

# AGENTS ANSWERS

## Inland Revenue's tax agents' update



Issue No 259 • August 2022 • IR787

### Cost of living payments

If you have clients eligible for the Cost of Living payment (where their income tax for 31/03/2022 has been assessed), the first payment of \$116.67 will be automatically paid into their bank account on Monday 1 August. Credit union customers may not receive their payment until 2 August 2022. Please note the date displayed in myIR is the processing date and may be earlier than the day the payment is received. Also, due to the large volume, payments will be staggered throughout the day of each payment date, so some customers will get paid before others. Find out more at: [ird.govt.nz/cost-of-living-payment](https://ird.govt.nz/cost-of-living-payment)

This payment is automatically paid to eligible customers. Tax agents cannot be linked to the Cost of Living account. There will be a small number of customers who are eligible whose returns will not be finalised by 1 August. This means that they will not receive the first payment on 1 August and we will contact these customers directly to advise that their eligibility will be assessed once their return has been finalised.

### Available Subscribed Capital record-keeping requirement

This recently published statement sets out the Commissioner's approach to applying the statutory record-keeping requirements that are necessary to substantiate distributions of Available Subscribed Capital (ASC).

You can find it at [taxtechnical.ird.govt.nz/operational-statements/2022/os-22-01](https://taxtechnical.ird.govt.nz/operational-statements/2022/os-22-01)

### Approved Advisor Group Status

Inland Revenue would like to acknowledge that the Institute of Certified NZ Bookkeepers (ICNZB) meets the requirements under section 20B(5) of the Tax Administration Act 1994 and have been granted Approved Advisor Group status by the Commissioner, with effect from 29 June 2022. Approved Advisor Groups give tax advice and follow a certain code of conduct. In being an Approved Advisor Group, members of ICNZB will be able to claim the right of non-disclosure.

### Provisional tax payments due on a weekend or public holiday

Some intermediaries using the "standard method" for calculating instalments of provisional tax for their clients have had an issue where an instalment date falls on a weekend or a public holiday. This occurs when you pay an instalment on the next working day and file the return for the year before on the same day.

Instalments (other than the final instalment) should only be calculated using a 10% uplift if the tax return for the year before has not been filed on or before the instalment date. Where the instalment date is not a working day, we treat a payment made on the next working day as being on time.

A "working day" as defined in s 13 of the Legislation Act 2019 means the due date would be a Saturday, a Sunday or a public holiday.

However, we also treat a return filed on the next working day as being filed on the instalment date. This means the correct calculation is a 5% uplift. The 10% uplift would only be appropriate if the return is filed after the next working day.

Please note, regional anniversary days are not public holidays and are treated as working days for instalment calculation purposes. So, a 10% uplift can be used when the return is filed the day after an anniversary day.

## Home office expenses

This is a clarification of the article in Agents Answers issue No. 249 September 2021.

### Companies and home office expenditure

A company can claim a deduction where it has reimbursed an employee or shareholder-employee for expenses incurred in the use of their home (so that the employee or shareholder-employee are not out-of-pocket) provided there is a sufficient connection between the expenses incurred and the business income that is being generated. The company needs to keep accurate records.

A company cannot claim a deduction if it has not incurred the home office expenses. For example, if a company uses an employee's or shareholder-employee's home office (that the company does not own), and the employee / shareholder-employee pays all the expenses relating to the home office.

There is more information and options for employers in Determination EE003. You can find it at [taxtechnical.ird.govt.nz/](https://taxtechnical.ird.govt.nz/) (search keyword: EE003)

### Reimbursement of employees who work from home

*Determination EE003: Payments provided to employees that work from home; Employee use of telecommunications tools and usage plans in their employment.*

Where an employer pays an employee a reimbursement allowance for necessary additional costs incurred due to working from home, the payments may be exempt income of the employee under section CW 17 of the Income Tax Act 2007 (ITA 2007). This means that the employee will not need to pay tax on this.

For the period 1 October 2021 to 31 March 2023 Determination EE003 allows an employee to receive an exempt payment of:

- \$20 where they use their own telecommunications tools (such as a laptop, desktop, headset, mobile phone, home phone) and / or usage plans (such as mobile phone plan, internet plan, landline plan).
- Or \$15 if the employee does not use their own telecommunications tools and / or usage plans.

The amount of the allowance paid may be more, but both the employer and employee will need to be able to show that they have the evidence to demonstrate that some other amount is appropriately treated as exempt income. Any amount paid will be taxable income to the employee to extent that it is higher than the costs incurred by the employee.

There are additional options set out in EE003 for the following situations:

- an employee uses their personal telecommunications tools and / or usage plans principally for business purposes.
- an employee uses their personal telecommunications tools and / or usage plan principally for private purposes.
- an employee has purchased new home office equipment.

### Square metre rate for premises used for both business and private purposes

*Operational Statement OS 19/03*

An employee may also be able to apply the method in Operational Statement OS 19/03 2019 *square metre rate for dual use of premises* (issued 4 July 2019 and adjustments issued in 2020 and 2021) to work out their expenses and use that figure as the basis to seek reimbursement. The company may claim a deduction for the amount reimbursed.

OS 19/03 provides guidance on calculating deductions under section DB 18AA *Square metre rate method* of the ITA 2007. It allows customers who run a business from home (ie owner operators, shareholder-employees, contactors) to use a simplified method for the calculation of deductions for premises that are used for both business and personal purposes. It removes the requirement for a customer to keep detailed records of utility costs incurred on their private residence and apportion these utilities costs between the business and private use of their residence.

The amount that can be claimed as a deduction is calculated by following the detailed steps set out in OS 19/03. Guidance on how to make an adjustment for part year claims is also included in OS 19/03.

You can find the OS 19/03 at [taxtechnical.ird.govt.nz/](https://taxtechnical.ird.govt.nz/) (search keyword: OS 19/03)

## New, improved newsletters coming from 18 August

We've updated our newsletters to provide you with a better, more consistent approach to make it easier for you to know where to go for the latest news from Inland Revenue.

### What's changing?

- The look of all our newsletters will be refreshed making them easier to read and recognise that they're from Inland Revenue.
- We're combining the Agents Answers and this Tax Intermediaries Update into one newsletter. You'll initially receive this fortnightly, however you will get the option to change the frequency via a subscription centre on our website.
- A new subscription centre on our website will give you the option to choose the newsletters which are of interest to you and to choose the frequency for when they're sent to you.
- Once we are live, more people will have the opportunity to subscribe and stay up-to-date.

### When is this change happening?

You can expect to receive the new look newsletter in your inbox around 18 August.

### What you need to do

The new newsletter will come from **updates@esubscriptions.ird.govt.nz** so remember to add this to your safe contacts list, so the newsletters do not end up in your spam or junk folder. **Please note** – this email address differs to the one we previously gave you.



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New Zealand Government

*Agents Answers* comments generally on topical tax issues relevant to tax agents. Every attempt is made to ensure the law is correctly interpreted, but articles are intended as a brief overview only. The examples provided are not intended to cover every possible factual situation.

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