Business Transformation: Changes in April 2021

Webinar for tax intermediaries

Inland Revenue
Te Tari Taake

Rochelle Cole
External Relationship Manager

Rochelle is an External Relationship Manager focussing on bookkeepers, tax agents and their professional bodies. In her 12 and a half years at Inland Revenue, she has had a variety of roles most involving working with intermediaries. Rochelle is based in Wellington and spends a great deal of time talking to intermediaries across the country, gathering feedback to help us improve the business transformation journey.

Sophie Smith
External Relationship Manager

Sophie is an External Relationship Manager focussing on tax agents and their professional bodies. Sophie joins us as a SME from Business Transformation where she has spent the last 2 years understanding and representing the stakeholder voice internally to assist and inform on business transformation design and build.

Questions?
webinar.questions@ird.govt.nz

Greetings everyone, and welcome to this presentation introducing some upcoming changes that may be of interest to you.

My name is Rochelle Cole, and joining me today is Sophie Smith. We're both External Relationship Managers at Inland Revenue, working with tax intermediaries and professional bodies from around the country.

This presentation will tell you about some of the annual changes coming in April this year, as well as the new payday filing format and the decommissioning of E-File.

Please note that the content is correct as of February 2021 and some details may change.

If you have any questions arising from this webinar please send them to webinar.questions@ird.govt.nz

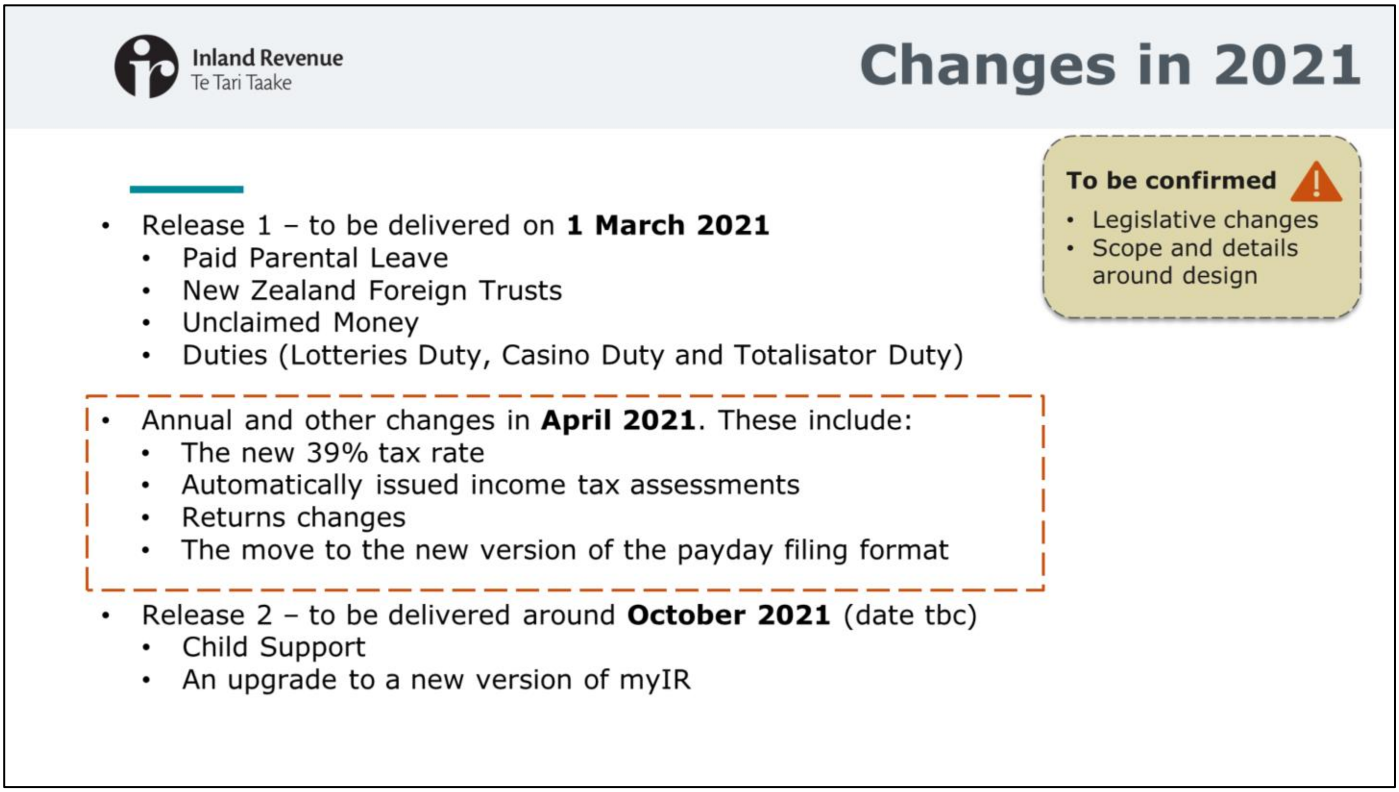
Inland Revenue
Te Tari Taake

Contents

Today we'll cover:

- Changes in 2021
- New Legislation
- Portfolio Investment Entity changes
- Automatic assessment, IR3 and return changes
- New payday filing format
- E-file decommissioning
- Other changes

Here's a list of the topics that we'll be covering today. As you can see we have a bit to get through - we'll start with a reminder of what's changing when in 2021.



We'll start with a reminder of what's changing when.

- Release 1 is going live on 1 March. This covers changes to Paid Parental Leave , New Zealand foreign trusts, Unclaimed Money and Duties. We've covered these topics in previous webinars.
- The next changes will come in into play on 1 April this year. They will include a range of annual changes. Also on 1 April we will require employers to use the new payday filing format. And on 16 April E-File will be decommissioned. These are the changes we will focus on in this webinar.
- Later this year our next major release, Release 2, will go live. This is planned for October and will include moving Child Support into our new system upgrading myIR.

New Legislation

On 3 December 2020 the Government passed the Taxation (Income Tax Rate and Other Amendments) Bill. This was granted assent on 7 December 2020.

