

# Winter 2020



Kite flying on a cold Winter's day on the Slattery farm

## A NEW ASSOCIATE !!

We're excited and proud to announce the appointment of **Melissa Slattery** as an Associate of Diprose Miller Ltd. She's been with us since leaving school, but there are many more strings to her bow. See inside for more details!



The last edition of The Abacus was issued just before we found out we were heading into Level 4 lockdown. Our directors and staff wish to say a big "Thank You" to our clients for their patience, support and co-operation while we were working away from our familiar office environment. It has been greatly appreciated!

**"A snowflake is one of God's most fragile creations, but look what they can do when they stick together!"**

Unknown

THE OFFICIAL NEWSLETTER OF

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# EDITORIAL



We survived lockdown reasonably well and now it's all hands on deck - well, almost. Some of our senior staff enjoyed working from home so much that they want to keep working from home! So we've done a few "deals" and several of them are operating from home two days each week. Of course, no one is allowed to work from home on Mondays!

One of my pet hates over my 42 years in practice is staff not turning up on a Monday. I spend much of the weekend figuring out how everyone is going to start the week and when someone doesn't turn up, I get extremely agitated. Staff not turning up on a Monday is my worst nightmare! Anyway, enough of that.



It's great to see most of our tradies "hitting the ground running" post-lockdown. Many of them seemed to get up to full speed almost immediately. I guess we put that down to the area we live in. With dairy farms, chicken farms, berry farms and meat works being essential industries, many locals have been reasonably fully engaged.

Our thoughts are, however, with those involved in tourism and travel. These businesses have been extremely hard hit. While NZers travelling in New Zealand will help this embattled sector, it is international tourism that makes it profitable.

Retail has also been hard hit - a little "retail therapy" will help here! Another group to take a hammering was investors, with interest rates low and sharemarkets losing value. Investors need to hang in there and stick with their long-term strategy.

*I could give up*  
**SHOPPING,**  
*but I'm not a*  
**QUITTER.**

Finally, a thought for our embattled farming sector. You people have been hammered from pillar to post not just by environmentalists, but by banks that perhaps have not been quite as understanding as in the past. Now with tourism struggling, farming is heading "from the basement back to the penthouse". The world needs food and we have it. Let's hope the world can afford to pay for it!

We'll be seeing many of you over the next few months and look forward to discussing your experiences and business strategies.

Take Care, KB

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# Looking to the Future ...

## Melissa on the Moooove

Our congratulations to long-serving staff member **Melissa Slattery** who was welcomed as an Associate of Diprose Miller Ltd on 1 April 2020. So it's officially a "lockdown start" for her in the new role, but she's been very busy both during and since the Covid restrictions.



Melissa started with the firm in 2004 straight from Te Aroha College. She worked full-time while studying for her accounting qualifications, earning a Bachelor of Management Studies degree from Waikato University with an accounting major. Since then she has continued her studies, gaining Chartered Accountant status in 2012 and her Public Practice certificate in 2018.



Along the way Melissa has reinforced her learning with impressive credentials in the farming sector. She and husband Justin were awarded the 2015 NZ Sharemilker/Equity Farmer of the Year while sharemilking in Canterbury before moving back to farm in the Elstow district with their three young sons Connor, Ryan and Tim.

Melissa enjoys working with clients to help them achieve their goals and has played an integral part in establishing our new GPS business advisory service. She likes to keep up to date with relevant tax, environmental and operational farming issues and is a DairyNZ Dairy Environment Leader (DEL) representing farmers to government. Somehow she still finds time for participating in local social sports and especially enjoys netball and squash. Outstanding!

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# Keeping You Up to Date

## Low Value Assets Not So Low !

As part of the suite of Covid tax relief measures announced by the government, the threshold for “low value assets” has increased from \$500 to **\$5,000** for assets purchased between 17 March 2020 and 17 March 2021. The cost of low value assets can be claimed in full in the year of purchase, rather than depreciated over their useful lives. This is a big incentive for taxpayers to continue to invest in capital assets over the next year. From 17 March 2021 the threshold permanently changes to \$1,000.

