



Inland Revenue
Te Tari Taake

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Dairy farming

A guide to the GST and PAYE obligations of dairy farmers



Dairy farming

This guide answers some of the common questions dairy farmers ask about GST and PAYE. For more detailed information refer to the following forms and guides:

- **First-time employer's guide - IR333**
- **Employer's guide - IR335**
- **GST - do you need to register? - IR365**
- **GST guide - IR375**
- **Smart business - IR320**
- **Weekly and fortnightly PAYE deduction tables - IR340**
- **Four-weekly and monthly PAYE deduction tables - IR341**

How to get our forms and guides

You can get copies of our forms and guides at ird.govt.nz/forms-guides

ird.govt.nz

Go to our website for information and to use our services and tools.

- **Log in or register for myIR** - manage your tax and entitlements online.
- **Calculators and tools** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** - download our forms and guides.

Forgotten your user ID or password?

Request these online from the myIR login screen and we'll send them to the email address we hold for you.

Type of farm

Where possible, a farmer should dissect expenses into claimable (business) and non-claimable (private) expenses.

However, some expenses may relate to both business and private purposes. In such cases a practical approach distinguishes between two types of farm. Under this approach the amount of GST that can be claimed will depend upon whether your farm is:

- a **Type 1 farm** - which is a farming business where the value of the farmhouse is **20% or less** of the total value of the farm; or
- a **Type 2 farm** - which is a farming business where the value of the farmhouse is **more than 20%** of the total value of the farm.

The value of the farmhouse includes:

- the farmhouse itself
- any improvements made to the farmhouse
- the area immediately surrounding the farmhouse (known as curtilage).

A formal valuation or a reasonable estimate of the values of the farmhouse and whole farm are acceptable.

For Type 1 farms, 20% of all farmhouse expenses can be claimed as business expenses. Alternatively, GST can be claimed through an actual-use calculation if the business use of the farmhouse is greater than 20%. Type 1 farmers may also claim 100% of the interest costs relating to the farmhouse and 100% of rates costs.

For Type 2 farms, farmers who live in the farmhouse can claim expenses on a fair and reasonable basis so that only actual business use of the farmhouse is claimed.

GST on farm expenses

Dogs

You can claim 100% of the GST on all working dog costs such as the purchase price, food, registration, vet bills and kennels. You can't claim GST on dogs purchased from a person who isn't registered for GST.

Electricity

If you are a Type 1 farmer, you can claim 20% of the GST on your domestic power bill. You can claim 100% of the GST on your milking shed and farm power.

If you are a Type 2 farmer, you'll need to work out the percentage of the power bill relating to the actual business use on a fair and reasonable basis.

Farm bike

If you own the farm bike and pay all expenses you can claim 100% of the GST on the capital and running costs (petrol, oil and repairs).

If you own the farm bike and the farm owner pays all the running costs, you can only claim GST on the capital cost of the bike.

If the farm owner provides the bike and you pay all the running costs, you can only claim GST on the running costs.

Farm cottages

You can't claim GST on expenses relating to your farm cottage (for example, repairs, maintenance, paint/paper, electrical and building work) as they are an exempt supply.

Goods taken/purchased for private use

You can't claim GST on goods and services purchased for you or your family's private use such as food and clothing. If you purchase livestock as part of your business and then take it for private use, you need to make an adjustment for GST.

For example, if you kill a beast for your own use, you must account for 3/23rds of its value in Box 9 of your GST return.

Livestock purchased from a non-registered person

You can't claim GST on livestock purchased from a person who isn't registered for GST. Primary produce can't be classified as secondhand goods.

Newspaper

If you are a Type 1 farmer you can claim up to 20% of the GST on your newspaper subscription, unless you can substantiate a higher percentage.

If you are a Type 2 farmer, you'll need to work out the percentage relating to the actual business use on a fair and reasonable basis.

Phone costs

Type 1 and Type 2 farms that operate their business from home may claim 50% of their telephone rental charges, unless they can show that the actual business use of the telephone is greater than 50%. This is the existing practice for other home-based businesses.

You can't claim on private toll calls, so it's a good idea to highlight business toll calls on your phone account.

Note

If you have a farm cottage, you can claim the GST on any business-related phone calls your employee makes.

If you have a mobile phone the same conditions apply for claiming GST as above.

Shed rubberware and detergent

You can claim 100% of the GST on all milking shed-related expenses.

Shifting costs - farm to farm

You can claim 100% of the GST on the cost of moving your farm stock and machinery from farm to farm. All other expenditure related to the shift is private and not claimable.

Wet weather gear and protective clothing

You can claim 100% of the GST on wet weather gear and protective clothing, for example, overalls and gumboots. Other clothing, such as jeans, T-shirts etc, are a private expense and not claimable.