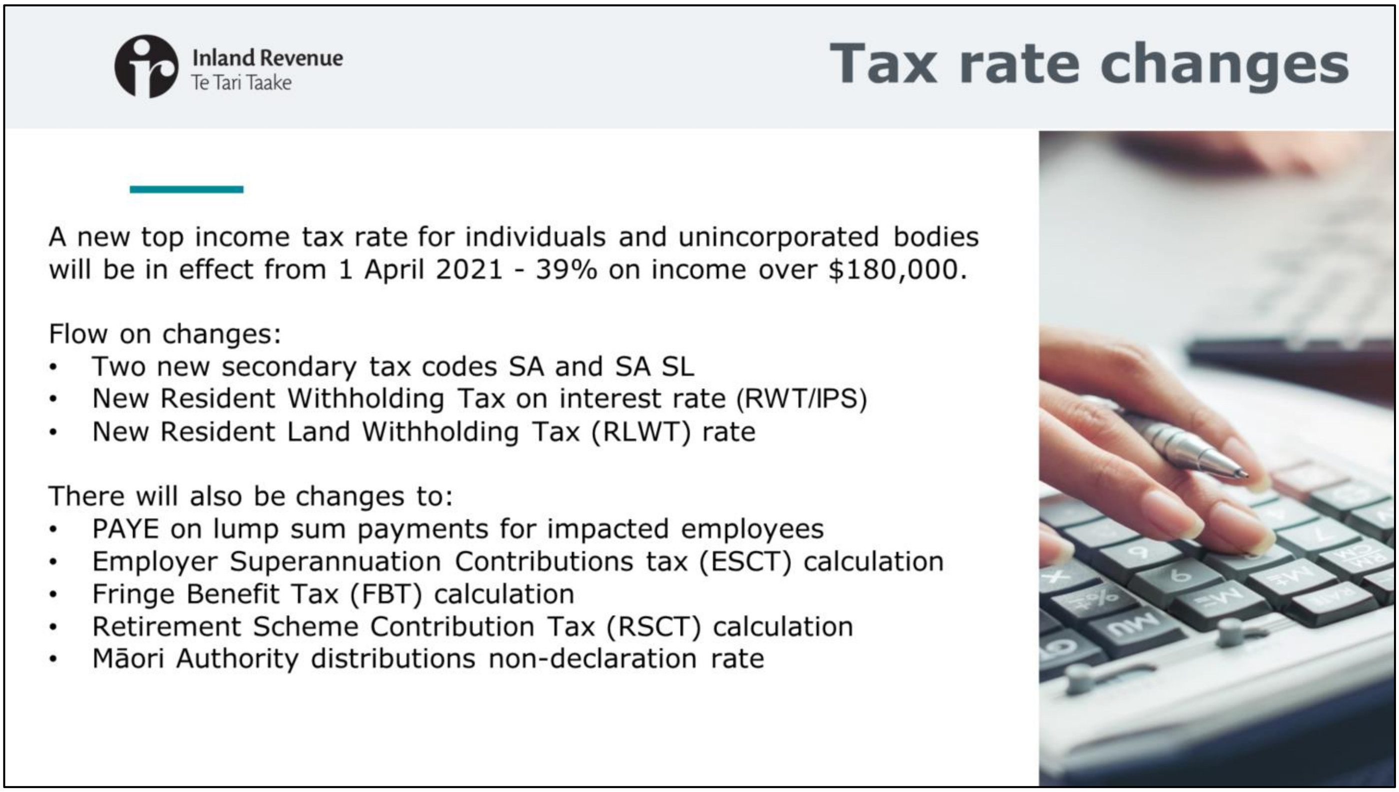
Inland Revenue
Te Tari Taake

New Legislation

The Taxation (Income Tax Rate and Other Amendments) Bill contains four main measures:

- A new top personal income tax rate of 39%
- Increased disclosure requirements for trusts
- Increasing the Minimum Family Tax Credit threshold for the 2020-21 tax year, and
- Clarifying the ability for Inland Revenue to require information for the purposes of providing quality policy advice.

In the Bill the Government has introduced a new top personal tax rate of 39%, increased disclosure requirements for trusts, increased Minimum Family Tax Credit Threshold, and clarified Inland Revenue’s ability to require information for the purposes of providing quality policy advice – we’ll cover these changes in more detail over the next few slides.



The Bill introduces a new top tax rate of 39% for individuals and unincorporated bodies on income over $180,000. This new rate will come into effect from 1 April 2021.

As well as the rate change, the Bill contains a number of flow on changes**:**

- There will be two new secondary tax codes, SA and SA SL, for customers with student loans.
- There will be a New Resident Withholding Tax (RWT) on interest rate, and
- A new Resident Land Withholding Tax (RLWT) rate
- New Resident withholding tax on interest (IPS) rate

As well as changes to the PAYE deductions calculations for impacted employees, there will also be changes to:

- How employers calculate PAYE on lump sum payments (like bonuses) for impacted employees
- Employer Superannuation Contributions tax (ESCT) calculation
- Fringe Benefit Tax (FBT) calculation
- Retirement Scheme Contribution Tax (RSCT) calculation
- Māori Authority distributions non-declaration rate

I'd just like to point out that the PIE rates remain different to RWT and the PIE rates will not be changing.

Inland Revenue
Te Tari Taake

Tax rate changes

New top income tax rate for individuals and unincorporated bodies	39%
New top Fringe Benefit Tax (FBT) rate	63.93%
New resident withholding tax on interest rate	39%
New employer superannuation contribution (ESCT) tax	39%
New residential land withholding tax (RLWT) rate	39%
New top retirement savings contribution tax (RSCT) rate	39%
Non-declaration rate for Resident Withholding Tax (RWT) on Taxable Māori authority distributions	39%

The changes listed below are effective 1 April 2021 (except the change for RWT on interest which is effective from 1 October 2021)

- New top individual income tax rate of 39% applying to income over $180,000
- New tax codes SA and SA SL to apply the 39% tax rate to secondary sources of employment income
- New top Fringe benefit tax (FBT) rate of 63.93% applying to all-inclusive pay exceeding $129,680
- New resident withholding tax on interest (IPS) rate of 39% effective 1 October 2021, for individuals with income over $180,000
- New employer's superannuation contribution tax (ESCT) rate of 39% on superannuation contributions made for an employee whose ESCT rate threshold amount (usually their prior year's salary/wages plus gross employer contributions) exceeds $216,000
- Residential land withholding tax (RLWT) rate changes to 39% (unless the vendor is a company, where the RLWT rate remains at 28%)
- New top retirement savings contribution tax (RSCT) rate of 39%
- Non-declaration rate for Resident Withholding Tax (RWT) on Taxable Māori authority distributions changes from 33% to 39%

Inland Revenue
Te Tari Taake

Tax rate changes

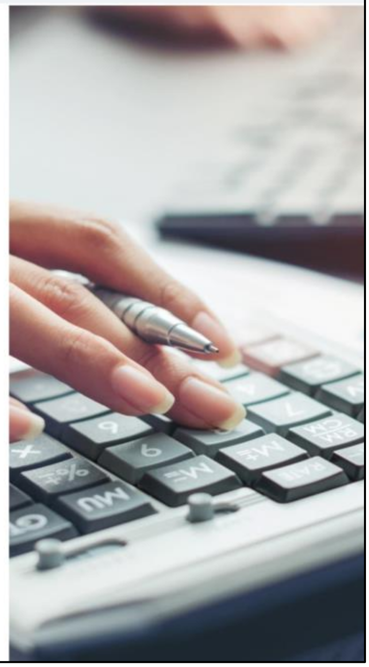
Getting ready for the change

Software developers will need to update their software

Employers will need to ensure they are correctly calculating deductions for employees.

