



## Ensuring Minimum Wage to Employees

The dairy industry has come under recent scrutiny after a Stratford farmer was prosecuted for under paying an employee, and a Ministry of Business, Innovation and Employment (MBIE) survey found a third of Southland dairy employees were potentially being underpaid.

The survey discovered issues with employers failing to keep accurate time and wage records, and the practice of seasonal averaging resulted in employees receiving less than the minimum wage during busy times of the year.

By law, employees must be paid at least \$14.25 per hour from 1 April 2014.

The practice of seasonal averaging refers to the practice of averaging pay over a year. The employees are on salaries, and receive the same income regardless of hours worked each week. The staff may work longer hours over calving and spring, but less hours during summer.

In the Stratford case, an employee on a \$32,000 salary was working 49-60 hour weeks, and 38-44 hour weeks after the cows had dried off. This resulted in the farmer being ordered to pay the employee an additional \$6,473.77.

The Employment Relations Authority held that paying a salary could not be used as a mechanism to avoid paying minimum wage.

Over the busy spring period where employees are working 60 plus hour weeks, the pay per hour may fall below the legal minimum, even though the average annual pay per hour exceeds the minimum wage.

If an employee works 60 hours a week, the MBIE believes they must be paid at least minimum wage for each hour worked, regardless if they are waged or salaried.

From a practical viewpoint, there are many good reasons for seasonal averaging. It provides employees with a regular consistent cash flow, rather than having fluctuating wages caused by busy and quiet times in the season. The PAYE calculations are also easier for the farm owner and payments can be made by automatic payment.

One way of avoiding employees receiving less than minimum wage is for them to be paid an hourly rate rather than a salary. The seasonal averaging affects only those who are on low income salaries, so a pay increase may be required if salaries are to be paid instead of wages. But farmers would find the compliance time for this as onerous.

When calculating an employee's annual remuneration, care needs to be taken to ensure that the market value of any accommodation provided by the farmer is included in calculating gross wages. MBIE are arguing that this should not be included.

While this is mainly seen as a dairy industry problem, similar problems may arise for sheep farmers during shearing, and harvest or picking time for those involved in cropping, horticulture and viticulture.

The NZICA Regional Advisory Group are meeting with Federated Farmers and MBIE to try to work a practical way forward for this issue.

## Tough in retailing

The pressure on retailing has never been as intense as in the past five years. The challenges have been not only the global financial crisis, which has meant people are paying off debt rather than spending, but also online retailing. People can't be blamed for buying online when prices can be significantly cheaper. So what can retailers do?

According to one expert in the retail field, the keys are in the acronym PALOS – product, agility, lean, online and service.

**Product** – are you really trying to sell what people want to buy? Retailing is a dynamic business changing rapidly. No one retails horseshoes or video recorders any more. You might be passionate about your product, but is anyone else? If you don't know, ask the visitors to your store. People buy to satisfy wants NOT needs.

**Agility** – are you nimble enough to adapt to the changing environment? Can you change your product line or marketing strategy easily and quickly? Do you have flexible supply lines?

**Lean** – do you have too much stock or too many staff? As a store owner you might just have to do the hours yourself to stay in business. Review your costs regularly, especially at lease-review time when it might be better to move to cheaper premises.

**Online** – like it or not, online retailing is here to stay. Consider whether you can be part of it. Can any of your products or services be marketed and sold online, as well as in a physical store?

**Service** – when times are tough, you'll get left out in the cold if your service doesn't measure up. Great service usually costs nothing and can make you stand out in the crowd.

## BRIEFLY

### Reminder

From 1 April the minimum wage rises to \$14.25 per hour and the rate of ACC payroll deduction reduces slightly. You will need to change any automatic payments for salary or wages.

