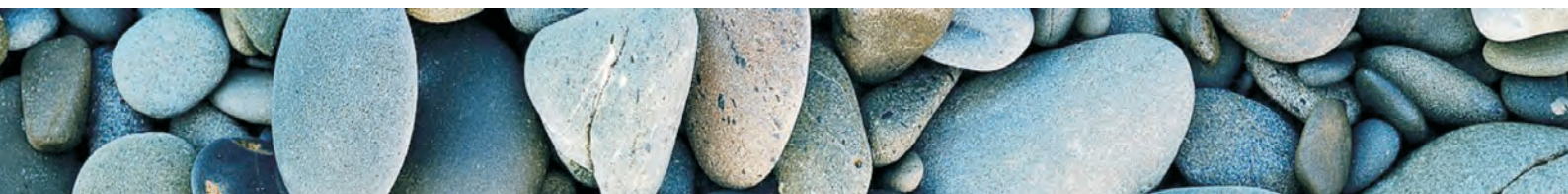
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Sharemilkers with existing contracts are legally entitled to continue receiving the equivalent portion of the payout they currently receive on all payments from Fonterra, including the dividend portion. To ensure that sharemilkers continue to receive their share of the value added dividend where appropriate, Fonterra have introduced a Dividend Related Payment Adjustment (DRPA). This will allow the shareholders to adjust the milk payment allocation to reflect the current contractual obligations.

All shareholders with sharemilkers were asked to complete a DRPA election before **28th February** to instruct Fonterra in regard to any DRPA. Several options needed to be considered:

- make a payment adjustment based on all shares owned (wet and dry)
- make a payment adjustment based on only shares related to production (wet shares only)
- make no adjustment

This is not an issue where a contract exists that applies a certain dollar value per kilo of milk solids.

If the DRPA election has not been filed by the due date then your Area Manager is likely to be in contact to sort it out with you. If the detail has been completed incorrectly, or Fonterra have not received the information on time, then the adjustment to the payment will need to be made directly between the shareholder and the sharemilker. We understand another form will be sent out before the October dividend payment to ensure the correct details have been collected.

■ NATIONAL STANDARD COST (NSC) STOCK VALUES

The NSC livestock values have been released for the 2010 financial year. The values (with last year's comparatives) are listed below. For information on other livestock please contact our office.

Livestock	Category of Livestock	2010 NSC	2009 NSC
Sheep	Rising 1 Year	24.20	26.00
	Rising 2 Year	16.10	17.80
Dairy Cattle	Purchased Bobby Calves	152.40	176.90
	Rising 1 Year	428.00	787.60
	Rising 2 Year	91.00	142.60
Beef Cattle	Rising 1 Year	242.20	261.60
	Rising 2 Year	135.70	150.00
	Rising 3 Year male non breeding	135.70	150.00

You will notice that all the NSC values listed above have fallen in 2010 compared to 2009. The most significant reduction is that of Rising 1 Year dairy cattle at over \$359 per head. The New Zealand Institute of Chartered Accountants was instrumental in lobbying the IRD with information collected from farmers to show the cost of breeding a rising 1 year dairy calf was significantly less than they had previously calculated.

This is good news for dairy farmers who want to value their herds on NSC. It will result in lower stock on hand and therefore will reduce taxable profits.

■ DROP-IN VISITS FROM THE IRD

The IRD are now "dropping in" on taxpayers at their place of business. The Department has indicated the visits are to promote the Department's role and increase its visibility in the community.

While we welcome the intent behind these visits we advise you that:

- you are not obliged to accept the visit particularly if it is at a time not convenient with you.
- you should be aware of the potential risk in making unintentional disclosures which may trigger further IRD enquiry.

If you were to receive such a visit and require any clarification of issues that are raised, please feel free to phone us at the time.

■ STUDENT LOANS

There is a bonus scheme in place from 1st April 2009. This is to encourage repayment of student loans by students who are overseas, as well as NZ resident students.

You will get an extra 10% of any voluntary payments, as long as:

- you have made the correct loan repayments for the year to 31st March, on the due dates
- you have used the correct tax code in your employment
- you have filed your tax return (if one is required)
- you have made voluntary payments of at least \$500 above your normal payments, either in a lump sum or in smaller amounts (paying an extra \$10 each week would satisfy this)

The government will then credit you with an extra 10% of the voluntary payment, after the end of the tax year.



