



NEWS & VIEWS

WINTER 2010

■ TONY TOURELL

It is with great sadness that we mark the untimely passing of Tony Tourell, one of our longest serving employees.

Tony died suddenly on 8 July from a ruptured cyst in his brain. He leaves behind his treasured family, Reegan, Ashton & Mason.

Tony came to Shand Thomson from South Otago High School in 1989. He managed a team of accountants for Bill Thomson and also specialised in cashbook solutions for farming and business clients. His 21 years of service, and senior position in the firm, meant that he came into contact with many of our clients.

Tony was a popular member of the community. A talented golfer and tennis player, he was a strong contributor to both the Balclutha golf and tennis clubs. He recently stood for the Rosebank School of Trustees and was the highest polling candidate. His friendly, outgoing personality and dry sense of humour endeared him to many people.

He dedicated a lot of his time to young people - coaching junior golf, soccer and tennis. He also mentored Young Enterprise groups at South Otago High School for a number of years.

Tony was an integral part of the social fabric at Shand Thomson. His easy going nature and strong sense of work life balance meant he played a big part in many outside of work activities. He was especially talented and innovative with themed events.

Shand Thomson mourns Tony's passing. The Clutha district has lost a committed community and family minded man. Our deepest sympathies are extended to Reegan, Ashton and Mason.



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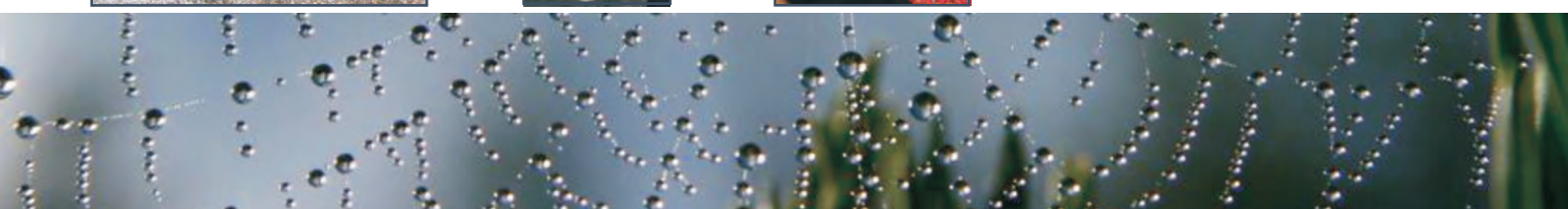
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2010 BUDGET - SOMETHING FOR EVERYONE

The May budget crystalised changes to tax law that could affect many of us.

Rise in GST Rate

The GST rate will increase from 12.5% to 15% from 1 October 2010. The fraction goes from 1/9 to 3/23.

Registered businesses on the payments basis will need to make an adjustment in their return to 30 September 2010. More on this in August.

Personal Tax Rates Reduce

Personal tax rates will reduce from 1 October 2010.

Taxable Income \$	2009/10	2010/11*	2011/12
0 - 14,000	12.5%	11.5%	10.5%
14,001 - 48,000	21.0%	19.25%	17.5%
48,001 - 70,000	33.0%	31.5%	30.0%
over 70,000	38.0%	35.5%	33.0%

* In 2010/11 the rates are composite rates (6 months on each rate)

Employers will need to access new PAYE tables in September so they are ready to apply the new tax rates for employees from 1 October. FBT & SSCWT rates will also reduce.

Resident Withholding Tax

In line with the changing personal tax rates resident withholding tax deduction rates will also change.

RWT \$	From 1/4/10	From 1/10/10
0 - 14,000	12.5%	10.5%
14,001 - 48,000	21.0%	17.5%
48,001 - 70,000	33.0%	30.0%
over 70,000	38.0%	33.0%
Company	30%	

Building Depreciation to Go

Long life buildings will not be able to be depreciated from 1 April 2011.

Designed to cap rental losses for tax purposes, this change also affects depreciation claims on farm buildings and commercial property.

Company Tax Rate Drops

The company tax rate drops from 30c to 28c from 1 April 2011 (2012 tax year).

The gap between the top personal tax rate and the company tax rate returns to 5%. Farming companies may consider using the income equalisation scheme to maximise the benefit of this change.

Depreciation Loading on New Plant to Go

The additional depreciation claim on new vehicles and plant

has been axed for assets purchased from 20 May 2010.