### Staff business cards

All staff who deal with customers should have business cards, particularly your receptionist. A car owner dropped his vehicle off to a franchise dealer to get a warrant of fitness. The receptionist greeted him and at the appropriate time handed him one of her cards with the comment: "If there's anything you want, call me". The customer felt cared for and the receptionist felt she was an important member of her firm, which she was.

### Conditional contracts

Be careful what you sign. Some folk think there's an easy out to a contract, if they need it. Put a condition into it. It's not that easy. Consult your solicitor first.

## Turn a complainer into a powerful advocate

It's always better to hang on to your existing customers, than to seek new ones. Getting new customers is expensive and time-consuming.

Listen carefully to customers who complain. They are your friends because they will tell you things others might not. It's tempting to justify your actions in the face of a complaint.

Don't. Assume the customer has cause for the grievance and act

generously to put it right. Then follow up to ensure the customer is not merely satisfied, but pleased with what you've done.

Delighted complainers often become your best advocates! They tell others how well they were treated.

If you reflect on what occurred you'll often be surprised to find you agree with the complaint.



Neil  
Ruddell  
Partner



Nigel  
Brereton  
Partner



Ed  
Roberts  
Partner



Gavin  
Buckingham  
Partner



Barbara  
Gailey  
Partner



Brian  
Moyle  
Consultant



Bill  
Roberts  
Consultant

## Tax Talk and the good news is ... ACC

Workers and employers will pay \$387 million less in ACC levies in 2014/15 (subject to the regulation being passed). The cuts affect the Earners Account (paid by workers) and the Work Account (paid by employers).

	Work Account Average levy (per \$100 of liable earnings, ex GST)	Earners' Account levy (per \$100 of liable earnings, ex GST)
2014/15	\$0.95	\$1.26
2013/14	\$1.15	\$1.48

The Health and Safety in Employment (HSE) Levy is changing to a flat rate of \$0.08 per \$100 liable earnings. Look for more news on this later in the year.

Motor Vehicle Account levies, incorporated into car registration and petrol prices, will remain the same. The Government expects to introduce cuts for motor vehicle owners from 1 July 2015.

In other news, there have been some minor changes to classification unit codes, affecting second-hand booksellers and people working in digital effects industries.

Are you managing ACC on your own? We could help you with that. Talk to us about how we might save you time and money.

### Working for Families

The minimum family tax credit threshold will increase from an after-tax income of \$22,724 to \$22,776 from 1 April 2014.

### Student loans and allowances

The government continues to tighten up access to assistance for students as well as extending their reach for repayments.

### Limits on access

If you are starting study after 1 January 2014, there is now a residency requirement of three years (previously two years) before you are eligible for a Student Loan which applies to those who are not New Zealand citizens, refugees, or protected persons. Age limits apply for Student Allowances. The amount of assistance people over 40 are eligible for is limited to 120 weeks and students aged 65 or over are no longer eligible for a Student Allowance for study starting after 1 January 2014.

### Repayment obligations - don't be late

If you defaulted on your student loan repayments while living overseas, but returned to New Zealand, Inland Revenue can now request an arrest warrant if you are about to leave New Zealand. Inland Revenue and the Department of Internal Affairs now have an information sharing agreement allowing them to share contact details for overseas-based student loan defaulters when they renew or apply for their passport. Inland Revenue will be able to contact individuals to discuss their outstanding arrears.

## End of year checklist

As usual, when the end of the financial year is approaching, it's a good idea to make sure everything's in good order. Take a look at:

- How much stock you are carrying at the end of the year. Dispose of any obsolete lines or write the stock down to its net realisable value.
- Retentions owing: they are taxable this year if you receive them by 31 March.
- Your discount reserve, if you discount for prompt payment. After the first year, the allowable deduction is based on the percentage level established initially.
- Make sure loss offset or subvention elections are filed with IRD on or before 31 March.
- Planned dividend payments and the company's imputation credit account balance.
- Amounts owed to employees such as holiday pay, bonuses, long service leave, redundancy payments. They can be claimed for in this year if paid within 63 days of balance date.
- Credit notes issued to customers following balance date that apply to income earned this year.
- Can you prepay any of your expenses to claim a deduction? Not sure what kinds of prepayments are deductible? Ask us.
- Debtors: if you have taken reasonable steps to recover a debt, you may be able to write it off and claim a deduction.
- Significant maintenance or repairs undertaken before end of year may be eligible for an early tax deduction. Check if you're not sure where expenditure on an asset is deductible as repairs or maintenance or if it should be capitalised.
- Fixed assets: can any be written off?

