

AGENTS ANSWERS

Inland Revenue's tax agents' update

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Inland Revenue
Te Tari Taake

REMINDERS

28 June: First instalment of 2018 provisional tax is due for clients using the ratio option who have a standard balance date.

30 June: Annual reconciliation return (IR853) and Investor certificates (IR854) are due for PIEs with an early or standard balance date.

From 1 July you need a myIR Secure Online Services account to file your clients' Fringe benefit tax shareholder/employee income year tax return (IR421) online.

7 July: 2017 income tax returns are due for clients with a standard balance date and no extension of time.

If you have any suggestions for topics you'd like covered in this newsletter, email agents.answers@ird.govt.nz

The Families Package – what does it mean for your clients?

The Families Package is a collection of changes aimed at assisting New Zealand families and helping children get the best start in life. They come into effect on 1 July 2018.

Best Start tax credit

Best Start is a new weekly payment of \$60 per child, available to eligible parents who have a baby due on or after 1 July 2018.

All families receive this payment until the child turns one, no matter what the household income is. Families with a household income of less than \$79,000 will continue to receive \$60 a week until the child turns three. Those earning above this amount may continue to receive payments at a reduced amount. The upper threshold is \$93,858 (for one child) when payments stop.

For those that receive paid parental leave, Best Start payments will begin once paid parental leave finishes.

If the child is cared for under a shared care arrangement, the amount the primary caregiver receives will be apportioned according to their arrangement.

Applying for the Best Start tax credit

Anyone who may be eligible will be able to apply through the SmartStart website www.smartstart.services.govt.nz when they register their baby's birth.

Alternatively, they can apply by completing the *Working for Families registration (FS1)* form either online or by hand and posting it to Inland Revenue.

Changes to paid parental leave

Paid parental leave is also extending from 18 weeks up to a maximum of 22 weeks for parents with:

- babies born or expected on or after 1 July, or
- children under the age of 6 coming into their care on or after 1 July.

This also means the number of keeping in touch hours is increasing from 40 hours to 52 hours.

Changes to Working for Families tax credits

The payment rate and eligible income range for Working for Families is also changing. There will be higher payment rates and widening of the eligible income range.

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More information

For more information on the Families Package changes, visit www.ird.govt.nz/families-package

Standard-cost household service for boarding service providers

For the 2018 income year:

- the weekly variable standard-cost for one to two boarders will be \$266 each, and
- the weekly variable standard-cost for third and subsequent number of boarders will be \$218 each.

These amounts have been adjusted as a consequence of the annual movement of the Consumers Price Index for the 12 months to March 2018, which showed an increase of 1.1%.

For boarding service providers who have a standard 31 March balance date, the new amounts apply for the period from 1 April 2017 to 31 March 2018.

Standard-cost household service for childcare providers

For the 2018 income year:

- the variable standard-cost component will be \$3.55 per hour per child, and
- the administration and record keeping fixed standard-cost component will be \$347 per annum, for a full 52 weeks of childcare services provided.

These amounts have been adjusted as a consequence of the annual movement of the Consumers Price Index for the 12 months to March 2018, which showed an increase of 1.1%.

For childcare providers who have a standard 31 March balance date, the new amounts apply for the period from 1 April 2017 to 31 March 2018.

Sharing information to fight global tax evasion

Financial institutions need to report information about country of tax residence to us for the year ending 31 March 2018 by **30 June**. This is an annual obligation to comply with the Common Reporting Standard (CRS) legislation.

Find out more about CRS registration and reporting at <http://www.ird.govt.nz/international/exchange/crs/crs-registration-reporting/>

The focus for our customers continues to be how the CRS applies to trusts, as well as broader CRS due diligence and reporting obligations, specifically:

- **tax residency self-certification requirements** – are accounts you or your clients hold or control with financial institutions, reportable accounts?
- **persons connected to a trust** (including discretionary beneficiaries receiving distributions) - are trusts and/or trust accounts you manage, reportable persons?
- **whether the trust or corporate trustee is a financial institution** – do New Zealand trusts or New Zealand foreign trusts you act for as a corporate trustee have to register and/or report to us?