## Depreciation is Back for Some

From the start of the 2012 tax year there has been no depreciation claim for buildings with an expected life of more than 50 years. This covered almost all residential, commercial and industrial buildings.

The government has now announced, as part of the Covid tax relief package, that commercial and industrial buildings can now be depreciated from the 2021 tax year at the rate of 1.5% of cost.

There is still **no claim** for depreciation on **residential** buildings.

**A woman went to the doctor who told her she only had six months to live. “Oh No!” said the woman. “What shall I do?” “Marry an accountant,” suggested the doctor. “Why?” asked the woman. “Will that make me live longer?”**

**“No,” replied the doctor. “But it will SEEM longer.”**

## Herd Scheme Values

Inland Revenue has released the Herd Scheme livestock values for the 2020 year and there have been mixed changes from 2019.

In the dairy cattle group, mixed-age cows have seen a small increase, while R1 and R2 heifer values have fallen slightly. Dairy goats have also risen slightly. However, beef cattle and sheep values are down across the board around 20%.



The Herd Scheme values represent the average market of a producing animal and are obtained by reviewing the figures provided by a range of professional livestock agents as at 30 April each year.

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# What's Happening Out There?

## Farming Remuneration

Below are some interesting facts from the 2020 Federated Farmers Remuneration Survey. The survey results provide an exceptional amount of relevant data on not only the remuneration provided to farm employees, but also the demographics of these staff and their satisfaction with their work. A total of 2,840 employees were surveyed.

One-third of employees have been employed for less than one year. This trend is particularly evident in the junior positions.

83% of employees are NZ citizens or permanent residents.

96% of full-time employees have written employment agreements.

Accommodation is provided to 80% of full-time employees.

67% of employers have not provided formal training to their staff.

The average hours worked per week is 48.1 in dairy and 42.7 in sheep/beef.

The average total value of the remuneration package is \$57,125 for dairy and \$55,568 for sheep/beef.

**“Every day is a bank account, and time is our currency. No one is rich, no one is poor, we’ve got 24 hours each”.**

Christopher Rice

## Covid Relief from Tax Penalties

Inland Revenue has announced that it will remit (reverse) penalty and Use of Money Interest (UOMI) charges that would normally apply to late tax payments where the following criteria are met.

1. The tax is due on or after 14 February 2020.
2. The taxpayer’s ability to pay by the due date, either physically or financially, has been significantly affected by Covid.
3. The taxpayer contacts Inland Revenue to request the relief and pays the outstanding tax as soon as practicable.

Taxpayers **may** be asked for further financial information, including bank statements and accounting reports, to support their request for relief. The new relief rules apply to all tax payments due on or before **25 March 2022**.

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# Ed's Thinkin' . . .



Director **Ed Wagstaff** has spent much of his time recently establishing and implementing our new “Financial GPS Programme”. In this article he comments on what the programme involves, how it works and how it can provide significant benefits for clients that are driven to improve the quality of both their business and personal lifestyles.

## **GPS Doesn't Mean What You Think !!**

Our Financial GPS Programme is a “wrap-around” service that identifies clients' goals, designs a map to help them get there and provides regular reviews to make sure that corrections are made if they are going off-course.

A critical part of the service is identifying potential road blocks and arranging “detours” to keep you on the right path. Businesses face a great deal of uncertainty in the years ahead and we make extensive use of scenario planning to consider and evaluate the various options that might be available.

It's very important to determine the expected cash surplus generated by a business and discuss/decide how this should best be applied to a mix of business re-investment, personal (non-business) investment and lifestyle spending.

A typical comprehensive business plan developed using GPS could include the following components.

1. A 5-year scenario budget.
2. A 1-year detailed cash flow forecast.
3. Monthly or bi-monthly budget vs actual management reporting (and analysis of variances).
4. Face-to-face “accountability meetings” every 3-4 months.
5. An annual review to benchmark performance against targets and identify changes required to the budget going forward.

We've found that the primary benefits of GPS is that it helps clients be realistic about their goals, it ensures all parties are on the same page and it provides an independent voice to keep clients accountable for their results. We have many clients who are hard-working and successful business people, but do not have well-defined goals and regularly measure their performance against these. This is where the GPS programme can make the difference.

