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## Changes with renting a house to farm staff

A farm job often comes with a farm house and the amount the farm worker pays for the accommodation is the PAYE on the rent allowance, the rent allowance being part of his overall salary package.

For example as a farmer-employer you may currently rent your 3 bedroom worker accommodation to your employee for \$100pw. The \$100pw is the rent allowance which the employee will pay PAYE on. Typically over the last few years the rent allowance has been between \$80 and \$100pw.

However this needs to be revisited as the Inland Revenue (IRD) are looking at this area in relation to Fringe Benefit Tax (FBT) which creates issues for farm employers.

So with our example above if the property actually had an assessed market rental value of \$300pw the IRD will look at this as a fringe benefit to the value of \$200pw to the employee.

At a single FBT rate of 49.25% the employer potentially now has FBT of \$5,122.00 per annum to pay. This is just an example and FBT rates vary along with the employee's income and PAYE rates but the point is that the rental of the farm property must now be in line with market rates.

With this drive to have properties at market rates, many employment agreements signed this season have a higher rental allowance to reflect the new rental amount. That is quite straight forward with new employees, but bringing existing employees rents and rental allowances in-line with current market rates is a little more involved as the salary will also need increasing to off-set the increased PAYE and allow the employee to maintain the same net payment in their hand each pay day.

If you have any questions or concerns around this or any other employment issue then give me a call. John Brosnan, Human advisor at CooperAitken Accountants, Morrinsville, Matamata and Thames, DDI 07 889 8838 or email [john@cooperaitken.co.nz](mailto:john@cooperaitken.co.nz).  
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