Employers who use the PAYE tax tables to do this will need to use the new (2022) tables.

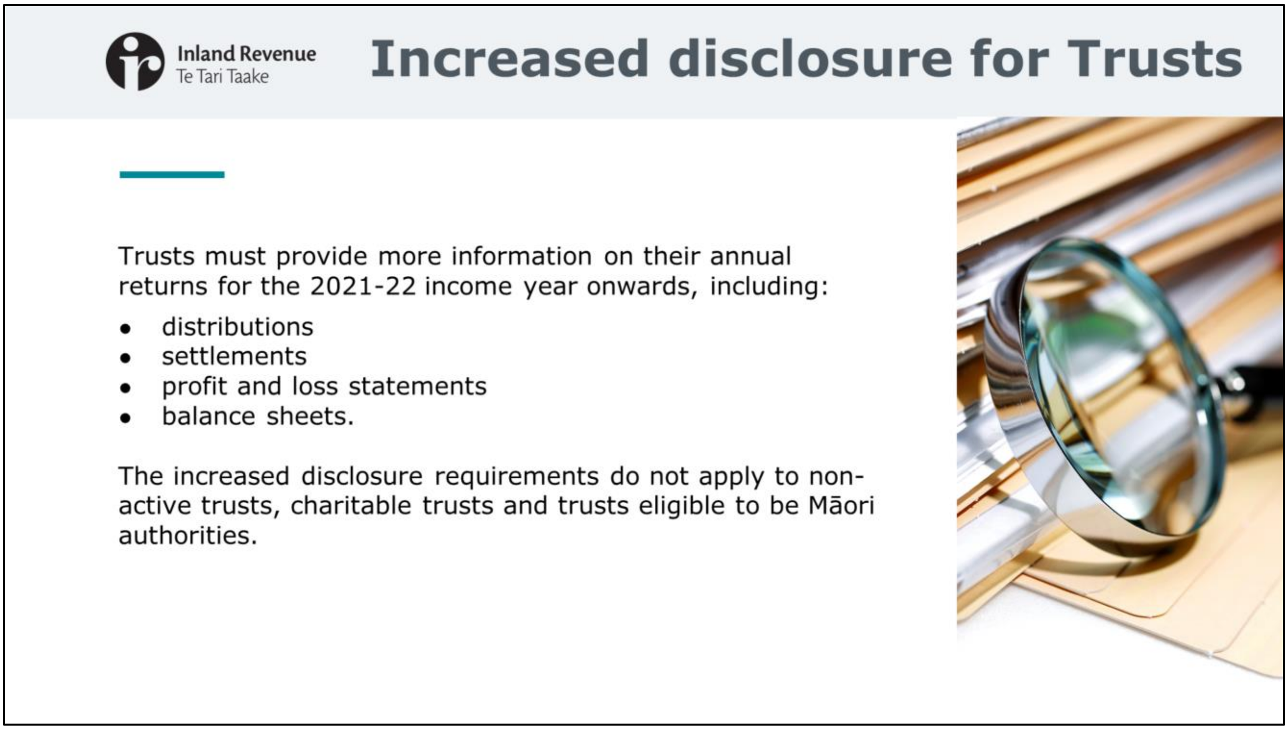
The new 39% RWT rate will be available from 1 October 2021. Some taxpayers will receive a tax bill because tax was under deducted prior to the new rate coming into effect.



To prepare for the tax rate changes:

- software developers will need to update their software to enable use of the new tax codes and the correct calculation of tax on extra pays when the new rate applies.
- employers will need to be aware of the new tax codes and how they can calculate deductions for employees who will use the new tax codes.
- employers who use the PAYE tax tables to calculate employer deductions will need to switch to using the updated 2022 version of the tables to calculate PAYE and ESCT correctly.
- banks have been given until October 2021 to update RWT rates, so the new 39% RWT rate will be available from 1 October 2021. Some taxpayers will receive a tax bill because tax was under deducted prior to the new rate coming into effect. From 1 October 2021 impacted customers will need to change their RWT rate.

We encourage you to consider what this change may mean for your clients e.g. a client earning over $180,000 may incur a RIT of $5,000 or more and become liable for provisional tax