Call us if you'd like a quick heads-up on what to look for in the detail or options for how to treat any of the above.

*Innovation is the ability to convert ideas into invoices. L. Duncan*

*Coming together is a beginning; keeping together is progress; working together is success. Henry Ford*

## Mixed use asset rules now apply to boats and planes

We've talked a lot about mixed use assets over the last six months so we'll keep it short. From 1 April 2014 the mixed use assets rules apply to boats and aircraft. This means you now need to keep similar records as for holiday homes.

If you use the asset for private use and for earning income, if it's also unused for 62 days, if it had a cost or market value of \$50,000 or more when you bought it, you need to record:

- The amount of time it was used and who used it (number of days, flying or cruising hours)
- The amounts received
- Expenses related to making it available for hire as well as expenses in generally maintaining it

If you make a loss and if your gross income from the asset is less than 2% of its value, you may not be able to claim the loss straightaway. Instead, you'll have to 'quarantine' the excess expenditure and carry it forward to a future tax year to offset against future profits from the asset.

GST input tax deductions are calculated in a similar way to how you calculate expenses allowed as a deduction. If you sell the asset partway through the year, the calculations relating to income, expenditure, apportionment and quarantining can change.

If you'd like a rundown on how this applies in your case, or some tips on easy ways to keep track of it all, please contact us.

## eXPired technology?

Taking your business online? Look at whether your current setup will let you keep up with the change.

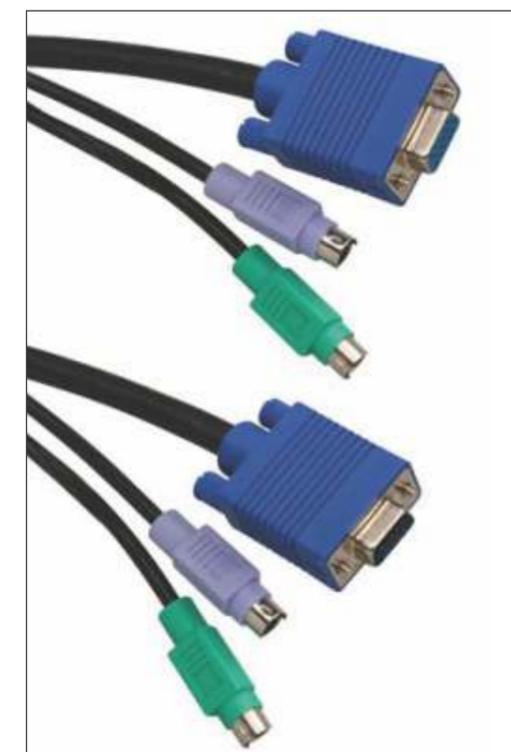
For instance, if you're still running XP, be aware that Microsoft will no longer support Windows XP and Office 2003 from this year.

From April, if you use Windows XP, you won't receive technical support for it. This means no new security updates, or non-security hotfixes. No support and no online technical content updates.

Until July 14 2015, Microsoft will continue to offer Windows XP users its malware scrubbing program (MSRT). However, your system will become more vulnerable to security risks and viruses.

Over time you'll encounter more applications and devices are incompatible as software and hardware manufacturers upgrade their products.

You're already onto this ... right? But call us if you'd like to talk through how your computer system interacts with your accounting system or other business processes.



### Disclaimer:

*This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.*

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