For example:

Item	Was	Now
Computers	60%	50%
Tractors	15%	13%
4 wheelers	32%	26%

Working for Families

Rental and investment losses are now excluded when calculating any entitlement to working for families tax credits.

The IRD is also considering whether income from a PIE (which has final tax at source), fringe benefits received from an employer and capital distributions from a trust should be included as income. These changes are likely to reduce many taxpayers' access to working for families tax credits.

Further proposed changes to legislation include:

LAQC & QC Rules to Change

LAQC losses are to be limited to the capital contributed by shareholders and LAQC/QC company income will be taxed at the shareholder's personal tax rates.

QC companies will effectively lose access to the 28% flat tax rate. We will be reviewing the appropriateness of these structures with those who are affected once the legislation has been finalised.

Gift Duty May Go

Discussions are taking place regarding the abolition of gift duty. This tax provides little revenue for the government and is considered costly to administer.

This will be a welcome change although the counter measures needed to protect creditors and ensure that social taxes are not avoided may limit the benefits of any amendments.

RURAL WOMEN'S WEEK

We were pleased to facilitate Karen Nimmo's presence at Rural Women's Week in May.

Karen is a Wellington based psychologist and author. At the luncheon she spoke about her latest book titled 'My Bum Looks Brilliant in This' which encourages the reader to feel good about themselves by looking beyond diets and the gym.



Carolyn Edwards introduced Karen Nimmo at a Rural Women's Week luncheon



■ ■ EMISSIONS TRADING SCHEME (ETS) UPDATE

The Forest Allocation Plan for pre 1990 forestry owners is expected to be finalised and come into effect on 1 August 2010. After this date it is expected that you will have 12 months to apply for compensation credits as your land use is now restricted to forestry. As part of this application process you may also be entitled to apply for the 50 hectare exemption.

To qualify for the 50 hectare exemption you must:

- Own less than 50 hectares of pre 1990 forest land in total, and
- You must have owned the land on or before 1 September 2007

When considering whether to apply for the exemption or not you need to consider:

- Will I be deforesting more than 2 hectares in any two year period in the future?
- If I do deforest, do I want to be bound to replant within two years?

If the land's best use is to keep it in forestry then you should apply for the tax free compensation credits as part of the Forestry Allocation Plan. The compensation credits are likely to be as follows:

- Land owned prior to 1 November 2002 will get 60 units per hectare
- Land owned after 1 November 2002 will get 39 units per hectare
- Units are to be valued at \$20 per unit.

Therefore if you owned a 30 hectare pre 1990 forest block it is likely that you will get compensation of \$36,000 (30 hectares x 60 units x \$20). The current information is that you will receive 38% of this (\$13,680) on or before 30 June 2011, with the balance (\$22,320) in the next compliance period which may be in 2013.

If you do not apply for the compensation credits then you will not receive the compensation. However, you will still be caught by the same land use restrictions and resulting deforestation taxes if you deforest. Therefore, regardless of the size of your forest, doing nothing is unwise.

If you are considering deforesting (without replanting) pre 1990 forest in the future then there will be very real costs associated with this. For example the estimated carbon stock of 30 year old pinus radiata in Otago is 677 units per hectare (i.e. carbon stock per hectare). The cost of deforestation is \$25 per carbon stock unit. Therefore in Otago the expected cost per hectare of 30 year old pinus radiata is \$16,925. Using our earlier example, the cost of deforesting a 30 hectare block without an exemption is \$507,750 (30 hectares x 677 carbon stock per hectare x \$25).

Applications for the compensation credits under the Forest Allocation Plan should start to be processed shortly after 1 August 2010. There will be further press releases from MAF once the plan is officially signed off. The key message here is that no matter what your circumstances are, if you own pre 1990 forest land then you need to make an application for either the compensation credits or the 50 hectare exemption. If you choose to do nothing then you will be caught under the same restrictions and costs, but will not receive any compensation.

Post 1989 forest owners have until 31 December 2012 to register, however they are best to register as soon as possible. This is because the onus is on the land owner to prove that forests are post 1989. We understand many applications for post 1989 status are being deemed pre 1990 due to MAF's photographic base indicating vegetation on the land before 1990. While this is often appealed with success, the process is time consuming and if you are not successful in your appeal then you would want to be able to exercise your options under the pre 1990 rules. This effectively means that you want to have your post 1989 status confirmed well before 30 June 2011.