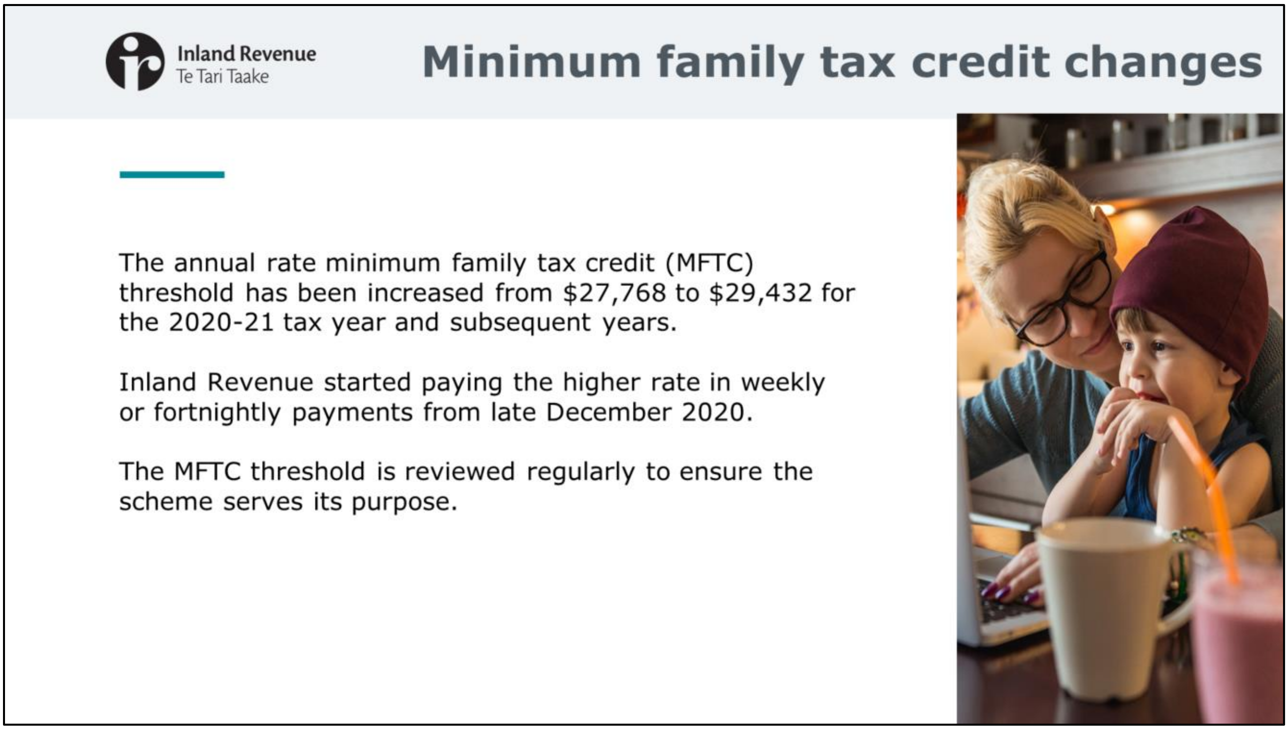


From the 2021-22 income year onwards trusts will be required to provide more information on their annual returns, including distributions and settlements made in the income year, profit and loss statements and balance sheets.

This change has been introduced by the Government to help ensure that Inland Revenue has a clear picture of how a trust is being used. We will be able to request information for prior income years back to 2013-2014, as appropriate, to allow for comparable information to be gathered.

The increased disclosure requirements do not apply to non-active trusts, charitable trusts and trusts eligible to be Māori authorities.

There will be further consultation on disclosure requirements for Trusts for 2021-22 income.



The Minimum Family Tax Credit is available to low-income families with children to ensure that families do not suffer a reduction in income when moving off benefit into full-time employment.

The annual rate minimum family tax credit (MFTC) threshold has been reviewed and has been increased from $27,768 to $29,432 for the 2020-21 tax year and subsequent years.

This equates to a maximum additional $32 per week which will be retrospectively increased.

As this started in the 2020-21 tax year, we started paying the higher rate in weekly or fortnightly payments from late December 2020. For the portion of the year between April and December 2020, the increase will be delivered in a lump sum as part of families' end-of-year tax square-up.

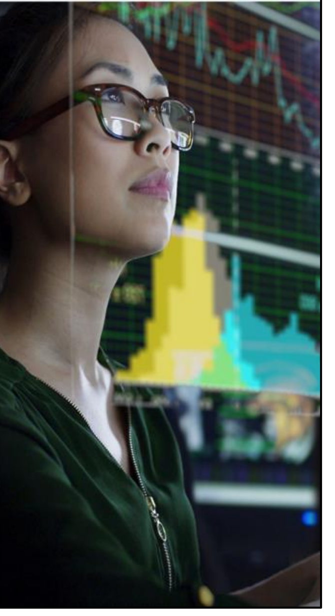
The MFTC threshold is reviewed regularly to ensure that the scheme continues to serve its purpose, so this amount may change in the future.

Inland Revenue
Te Tari Taake

Information gathering measures

The Bill clarifies the existing measures - that the Commissioner of Inland Revenue can require information to be provided to assist with the development of tax policy.

Requests for additional information are approached on a case-by-case basis.



The information gathering powers outlined in the Taxation (Income Tax Rate and Other Amendments) Bill are not new. The Bill simply clarifies the existing measures - that the Commissioner of Inland Revenue can require information to be provided to assist with the development of tax policy.

As always, we take a considered approach to requesting additional information from taxpayers and only does so as appropriate.

Any requests for additional information are approached on a case-by-case basis.

Inland Revenue
Te Tari Taake

Income tax assessment, IR3 and return changes

Now that we've covered the legislative changes introduced in the Taxation (Income Tax Rate and Other Amendments) Bill, we'll move on to discuss further changes that are coming in in April. Let's start with a couple of changes that we are making for automatically issued income tax assessments and IR3's.

PIE income changes

New fields for PIE income will be included on Income Tax returns for resident individuals (IR3 and automatically issued income tax assessments).

All resident individuals will be squared up on PIE income.

IR will determine what the correct PIR was and compare this to the actual PIR the customer used.

If the customer used the correct PIR and they still have a debit balance this will be waived.

For the 2021 and future tax years we're making changes that will ensure consistency of the treatment of PIE income for income tax and also simplify the end-to-end process.

There will be new fields for PIE income included on Income Tax returns for resident individuals (IR3 and automatically issued income tax assessments). PIE income or losses must be reported in these fields, whether or not the correct PIR has been used.

Previously, individuals could only include PIE income on their return if tax was under-deducted because they used a PIR rate that was too low, and they had an amount to pay. They were unable to claim a credit for overpaid tax on PIE income – this is changing.

Going forward all resident individuals will be squared up when they have PIE income.

- A separate PIE calculation will be made using the taxpayer's correct PIR for the year. If any PIE income or loss was not taxed at the correct PIR, the tax difference will be included in the overall tax to pay or refund due.
- If we calculate a PIE tax debit but the taxpayer used the correct PIR for the whole year, the debit will be waived.

The PIE annual reconciliation due date will now be 15 May, this means that for many customers who receive PIE income, IR will have their PIE income details earlier than in previous years.

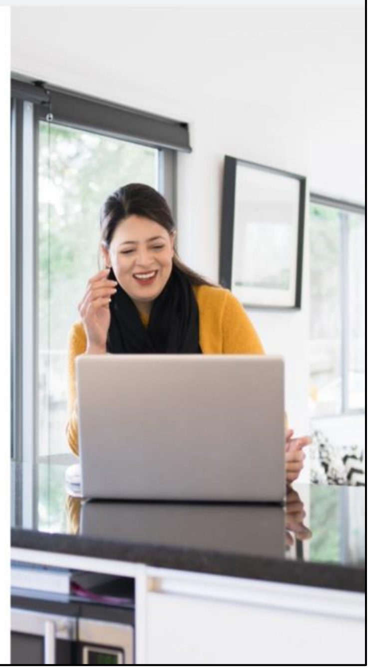
It also means you will be able to see clients end of year PIR in their income sources in myIR after the 15 May filing, what PIR we think your client should be on will also show in myIR.

Customers who only have PIE income will be selected for an automatically issued income tax assessment, they will not be required to complete an IR3.

IR3 select changes

Customers who received the wage subsidy will be required to file an IR3.

Customers with an active Research and Development Tax Incentive account will be selected as IR3 filers.



Now speaking about our IR3 selects, there are a couple of further changes that will impact whether a customer is selected for an IR3:

- As I'm sure many of you are aware, in response to COVID a wage subsidy was issued by the government to employers and self-employed persons, including sole traders, contractors, shareholders and partners paid a wage, salary or who draw income for the work they do. Self-employed customers and other customers who received the subsidy, either themselves directly or through an associated entity (not necessarily an employer) without tax deducted at source via the PAYE system, will be required to file an IR3.

