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Accountants Brief

Newsletter
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Mike Wallace Chartered Accountant Ltd

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Is \$384.00 gross per week enough?

ACC options?

To many self employed people, ACC is just a three letter word, an opportunity for the government to get their hands even deeper into the pockets of Mr & Mrs Joe Public.

Like all insurance policies ACC is a waste of money until the day you have an accident.

If you don't have the policy best suited to your particular situation, then the amount you pay for your ACC cover, may be a waste of money after the accident as well.

The default ACC scheme is CoverPlus. Once you start self employment you are automatically covered and any compensation will be based on 80% of your liable earnings from the previous tax year. For farmers whose incomes fluctuate from year to year or farm in a partnership where the incomes are split, then there is an obvious problem. The current minimum compensation for a full time self employed person is \$384.00 gross per week. Is this enough? You also have to prove loss which means you get into the grass still grows and the sheep still eat scenario.

ACC CoverPlus Extra is based on a predetermined level of cover which is negotiated with the ACC. You are compensated for 100% of the predetermined weekly amount and it is not necessary to prove loss. On the surface it would appear the ACC CoverPlus Extra is tailor made for farmers and in most situations it would be the preferred option. ACC CoverPlus Extra is subject to general underwriting rules, so if you are new to farming / self employment, it is unlikely you would be able to negotiate a satisfactory level of cover.

So once again if the minimum level of cover is not enough you may have to arrange some additional income protection for the interim period until you have established an earnings history.

Farmers renting your dwelling from your family trust

If you are renting your dwelling from your family trust, what is the correct treatment of repairs to the dwelling for GST purposes and for income tax purposes?

What about expenditure on trust dwellings?

The correct treatment for the expenditure by the trust on the dwelling is the same as for any domestic rental situation. There is no claim for GST and a full claim for income tax purposes.

It will also have to be determined for income tax purposes whether the repairs should be treated as revenue or capital. Should the costs be claimed as a tax deduction as repairs in the current year or is it capital and should then be added to the asset register and depreciated. It comes down to determining whether the repairs are maintenance or an improvement.

Have you considered a family trust?

If all of your assets are owned as a sole trader or in a partnership you may need to consider transferring your assets to a family trust.

The main benefits of holding your assets in a family trust are **protection**. Security against:

- Claims against your estate after death
- Business failure
- Matrimonial and de facto property claims
- Protection of your assets if you end up in a rest home

There may also be some taxation benefits through income splitting, however it would be unusual to form a trust purely for taxation reasons as there are other more efficient means of doing this.

A well constructed family trust is also often a key feature of efficient succession planning.

Do you need a family trust?

Exemption Certificates

The IRD have the ability to recover the tax from you...

All agricultural contractors operating as sole traders or partnerships must produce a withholding tax exemption certificate or else you have an obligation to deduct withholding tax from any payments made!

You may think it doesn't matter but by law the IRD have the ability to recover the tax from you if the contractor has any **outstanding tax issues**

If you need to discuss or need clarification of any of these issues please do not hesitate to contact us!

If you think someone else may benefit from these newsletters let us know and we will put them on the mailing list!

If you think a certain topic should be covered then please let us know and we will try to accommodate!

Mike Wallace Chartered Accountant Ltd - P O Box 112 - Gore - Telephone: 03 208 0016

E-mail: mike@mwca.co.nz

Website: www.goreaccountants.co.nz