■ KEY TAX DATES

28 th February	GST return period ended 31 st January due 2nd Provisional May balance date
28 th March	GST return period ended 28 th February due 2nd Provisional June balance date
31 st March	Student loan repayment due for overseas based borrowers
7 th April	2009 Terminal tax due 2009 FBT income year return
7 th May	3rd Provisional March balance date GST return period ended 31 st March due 2nd Provisional March balance date (6 monthly GST)
28 th May	GST return period ended 30 th April due
31 st May	FBT quarter ended 31 st March
28 th June	GST return period 31 st May due 3rd Provisional May balance date 2nd Provisional June balance date (6 monthly GST)
28 th July	GST return period ended 30 th June due 3rd Provisional June balance date

A blonde calls her boyfriend and asks, "Please come over here and help me. I have a killer jigsaw puzzle and I can't figure out how to get it started."

Her boyfriend asks, "What is it supposed to be when its finished?"

The blonde says, "According to the picture on the box, it's a rooster."

Her boyfriend decides to go over and help with the puzzle.

She lets him in and shows him where she has the puzzle spread all over the table.

He studies the pieces for a moment, then looks at the box, then turns to her and says, "First of all, no matter what we do, we're not going to be able to assemble these pieces into anything resembling a rooster."

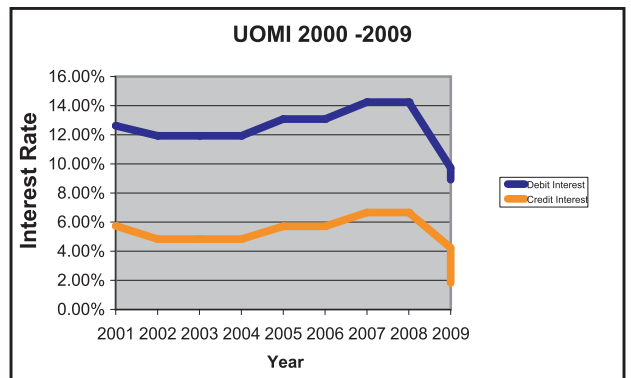
He takes her hand and says, "Second, I want you to relax. Let's have a nice cup of tea and then"..... he said with a deep sigh,.....

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■ UOMI RATES

We are pleased to advise that the rates for Use of Money Interest charged and paid by the IRD are now set at more realistic levels.

The new rate is 8.91% and applies from 28th June 2009. At this level it can be lower than your overdraft rate and this can remove the previous incentive to pay taxes early.



■ PAYROLL GIVING

A recent Government initiative has made it possible for employees to give to charity directly out of their wages, as part of the payroll system. Donations are deducted in the same way as PAYE, and are paid directly to the charity by the employer. This option is voluntary for both employers and employees and so you are not obliged to participate.

The advantage to employees of giving this way is that they can receive their donations rebate on an "as you go" basis rather than wait until year end to claim the lump sum rebate.

It does impose an extra administrative burden and may lead to extra costs. We suggest it may be best to exercise your right to not provide this option. Employees can obtain their rebate at year end in the usual manner.

Please contact us if you need further information.

■ ACC AND PASSIVE INCOME

Where a partner in a business makes their contribution by way of an administrative role and is not physically active in other aspects of the business they are able to pay the lower ACC levy due to the decreased risk of injury.

However, if you have taken this option and help out in the workshop or on the farm occasionally, you need to be aware that ACC has recently made it clear that you will not be eligible for earnings related compensation if you are injured while feeding calves or sweeping the floor.

Equally, if you have made an ACC claim for injury sustained in your business in the past, ACC is very unlikely to agree to you being levied on the basis of 100% administration earnings in the future.

If you have opted for the lower administrative cover and would like to reconsider this please contact us.



Jeff Seymour with Jackie Clarke



Morgan Bennet



Aaron Lloyd with son, Ryan

Shand Thomson team members helped to entertain at Christmas in the Park in December 2009.

The Grapevine

Congratulations to Megan & Allistair Carey on the birth of their daughter, Brooklyn, born on 2nd December 2009.

Welcome to Libby Holly, a daughter for Bronwyn & Ken Campbell. Libby was born on 14th December 2009.

Congratulations to Leo Liu for gaining his New Zealand residency.

■ HONOUR ROLL

Diploma

We congratulate Lisa Carrington on completing a Diploma In Business from the Open Polytechnic of New Zealand and the associated Diploma in Management from the New Zealand Institute of Management. She passed 13 papers over six years, so her new qualifications represent a great many hours of work at a time when she was in full-time employment. Well done, Lisa!



25 Year Club

We held a special event recently to celebrate Carolyn Mills having worked with us for 25 years. Carolyn started with us in 1985 when she was 18 and is a very valuable member of our team. She works with Jeff Seymour and his clients and supervises a group of staff accountants in her role as Business Services Manager.



Exam Passes

Congratulations to Melissa May, Lisa Carrington, Morgan Bennet, and Kerry McMillan on their recent exam passes.



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“Let’s put all the Corn Flakes back in the box.”