- The second change will see customers with an active Research and Development Tax Incentive account automatically selected as an IR3 filer.

Also, just a reminder that updating your client's income types when they change helps us to put them into the correct group based on their individual situation.

You are able to check and view income information, which will be used to pre-populate your client's account by logging into myIR.

As well as changes to our IR3 selects, we are also making changes to some other returns and forms.

Inland Revenue
Te Tari Taake

Return changes

New field for wage subsidy on IR3 and IR3NR – "Government Subsidies"

Loss Carry back will be added to IR3, IR3NR, IR4, IR6, IR8, IR9 and IR44 to allow the loss carry back to be recorded for the period ending 31 March 2021.

Research and Development Tax Incentive will be expanded from IR4 to all income tax customers.

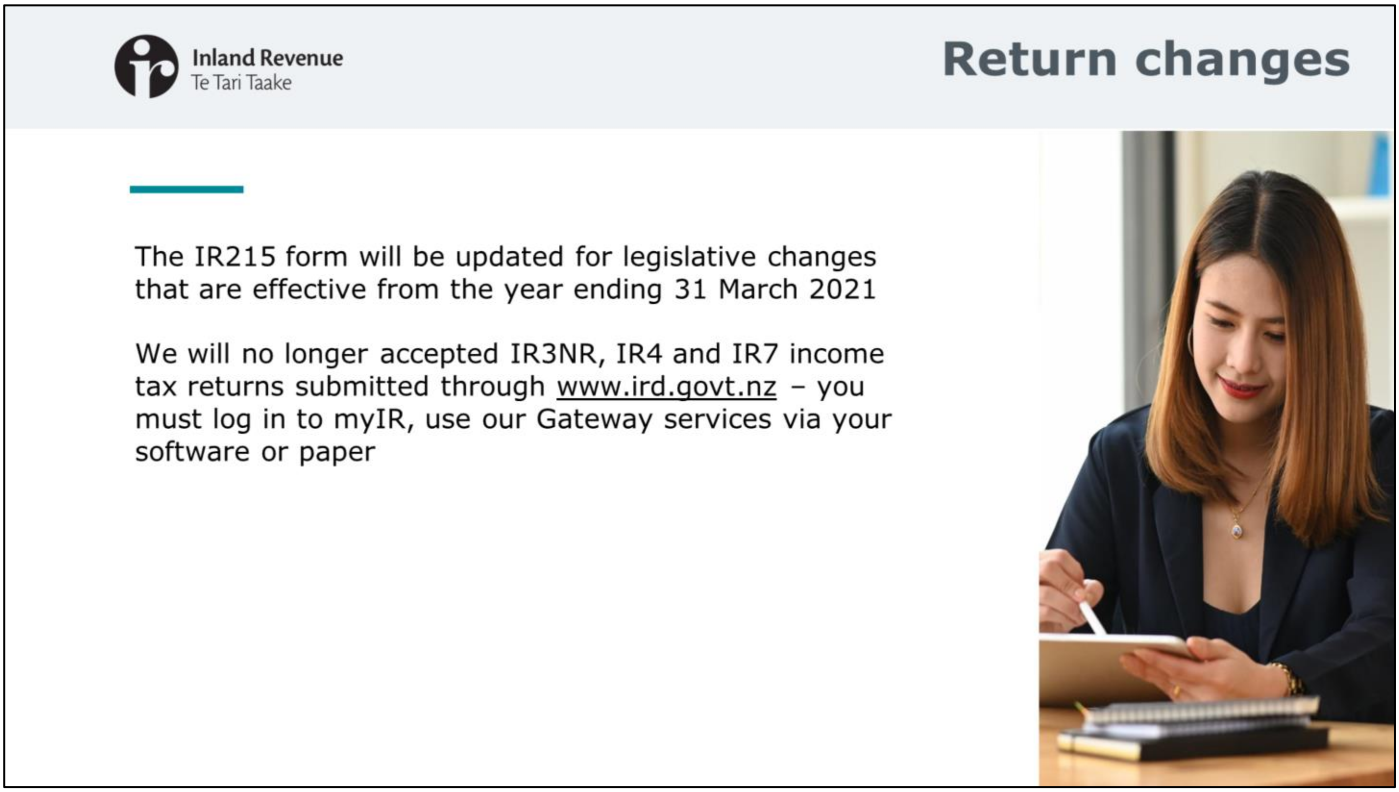
As we just spoke about, self-employed customers, or other customers who received the wage subsidy without tax deducted at source, must show this as income on their income tax return and it must be shown separately.

To allow customers to do this a new field called 'Government subsidies' will be added to the IR3 and IR3NR individual income tax returns.

As well as the wage subsidy the **loss carry-back scheme** was also introduced as a temporary COVID response measure. A new field has been added on the IR3, IR4, IR6, IR8, IR9 and IR44 to allow customers to account for the loss being carried back. Customers can record this in their income tax returns for the period ending 31 March 2021 onwards.

The next change relates to the **Research and Development Tax Incentive (RDTI).** RDTI will be expanded from IR4 filers to all income tax customers – fields for RDTI will be added to the IR3, IR3NR, IR6, IR8, IR9 and IR44 to allow customers to claim RDTI credits. The amount of RDTI credit that the customer is entitled to will be calculated on their RDTI return. The final values will be pre-populated onto the income tax return and used to offset any income tax debt before posting and being disbursed.

And as we mentioned earlier, individual customers with active RDTI accounts will be selected as IR3 filers.



- The next change relates to the **IR215 'Adjust your income' form** – as many of you will know student loan and Working for Families customers with certain types of income are required to file an IR215 Income adjustment form to ensure that their SL obligations and/or FAM entitlements are calculated correctly. The IR215 form is being updated to align with legislative changes that are effective from the year ending 31 March 2021. These changes will see some income adjustment types that previously only applied to Working for Families, now also apply to student loans. These are:
  - Retirement scheme contributions that were included in an IR3
  - Depreciation recovered on sale of a building used in business and/or rental activity
  - Attributed dependent child/children's income of a major shareholder in a close company

In addition, PIE income will only need to be included on the IR215 if it is from a locked-in fund.

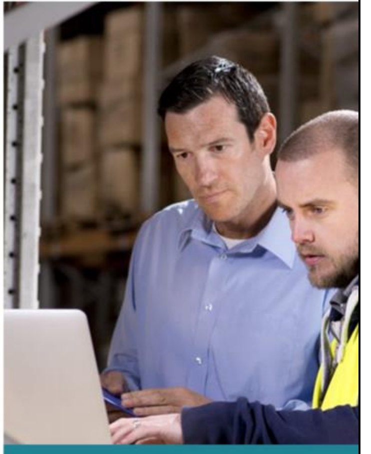
Finally, we will no longer accept 2021 tax year income tax returns through unauthenticated channels. This affects the IR3NR, IR4 and IR7. Customers who usually file through www.ird.govt.nz will need to use a different filing method, such as myIR, paper returns or gateway services. If they file through myIR they will benefit from the return pre-populating and the return will take less time to complete.