Registrations can be made online at www.maf.govt.nz/sustainable-forestry and involve mapping your forest areas and proving legal title.

Please contact Simon Cameron at our offices for further clarification and assistance.

■ ■ TAXING MATTERS

PAYE

- The IRD has stopped sending out new PAYE tax tables to employers - you now need to look up the PAYE rates on the IRD's website www.ird.govt.nz. There are two ways to access these:
 - Using the PAYE/KiwiSaver calculator on the "Work it Out" section (on the right hand side of the home page)
 - Viewing or printing the PAYE tables (IR 340 & IR341) also in the "Work it Out" area
- The ACC earners' levy increased from 1 April 2010 to \$2.00 per \$100 of liable earnings (2%).
- The casual agriculture (CAE) rate reduces to 17.5% on 1 October. ACC at 2% must be added to give an overall rate of 19.5%.
- Secondary tax rates have reduced in line with reduced income tax rates and vary depending on the level of earnings.

Independent Earner Tax Credit

This was introduced last year to reduce tax for people who work in employment or a business, but who did not benefit from the previous 2008 tax cuts. You are eligible if:

- you are an individual who is a NZ tax resident
- you receive an income between \$24,000 and \$48,000
- neither you nor your partner are receiving working for families tax credits
- you do not receive an income tested benefit, NZ Super, or veteran's pension

The rate is \$10 a week up to an income of \$44,000, reducing to nil at \$48,000.

You have to choose a new tax code so if this applies to you and you did not act on it last year, see your employer.



The Grapevine

Congratulations to Lauren Anderson and Craig Turnbull on the birth of their new son Willem Ross Turnbull, born on 1st May 2010.

The inaugural Bridge to Beach event, organised by the Kaka Point Surf Life Saving Club in March, was completed by 11 Shand Thomson team members.

The 21km half-marathon distance started at the



Balclutha Bridge. The route could be cycled, run or walked and concluded at the Kaka Point beachfront. Despite the 'refreshing' weather the event was a great success and thoroughly enjoyed by all participants. We hope to see an increased contingent next year!



Pictured above right are Neroli Smail and Gaynor Baldwin. Giving 'thumbs up' on the left are Bill Thomson, Kay Wood and Robyn Wheeler. Pictured on the lower right is the Johnstone family (Hanlin, Connor, Holly, Bridget, Susie and Jim).



HONOUR ROLL

35 Year Club

Shand Thomson's current building marked 35 years in March. Brian Dodds, whose longevity exceeds Shand House, cut the cake.



25 Year Club

Jeff Seymour celebrated 25 years as a partner of Shand Thomson recently. Jeff moved to Balclutha from Dunedin in 1983 and was admitted into the partnership in 1985.

5 Year Club

Congratulations to Lauren Miller on completing five years of working with Shand Thomson. Lauren works for Jeff Seymour.

Graduation

Megan Carey recently attended her graduation ceremony to formally receive her Bachelor of Business qualification. This concludes a great deal of industrious endeavor by Megan, and we congratulate her on this achievement.

CLUTHA FARM TOUR

The Clutha Sheep Council ran a successful farm tour day in April visiting six farms in the Catlins area. Over 60 people attended the day, including Jeff Seymour, Jim Johnstone, Gaye Cowie and Simon Cameron.

There were six high quality properties visited which showcased the Catlins region. They included the family farms of Stephen & Judy Harrison, Bruce & Denise McGill, Warren & Stephanie Burgess, Martin & Lorraine Miller, Greg & Sue Stott and Cameron & Michelle Clarke.

It was a privilege to view these farming operations and an enjoyable day was had by all.



The procession of vehicles at Denise & Bruce McGill's (Owaka) farm

EMPLOYMENT AGREEMENTS AND TRIAL PERIODS

Recently one or two of our clients have had some negative experiences with trial periods.

It is important to remember if you want to take advantage of the 90 day trial period rules, you must have fewer than 20 employees and a written employment agreement in place which includes information about the trial period.

If you meet the above criteria and the new employee does not "work out" within the 90 day period, you can dismiss them and they are not able to lodge a personal grievance. Outside any 90 day period, you have to use the normal processes to dismiss an employee which includes justification and in most cases, a series of warnings.

A reminder too - by law, every employee, including casual employees, must have a written employment agreement. There are no exceptions. We can help you to prepare these essential documents. Please contact Karen Morgan for assistance.