

AGRI BUSINESS NEWSLETTER



September 2011

The government announced in the 2011 budget that there is to be a review of the livestock valuation rules primarily relating to the ability to switch livestock Valuation Schemes e.g. from Herd to NSC and back again. See over for an Explanation of Herd Scheme v's National Standard Cost.

Refund of Excise Duty

With the increase in the petrol price over the last few years the refund of excise duty available to farmers in relation to on farm use of farm bikes, chainsaws, bush cutters, posthole borers etc. could be quite substantial.

At \$0.56 cents a litre, the petrol rebate is worth claiming.

In order to make a claim an MR70 form must be filed quarterly. This form can be downloaded from www.landtransport.govt.nz or printed copies are available from our office. We also have copies of the Excise duty factsheet 14 available - please phone our office to request a copy.

ACC

ACC will be giving small businesses with a blameless track record a 10% discount starting from the year ending 31st March 2012. ACC states that 93% of all small businesses are expected to qualify for this discount.

The Great Ypuk Lamb Chilli Cook-off

The Waipawa Barnes Mossman team have entered this Lamb Country event. Why don't you pop on down to Waipukurau on the 10th of September 2011 to support them and try their Chilli Lamb!



Reminder....

ETS – Emissions Trading Scheme

Important dates to remember:

- 30 September 2011
- 30 November 2011

Do you have more than 1 ha of forest species on your land?

If so, contact Tony Mossman before 30th September to discuss your options.

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Explanation of Herd Scheme v's National Standard Cost

With the livestock valuations being at a ten year high across many classes, we thought it would be appropriate to provide a simple (ish) example of how two of the different livestock valuation options work; those being National Standard Cost (NSC) and National Average Market Values (Herd Scheme).

NSC values are based on the national average cost of raising livestock and include purchase costs. The IRD provides rearing and growing values annually.

Herd Scheme values are based on a snapshot at 30 April of average sales data from across the country and are provided annually by the IRD. If you are in the Herd Scheme any increase in numbers for each class of stock can go in at Herd Scheme or NSC (i.e. you can have a mixture of both). It is your choice.

Example 1: Say we have a farmer with no stock last year who purchases stock this year:

He purchases 1 two tooth ewe at \$130.00

He can elect to value this ewe at year end at either NSC or Herd Scheme.

NSC value - \$130.00 (i.e. your purchase price)

(NB: if you were to purchase a calf to rear, there is an additional 'rearing cost' on top of the purchase price which is a one off value to add to your closing value)

HERD Scheme value - \$160.00

In this case, it will defer your tax on \$30 if you select NSC.

Example 2: Say we have a farmer with opening stock of 1 ewe hogget on NSC.

The opening value in 2011 would be say \$90.00

NSC value - \$108.40 (this is \$90 opening value + rearing and growing cost of \$18.40)

Herd Scheme value - \$160.00

In this case, if you choose NSC, your income will be \$18.40 (\$108.40-\$90.00)

However if you choose Herd Scheme, your income will be \$70.00 (\$160.00-\$90.00)

NB: the Herd Scheme allows you to value both your opening and closing livestock in the same class at the same value per head, to this removes any taxable income or tax deduction arising from an increase or decrease of values from year to year, this is like inflation proofing the stock. However any new livestock included for the first time do create assessable income to the extent that the Herd Scheme value exceeds the cost of the animal. It is preferable to add additional livestock numbers to the Herd Scheme in years when Herd values are much lower and gain tax free income as the values increase.



An aged farmer and his wife were leaning against the edge of their pig-pen when the old woman wistfully recalled that the next week would mark their golden wedding anniversary.

"Let's have a party, Homer," she suggested.
"Let's kill a pig."

The farmer scratched his grizzled head.
"Gee, Ethel," he finally answered, "I don't see why the pig should take the blame for something that happened fifty years ago."

It is also important to note that it takes two years to move out of the Herd Scheme into the NSC Scheme, however you can move from NSC to Herd any time you like by electing to with the IRD. You can also use a mixture of both these valuation methods at any one point in time. The ideal is to exit the Herd Scheme at the top of a valuation peak.

DISCLAIMER

The information contained in this newsletter is of a general nature and should be used as a guide only. Before acting on any of this information, please consult Barnes Mossman Ltd.