PAYE deductions

Accommodation provided to employee

Accommodation provided to an employee is a benefit and therefore taxable. You need to add the value of the benefit to the wages each pay period and deduct PAYE from the total.

If a sharemilker's employee lives in a house on the farm owner's property, the value of the accommodation must be included as gross earnings, even though the supply of accommodation is not directly between the employer and employee.

Farm cottage

To calculate the value of the benefit you need to take into account what is being supplied, for example, if it's a free house, take into account the average market rent in the area, the location and condition of the house.

Your home or outside room

To calculate the value of the benefit you need to take into account what is being supplied, for example, meals, own room, power and/or phone.

Note

Include the value of the accommodation (including free board) in the gross earnings when you complete your **Employment Information - IR348**.

Agricultural contractors

Agricultural contractors include workers contracted for maintenance, development or any other work on farming or agricultural land.

Unless a contractor provides you with a current **Certificate of exemption (IR331)** you must deduct withholding tax at a rate of 15%. The fact that a person can be registered for GST makes no difference. If the contractor does not have an IR331, they will need to complete a **Tax rate notification for contractors (IR330C)**. You should pay the withholding tax to us by the 20th of the following month, along with any other PAYE.

When you are shown an IR331 check that the work the person is doing for you is the same as the work shown on the certificate. For example, if the certificate gives an exemption from modelling income, and you have hired them to bale your hay, the payments you make are not exempt and you're required to deduct withholding tax.

Casual agricultural employees

Casual agricultural employees are people you engage to do casual seasonal agricultural work on a day-to-day basis for up to three months.

They are taxed through the PAYE system at a flat rate using the tax code CAE (casual agricultural employee) on the IR330 form.

Contract milkers

If you take on a contract milker you need to have a written contract in place. You also need to ensure that the contract meets the criteria for the milker to be self-employed. If it doesn't you may find the contract milker is an employee and you're required to deduct PAYE.

Relief milkers

A relief milker is generally an employee and therefore you're required to deduct PAYE from their wages. You can use the CAE tax code and deduct PAYE at a flat rate.

The employee is required to complete an IR330 showing CAE as the tax code.

For the rate see the current **Weekly and fortnightly PAYE deduction tables (IR340)** or the **Four weekly and monthly PAYE deduction tables (IR341)**.

If you're not sure whether they are an employee or a self-employed contractor, see our leaflet **Self-employed or an employee? (IR336)**.

Income tax

When filing your return, instead of sending in your financial records to determine your income tax liability, you can prepare a summary of your income and expenses using the IR3F, a form for farming income and expenses.

Note

Maintaining accurate records will reduce the time you and your accountant take to complete your end-of-year accounts.

Services you may need

Need to speak with us?

Have your IRD number ready and call us on one of these numbers.

General tax, tax credits and refunds	0800 775 247
Employer enquiries	0800 377 772
General business tax	0800 377 774
Overdue returns and payments	0800 377 771

Find out more at ird.govt.nz/contact-us

Supporting businesses in our community

Our Community Compliance officers offer free tax education and advice to businesses and small organisations, as well as seminars for personal tax and entitlements.

Our Kaitakawaenga Māori offer a free advisory service to help meet the needs of Māori individuals, organisations and businesses.

Go to a seminar or workshop, or request a visit from us to find out more about:

- records you need to keep
- taxes you need to know about
- using our online services
- completing your tax returns (eg GST, employer returns)
- filing returns and making payments
- your KiwiSaver obligations.

Go to ird.govt.nz/contact-us and select **Request a business advisory** visit to find out about requesting a visit.

Find a seminar or workshop near you at ird.govt.nz/contact-us/seminars

myIR

You can manage your tax and entitlements online with a myIR account.

In myIR you can:

- check if you're due a refund
- keep up-to-date with your student loan
- check and update your Working for Families details
- review your KiwiSaver contributions
- manage your child support payments
- file returns
- update your contact and bank account details.

myIR is available 24 hours a day, 7 days a week. Find out more, and register, at ird.govt.nz/myIR

Forgotten your user ID or password?

Request these online from the myIR login screen and we'll send them to the email address we hold for you.

0800 self-service numbers

Our 0800 self-service number, 0800 257 777, is open 7 days a week. Make sure you have your IRD number ready when you call.

When you call, confirm what you want from the options given. If you need to talk with us, we'll re-direct your call to someone who can help you.

Privacy

Meeting your tax obligations means giving us accurate information so we can assess your tax and entitlements under the Acts we administer. We may charge penalties if you do not.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them, and
- Statistics New Zealand (for statistical purposes only).

You can ask for the personal information we hold about you. We'll give the information to you and correct any errors unless we have a lawful reason not to. Find our full privacy policy at ird.govt.nz/privacy



Te Kāwanatanga o Aotearoa
New Zealand Government