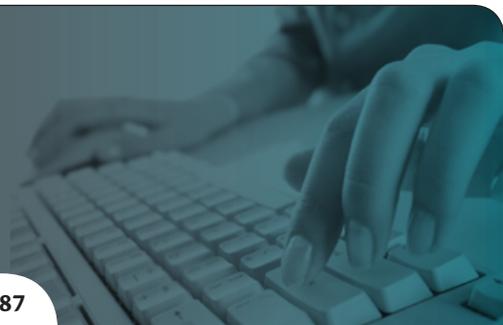


AGENTS ANSWERS

Inland Revenue's tax agents' update



Issue No 217 • October 2018 • IR787



REMINDERS

28 October: Third instalment of provisional tax due for clients with a March balance date who use the ratio option to calculate.

9 November: This date is a guideline for having filed 60% of your clients' returns by unless you've negotiated personal filing dates.

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

Upcoming seminars and webinars on payday filing and our transformation

We're running a series of webinars (online) and seminars (in person) over the coming months so you can keep up-to-date on payday filing and our transformation. These sessions will be run by Inland Revenue presenters and you'll have the opportunity to ask questions.

Payday filing seminars have been running across the country since mid-September and will continue until mid-November. Ideal for payroll practitioners, we're sharing information about payday filing and how to get prepared before April 2019.

You can register by going to ird.govt.nz/payday (under "Seminars" at bottom of page).

If you can't make it to a seminar, we're hosting a webinar for employers on 29 October. It will provide a detailed explanation of payday filing, and what you need to do now to get ready.

On 15 October there will be a webinar that will provide tax agents with an overview of the next round of improvements in Inland Revenue's transformation.

Sign up for our webinars at www.cchlearning.co.nz (search keywords: events, IRD). If you can't make it to a webinar, you can catch up with a recording on-demand. You still have to register, but this only takes a minute.

Are farm tours tax deductible?

Whether costs of farm tour are deductible depends on each taxpayer's circumstances. In particular, the relationship between the tour undertaken and the taxpayer's farming business. The application of the private limitation on deductions also needs to be considered.

This means we can't give blanket advice to farm tour providers that a certain proportion of their tour costs will be deductible to all their farming clients who undertake overseas horticultural, agricultural and aquacultural farm tours.

For example, Bob runs tours to England and Wales. The tours include regular sight-seeing as well as specific trips to visit a dairy farm in Wales, a vineyard in Cornwall and a mussel farm in South Devon. Bob has asked Inland Revenue how much of the tour would be deductible to clients who are farmers in New Zealand. In past years, we have advised Bob that 50% of the tour would be deductible.

As deductibility depends on individual circumstances we are unable to give Bob the blanket advice he is requesting.

Filing income tax returns

Income tax returns can take us up to 10 weeks/days to process after you file them. When you're filing returns for your customers, please include any IR10s and other relevant attachments. This often provides us enough information for us to process the return without any further need to contact you.

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If, after this period, you're calling us to follow up on a return, we will often have questions about the information you've provided, such as if the expenses differ to the previous year. It is quicker and easier for us both if you send us this breakdown of the figures in a secure email before you call so we can check the figures. Or have the information you provided or the file on hand to refer to during the call.

Buying and selling a business or commercial property

When your clients are selling a business through a sale and purchase of its assets, or a commercial property, the allocation of the sale price between the assets or properties drives the tax treatment for both the vendor and the buyer. This can be a contentious issue between the parties. Sometimes the parties may not agree on a valuation, and as a result use different allocations for tax purposes.

We expect that the parties will agree a valuation of the assets or property, but if they use different values, the transaction is likely to be reviewed, with the aim of eliminating the difference. Vendors should not always rely on using the tax written down book value.

Integrating your CRS obligations into your daily business

Anti-Money Laundering (AML) and Know Your Customer (KYC) procedures

Lawyers (from 1 July 2018) and accountants (from 1 October 2018) will be transitioning AML and KYC procedures into their daily business. As a result we would like to make New Zealand financial institutions (NZFIs) aware that you can streamline your onboarding processes to integrate your CRS, FATCA and AML/KYC obligations, so long as you capture all the information required.

Find more information in our *Guidance on the CRS for AEOI (IR1048)* section 1.11. Go to www.ird.govt.nz/crs

Year 2 of CRS reporting

We are now in the second year of CRS reporting (1 April 2018 – 31 March 2019) which requires reporting NZFIs to:

- **Continue carrying out due diligence** on **all** financial accounts:
 - pre-existing accounts (open as of 30 June 2017), and
 - new accounts (open on or after 1 July 2017) as part of the new account opening process.
- **Report** by 30 June 2019 (and subsequent reporting periods) **all**:
 - reportable pre-existing and new financial accounts, and
 - undocumented pre-existing financial accounts.

Find more information in our *Guidance on the CRS for AEOI (IR1048)* sections 5 and 6. Go to www.ird.govt.nz/crs

CRS transitional periods

For pre-existing accounts (open as at 30 June 2018)

There is a CRS transitional period for the collection of TINs and DOB information.

Find more information in our *Guidance on the CRS for AEOI (IR1048)* section 5.3.2.1 Go to www.ird.govt.nz/crs

New accounts (opened after 1 July 2017)

There is **no transitional period for new accounts**. The expectation is that TIN and DOB information is collected as part of the onboarding process and obtaining a self-certification.

Error correction

We began exchanging CRS and FATCA data internationally in September. As a result, Reporting NZFIs **may** receive via myIR alerts, notification of errors in their disclosure needing correction.

Find out how to correct reportable accounts in error in these guides:

CRS registration and reporting user guide & FATCA registration and reporting user guide. Go to www.ird.govt.nz/crs

For more information

Remember you can build your CRS and FATCA knowledge using our factsheets at www.ird.govt.nz/crs or www.ird.govt.nz/fatca