Clients already involved with the programme are finding that an independent professional advisor can assist greatly in meaningful planning, performance review and related discussions.

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# Sharon Says . . . . .

For many clients the Inland Revenue rules around the application of business losses are difficult to follow. Recent Covid tax relief has muddied the waters even more, but Director **Sharon Coombe** has a few pointers that should help clients to understand the fundamentals of how business losses are managed under current income tax legislation.



## What Can I Do With a Loss ?

Currently, trading losses incurred by NZ companies and trusts are generally carried forward and offset against future taxable profits. These losses never expire unless the company or trust is wound up. Companies with common ownership are allowed to transfer losses between themselves in any year.

Individuals can generally offset a business loss against other income in the same year. Any net losses after offsetting are carried forward to be offset against income in future years.

## Covid #1 : Losses Carried Back

Losses incurred (or expected to be incurred) in the 2020 and 2021 years can be used to offset profits made in the previous year, even if the previous year's income tax return has already been filed and the tax paid. Under this temporary arrangement, losses can be carried back from 2020 to 2019 and 2021 to 2020.

We're keeping an eye on client's results for the 2020 year and discussing the use of the loss carry-back scheme. It is optional and may not always be the best option for a business owner.

## Covid #2 : Losses Carried Forward

Prior to Covid, losses incurred by non-LTC companies could be carried forward, but if the shareholding changed by more than 51% any losses carried prior to the shareholding change were **forfeited** and unable to be offset against future profits.

As part of the Covid tax relief measures, companies that do not meet this "shareholder continuity test" will still be able to carry forward their losses **provided** they are engaged in the "same or similar" business activity.

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# HR & Payroll News

## COVID Wage Subsidy Extension

Businesses can now apply for the MSD extended wage subsidy. This provides financial support for a further eight (8) weeks for eligible businesses. Applications close on **1 September 2020**.



Eligible businesses must have a minimum 40% drop in revenue for a continuous 30-day period. The period needs to be in the 40 days before you apply and must be compared with the closest period last year.

In addition, the loss of revenue must be **directly related to the COVID situation** for a business to be eligible. Applications can be made online via the Work and Income website.

We've been busy helping clients assess whether they are eligible for the subsidy extension. We've been surprised by the results, with some being eligible when we would have guessed they would not!

## Online Tip for Employers

Employers, please note that you should be using **EMP** (Employer Activities) as the code for PAYE payments from 1 April 2020. If you use the EMP code, your PAYE payments will show up in myIR overnight, compared to using the old DED code that can take 15 days to register in myIR!

## Parental Leave Grows Up

Employers, please note that the payment period for Parental Leave increases from 22 weeks to **26 weeks** from **1 July 2020**.

## COVID Wage Records

We have been advising employers to ensure that they prepare and maintain a written record of how the COVID Wage Subsidy (and the extension) has been applied to each individual employee.

This can be done through payroll software, on a spreadsheet or simply handwritten, but the records must show the amount of subsidy that has been applied by employee and by pay period.

We're not sure how much "auditing" MSD intends to carry out on the application of the subsidy, but it is an easy task to prepare these records as each pay period is completed. They will also provide evidence (if required) that the entire subsidy has been applied.

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# Staff Happenings

## The O-Fish-ial Social Club Meeting

Obviously, with lockdown and social distancing, we haven't seen much in the way of Social Club activity since our last edition . . .

. . . except for our annual fishing trip to the Coromandel on the weekend before lockdown!

A number of hardy staff and partners set out from Coromandel on a crisp, clear morning at 6.30am, so it was a really early start from Te Aroha.



The weather gods were kind, and it was a successful day all round. Some of the group stayed overnight at the Coromandel Top 10 Holiday Park. You can see from the photos that Nicole Robinson's fiance Stefan is especially pleased with his catch!



There's not much on the horizon for the Social Club at the moment, with all planned activities cancelled due to Covid. Hopefully we'll be able to fit something in before the end of the year, but the general feeling is that it's still a bit early to make plans for further activities.