New payday filing format

The new payday filing format (Version 2) is required from 1 April this year.

Inland Revenue
Te Tari Taake

Payday filing



What's changing?

- New payday filing format (Version 2) **required from 1 April**

For those:

- Filing on-screen through myIR, or paper – there's no change
- Using a Payroll Bureau or Intermediary service - providers will make the changes
- Filing through software – you should notice little change.
- Using their own inhouse systems - you will need to build Version 2 into those systems.

Amendments to EI will have to be made using the same version as the original file.

If you have questions, please check with your payroll software provider to understand what the changes mean for you

From 1 April 2021, we will require all employers to use the new payday filing format (Version 2).

Version 2 has been available since April 2020 and provides more Employment Information and Employee Detail information than the current Version 1.

Who's impacted?

- Payroll software developers are those most affected by this change and we have been working with them to help ensure they build Version 2 into their systems in good time.
- For employers who file on-screen through myIR or paper there is no change as the Version 2 changes have been in place since April 2020.
- For employers who use a Payroll Bureau or Intermediary service there will likely be no impact as their payroll service provider will make any necessary changes.
- For employers who file through software, they should notice little change.
- Employers who have their own inhouse systems will need to build Version 2 into their system prior to April 2021.

It's important to note that amendments to EI will have to be made using the same version as the original file. For example, if you file through Version 1 you must amend through Version 1.

We are working closely with software providers on making the changes.

We are asking customers who file through software, to contact their payroll software provider if they want to know more about what will be changing and when.

Payday filing – changes in Version 2

The EI return:

- New **optional** fields: Hours Paid and Prior Period Adjustments
- New fields on each row for special deductions
- Payday frequency field required

The employee details process:

- The employee details form and KiwiSaver combined
- Fewer, and improved, KiwiSaver Status Codes
- No longer need to update IR on KiwiSaver Savings Suspension start and finish
- KiwiSaver exempt income indicator on 'Create' only

Gateway Services only

- A change in the amendment timing between EI V1 and EI V2.

Other changes

- Voluntary KiwiSaver contributions included on the EI will be subject to penalties and interest if unpaid.

As we move away from paper forms and into solely digital design, we are far less constrained. For employers and intermediaries you will see some enhancements in payday filing. Here are some of the main changes:

Version 2 changes to the EI return

- There are some new optional fields: Hours Paid and Prior Period Adjustments. For Prior Period Adjustments, there are new fields you can use for errors in past returns which affect the gross income and PAYE deductions you originally filed. These fields let you make the adjustments in the current return rather than going back and amending the earlier return. There are some rules around when you can use these fields and when you must go back and amend your earlier return. If you are allowed to use these fields, you can still choose to amend your previous returns if you want to.
- There will be new fields on each row for special deductions (eg voluntary and compulsory extra student loans deductions and employee share scheme benefits). This means you won't need to add extra lines into your EI for these deductions.
- As a reminder, the payday frequency field is mandatory for customers filing on-screen in myIR, through file upload or on paper. In version 2 this is also required for people who file via Gateway services.

V2 changes to the employee details process

- The employee details form and KiwiSaver forms are being combined so there will be fewer forms and less duplication of information.
- There are changes to KiwiSaver Status Codes – they will be fewer and improved.
- You will no longer need to update IR on KiwiSaver Savings Suspension start and finish.
- The KiwiSaver exempt income indicator only needs to be applied on the 'Create' function – if this changes you can update via a phone call, otherwise IR will contact you.
- It will be easier to see, keep track of and update employee deductions.

Gateways Services only

In Gateway Services there is a change between EI version 1 and EI version 2.

- In EI v1, a return can be filed and then immediately amended after receiving a successful response.
- In EI v2, a return must be *processed* in order to be amended. Returns should process within 5 minutes, if they conflict with our batch processes this may take longer.

Other

- Any voluntary KiwiSaver contributions included on the EI will be subject to penalties and interest if unpaid.

Inland Revenue
Te Tari Taake

E-File decommissioning

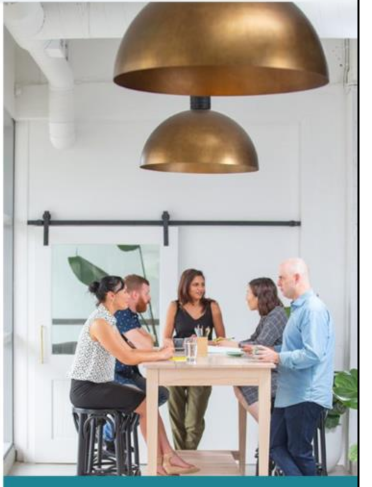
On 16 April E-File will no longer be available. Here we remind you of what this may mean to you.

Inland Revenue
Te Tari Taake

E-File decommissioning

What's changing?

- E-File will be decommissioned on **16 April 2021**
- E-File will be replaced with new Gateway Return Services
- Software providers are selecting which aspects to build to meet the needs of their customers
- Inland Revenue will have E-File available up until 16 April for 2020 tax year returns
- Your software provider could move to the new Gateway Services before 16 April
- We are working closely with software providers to ensure a smooth transition



If you have questions, please check with your software provider to understand what these changes mean for you