Guidance and support materials

You can find these factsheets at www.ird.govt.nz/crs

Accountants and the CRS (IR1089)

Is the Trust a Reporting New Zealand financial institution? (IR1052)

Family Trust obligations under the CRS (IR1053)

CRS Due Diligence and Reporting (IR1049)

For more information

Sign up for the recent free AEOI Overview, 'back to basics' webinar at <https://www.cchlearning.co.nz/events/1312-automatic-exchange-of-information-aeoi-crs-implementation-update-20-november-2017-on-demand/>

Email your questions, and sign up to receive updates at global.aeoi@ird.govt.nz

Read about registering and reporting Foreign Account Tax Compliance Act (FATCA) obligations using myIR at <http://www.ird.govt.nz/international/nzwithos/fatca/register/>

Employee Share Schemes: A reminder

When completing 2017-2018 tax year returns for clients who receive benefits from an Employee Share Scheme (ESS), you may not need to add the taxable value of their ESS benefit as 'other income'. If your client's employer has already reported the ESS benefit on their *Employer monthly schedule (IR348)*, it will already be included on your client's summary of earnings.

In some cases you may be able to request a personal tax summary (PTS) for your client instead of filing an *Individual income tax return (IR3)*. To find out whether a PTS or an IR3 is required see www.ird.govt.nz (search keywords: required to file).

Enhancements to the Business section in myIR

Since our new online services went live in mid-April we've been working with you to enhance the latest round of improvements including:

- Accessing myIR
- Linking and delinking clients
- Manage my workspace
- Registering clients for new accounts
- GST return summary report

Find out more about the enhancements at <http://www.ird.govt.nz/taxagents/business-section-enhancements-myIR.html>

Get set for the Accounting Income Method (AIM)

If you want to use AIM to manage your clients' provisional tax this tax year you need to set it up in your accounting software soon. For existing businesses the deadline for 2-monthly GST filers is 28 June (new businesses can start at any time during the year). AIM is a cash flow game changer - if your client doesn't make a profit they won't have to pay provisional tax. Check out our case study video at <https://www.youtube.com/watch?v=USANWDWznmI> on how AIM works and what it might look like.

Read what our Deputy Commissioner for Transformation has to say about the range of options for managing provisional tax at <https://media.ird.govt.nz/articles/inland-revenues-greg-james-choose-the-provisional-tax-option-thats-right-for-your-business/>

Letters being returned to Inland Revenue

Some agents are returning letters issued by us with the addresses crossed out and changed to the client's address but with no instructions included. This means we're unsure if you want the address changed to the client's for that specific revenue or you want to be delinked from the client. Can you please add a clear instruction when you return letters?

If you are sending in paper-based schedules for multiple clients, can you ensure the client's IRD number only appears once on the schedule and is easy to read? We're receiving correspondence with multiple change of address requests for the same client.

R&D loss tax credit claims for 2017-18 tax year

Do you have an innovative client whose company might qualify for a research & development loss tax credit?

Applications for the 2018-19 tax year are now open. The application process has changed from past years - applicants will now need a myIR account to apply. Find out more about the new application process at ird.govt.nz/rd-credit

You'll be able to apply for a business if you're linked (go to <http://www.ird.govt.nz/taxagents/working/linking-clients/>) and have added them to your myIR workspace. Past applicants and businesses that register (go to <http://www.ird.govt.nz/research-development/eligibility/register/>) will have this form added to their myIR account.

Are your clients' making the right FBT filing elections?

A number of people are filing FBT returns incorrectly. You or your clients can find more information about filing correctly at www.ird.govt.nz (search keywords: fbt return types).

It's important the correct form is completed for the circumstances and based on the appropriate election.

You can also find out more about filing FBT elections in my IR at <http://www.ird.govt.nz/transformation/businesses/changing-for-business.html#01>

The Anti-Money Laundering and Countering Financing of Terrorism Act

The Anti-Money Laundering and Countering Financing of Terrorism Act (AML/CFT) will come into force for accountants, bookkeepers and tax agents on 1 October this year. Many of you would have already heard about what this means for the industry and the work anyone covered by the Act will need to undertake to fulfil the Act's obligations.

The Supervisors for the Act are the Department of Internal Affairs who published the accountant's guideline earlier this year. You can find it at https://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Services-Anti-Money-Laundering-Codes-of-Practice-and-Guidelines?OpenDocument. This resource will answer many of your questions and is your starting point for understanding what you need to do to comply with the Act.

DIA will be hosting a series of roadshows around the country in the last two weeks of July. The roadshows will give you the opportunity to talk face to face with the DIA and develop a more detailed understanding of the Act and DIA's supervisory approach. Keep an eye out for your invite.

If you have any questions for the DIA, contact them on AMLPhase2@dia.govt.nz