**Mother to daughter advice : Cook a man a fish and you feed him for a day. But teach a man to fish and you get rid of him for the whole weekend.**

Te Aroha receptionist **Diane Cooper** took this photo of the Domain geyser letting off steam during one of her many lockdown walks. With limited options for getting out, our staff regularly ran into one another while walking and cycling around Te Aroha during the Level 4 restrictions. Not everyone has kept it up, but it was great to be able to wear your track pants to work!



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# Some Bits & Pieces

## May Balance Date Farmers



For those farmers with May balance dates, we'd appreciate you providing us with details of livestock owned as at 31 May 2020. You should have received a green form from us requesting this information, but it's always easier to do it around balance date than a few months (or more) later!

## Inland Revenue Mileage Rates

The 2020 vehicle mileage rate for reimbursing employees and claiming for business-related travel is 79 cents per km. This rates covers both fixed and running costs and applies up to a total of 14,000 km per year.

Mileage in excess of 14,000 kms per year can be claimed at the lower rates of 30c/km for petrol/diesel vehicles, 19c/km for petrol hybrid vehicles and 9c/km for electric vehicles. The rates are the same as those for the 2019 year and are unable to be reviewed due to Covid.



## No More Cheque-ing with the BNZ !

The BNZ has announced that it will be phasing out the issuing or depositing of cheques by **July 2021**. Customers will need to find an alternative way of receiving funds into, and making payments from, their bank accounts. Most clients will already be comfortable with arranging electronic bank transactions, but there are still many who will be forced to adapt to life without cheques. And where the BNZ is going, the other banks are sure to follow!

**I lost my job at the bank on my first day. A woman asked me to check her balance, so I pushed her over.**

## Budget - What Budget ?

Amidst all the Covid publicity it's easy to forget that the government's annual budget was released in May. We were waiting for some significant measures to be announced, but the overall flavour of the budget was very "bland". No further comment!

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# Staff Happenings

## Hair Today, Gone Tomorrow

During the lockdown most of our male staff decided to have a crack at beard-growing. The challenge was laid down at the start of Level 4 and the guys threw their razors out the window.

We've posted pics on our Facebook page, with **Steven "Grizz" Eccles** (far right) seeming to attract the most positive comments.

It was too close to call between **Darren and Kelly Diprose**, probably because most people couldn't tell who was who!



At the end of it all, when we were back in normal office mode, most of the beards disappeared. We all agreed that it is much harder to improve your appearance with a beard as you get older, which is probably why only the younger guys have retained the hairy look. Still, a bit of fun to offset an otherwise sobering time!

## And Now the Sports News . . .

In our last edition we talked up our Summer Social League netball team's chances in their local (pre-lockdown) competition. **Sharon Coombe** (with husband Allister), **Jeanette Clubb**, **Steven Eccles** (with partner Jennie), **Rebecca Fox**, **Grant Glover**, **Barbara Jenkins** and **Nakita McNab** all put their skirts on the line. Results were mixed, with more losses than wins, but given that most of the team crawled out of many years of retirement, we'll give them an "E" for effort. They won't be giving up their day jobs!

# A Final Word . . .

Here's some shots of the "home office" setups for our staff during lockdown. You can see it was a real mix, with pets featuring prominently, but already it seems so long ago . . .



## Staff Office Extensions

Angela Millward	816	Grant Glover	895	Melissa Slattery	821
Angela Young	866	Janeece Thomson	807	Murray Whittaker	829
Anthony Gray	805	Joanne Scherer	849	Nakita McNab	812
Barbara Jenkins	862	Keri Allen	815	Nicole Robinson	811
Damien Waitai	865	Kylee Elgar	839	Rae Brus	700
Deborah Young	831	Linda Keeys	814	Robyn Stewart	827
Diane Cooper	899	Lyn Miller	898	Sarena Kung	860
Ellie O'Donoghue	868	Lynden Wagner	710	Steven Eccles	835
Erica Rigter	823	Megan Farac	800		
Gail Brown	802	Megan Johns	819		