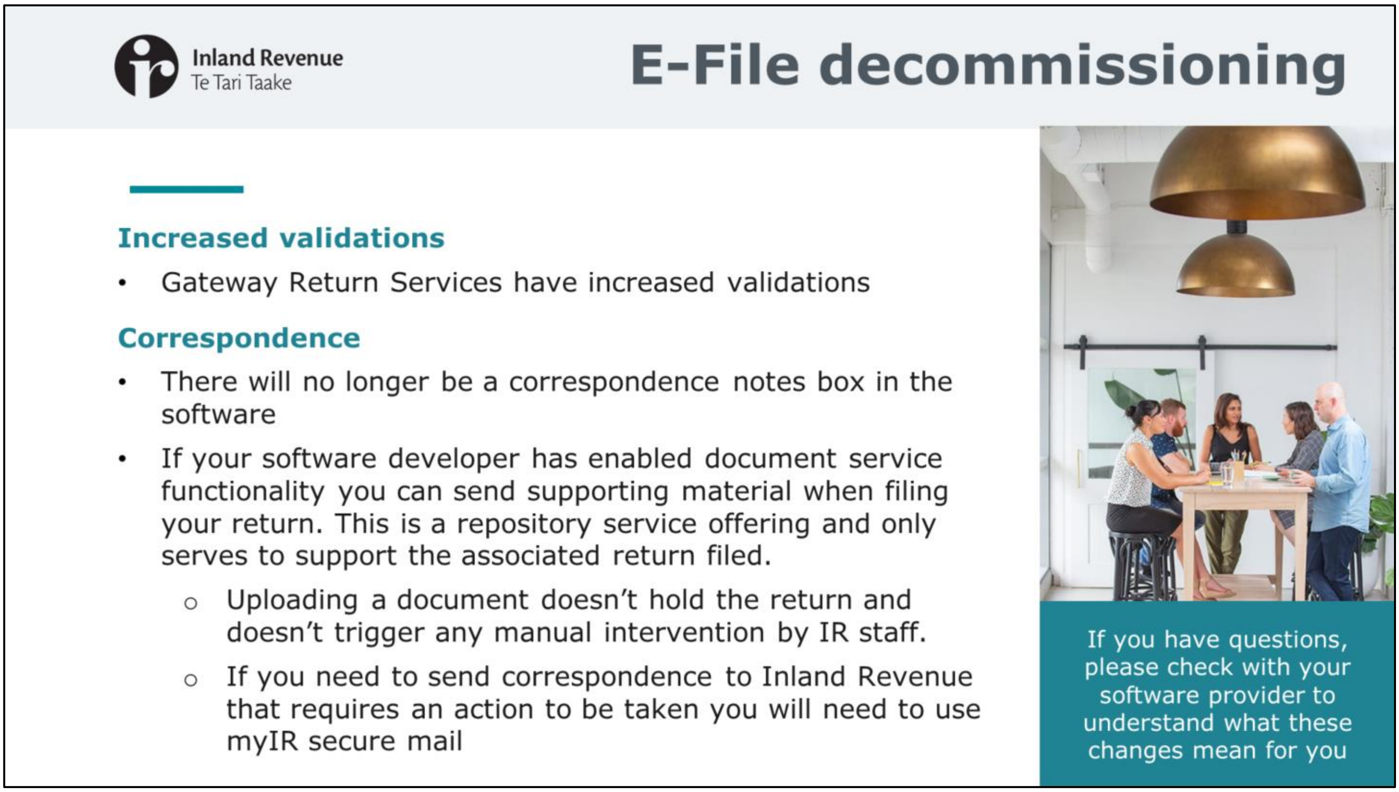
- This change impacts tax agents who currently use E-File.
- E-File functionality is being replaced with an array of IR's new Gateway Return Services which software providers are building into their systems. They have been designed to improve customer experience, providing similar functionality as E-File but also a lot more. For example:
  - we can pre-populate the information we already hold in returns
  - you can upload and send supporting documents to us when filing a return
  - some of the feedback we've had from intermediaries about things that could be improved are addressed, such as allowing up to 20 transfers on a return.
- It is the software providers that are selecting which aspects they are choosing to build before E-file is decommissioned, focusing on those that are most critical for their customers.
- Inland Revenue will have E-File available up until 16 April for 2020 tax year returns.
- However, your software provider could move to the new Gateway Services before 16 April - check the timing with your provider
- We have been working closely with the Software Providers for a considerable time to ensure a smooth transition from E-File to Gateway Services.
- If you have questions, please check with your software provider to understand what these changes mean for you

E-File decommissioning

myIR logons

- Gateway Return Services use myIR credentials, not your E-File logon
- Each staff member that will use Gateways Services, will need their own myIR logon. You might need to set up unique myIR logons for those impacted staff, if they don't already have one.
- What your staff can do in myIR depends on their level of access
- To set up new myIR logons for your staff, and set levels of access, go to: ird.govt.nz/topics/myir-secure-online-services/create-web-logon-access-for-a-myir-account

- Gateway Return Services use myIR credentials – not your E-File logon.
- Each staff member that will use Gateways Services, will need their own myIR logon. You might need to set up myIR logons for those staff, if they don't already have a unique myIR logon.
- The ability to carry out or perform certain actions is based upon the user's level of access in myIR.
- To set up new myIR logons for your staff, and set levels of access, go to our website: ird.govt.nz/topics/myir-secure-online-services/create-web-logon-access-for-a-myir-account



Other changes include:

Increased validations

- Gateway Return Services have more validations than E-File to help you get it right from the start. This means that where currently an E-File return could be accepted by IR, but would have to be reviewed by IR before processing, a Gateway Services return will be rejected with the appropriate error code. These error codes are being designed to ensure you know what to do next.

Correspondence

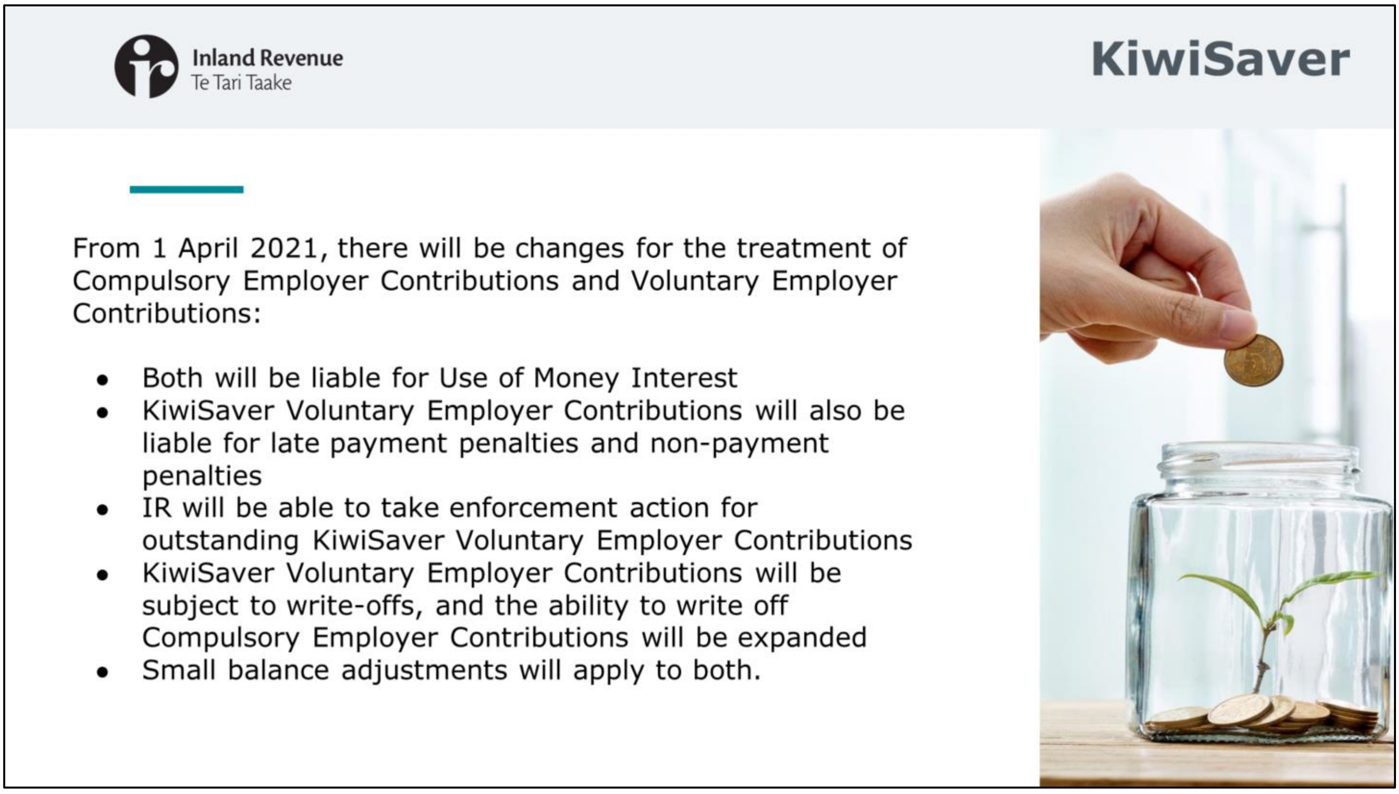
- There will no longer be a correspondence notes box in the software.
- If your software developer has enabled document service functionality you can send supporting material when filing your return. This is a repository service offering and only serves to support the associated return filed.
    - Uploading a document doesn’t hold the return and doesn’t trigger any manual intervention by IR staff.
    - If you need to send correspondence to Inland Revenue that requires an action to be taken you will need to use myIR secure mail

IR will provide more detailed FAQs about the changes soon.

For any questions about the software functionality that will be available to you, and when it will be available, please contact your software provider.

Inland Revenue
Te Tari Taake

Other changes



From 1 April 2021, there will be changes to the treatment of Compulsory Employer Contributions and KiwiSaver Voluntary Employer Contributions.

Before I tell you the changes, I'll quickly explain the difference between the two contributions - If your client is a KiwiSaver member and they contribute from their pay, their employer generally must also contribute at least 3% of their gross earnings on top of their regular pay; these contributions are known as compulsory employer contributions. If the employer chooses to make contributions above 3%, or when they are not required to make contributions these are known as voluntary employer contributions.

Currently, voluntary employer contributions are not subject to the same penalties and interest that apply to compulsory employer contributions. For periods from 1 April 2021 and later:

- Both Compulsory Employer Contributions and Voluntary Employer Contributions will be subject to debit use of money interest - this may be applied if customers do not pay their assessment on time.
- Voluntary Employer Contributions will also be subject to late payment penalties and non-payment penalties.

In line with these two changes Inland Revenue will be able to take enforcement action for outstanding voluntary employer contributions.

This ensures that the same penalties and enforcement mechanisms apply to both voluntary and compulsory employer KiwiSaver contributions.

In addition to those changes Voluntary Employer Contributions will also be subject to write-offs, and the ability to write off Compulsory Employer Contributions will be expanded.

The final change to the treatment of Compulsory Employer Contributions and Voluntary Employer Contributions is that any small balance adjustments will apply to both CEC and VEC amounts.

I'll just reiterate that these changes will only apply for periods from 1 April 2021 and later.

Inland Revenue
Te Tari Taake

Unclaimed money legislation

We're updating the Unclaimed Money Act 1971 to modernise and improve the administration of Unclaimed money.

Some of the proposed changes:

- Money becomes unclaimed after 5 years
- Holders will be asked to provide more useful information e.g. the owner's IRD number
- Introducing a time bar
- Defining the Unclaimed Money Act as an Inland Revenue Act

Legislation is currently scheduled to pass after 1 March.

Unclaimed money is being moved into our new system on 1 March as part of Release 1 of Stage 4. In addition to unclaimed money being moved into our new system, there are a number of policy changes being introduced to the Unclaimed Money Act 1971 for the purpose of modernising and improving administration of unclaimed money.

The proposed changes include:

- Money becoming unclaimed after 5 years. In some circumstances it can become unclaimed money earlier than this. Remember, currently it's between 6 and 25 years depending on the type of money. As a result, a 2-year transition period will apply for money that's older than 5 years. This transition period would give holders additional time to transfer this money, rather than having to do this immediately.
- Holders no longer having to provide information about the occupation of the owner and instead they'll be asked to provide more useful information like the owner's IRD number (if held), so owners can identify which money is theirs.
- Holders no longer being required to keep a physical register of UCM or make this available to the public, and
- Introducing a time bar for claiming.

We're also proposing that the Unclaimed Money Act become a Revenue Act. This will allow us to use other information we hold to help verify claimants as owners.

These proposed changes have been introduced as a Supplementary Order Paper to the Taxation (Annual Rates for 2020–21, Feasibility Expenditure, and Remedial Matters) Bill.

Although unclaimed money is being moved into our new system on 1 March, the legislation is currently scheduled to pass after this date. This means that holders and intermediaries will be able to manage their obligations in myIR (including setting up access to myIR), but that Inland Revenue will continue to operate under current legislation until the bill is passed.

Inland Revenue
Te Tari Taake

In Work Tax Credit

From 1 April customers will keep receiving IWTC payments for up to two weeks when taking an unpaid break from work.

Customers will need to let us know if their employment situation changes to avoid being overpaid their IWTC.

If customers start receiving an income-tested benefit or student allowance they will not be entitled to IWTC payments.

Last year the Government announced the addition of a two-week grace period to the In-work tax credit (IWTC). This permanent change comes into effect on 1 April.

From 1 April customers will keep receiving IWTC payments for up to two weeks when taking an unpaid break from work. This could be as they transition between jobs, are unpaid for a period of time, or leave employment.

Customers will need to let us know if their employment situation changes to avoid being overpaid their IWTC. This is because there is a delay in us receiving the employment details from employers.

If customers start receiving an income-tested benefit or student allowance they will not be entitled to IWTC payments

Inland Revenue
Te Tari Taake

Child Support

From 1 April 2021 it is proposed that some of the Child Support penalties and penalty write off rules change.

Percentage of outstanding amount	Current	From 1 April 2021
2% ($5 minimum)	Applied day after the due date	Applied day after the due date
8%	Applied 8 days after the due date	Applied 8 days after the due date
2%	Applied each month after due date	**No longer applied**
1%	Applied each month from 13 months after due date	**No longer applied**

There are proposed changes to the way some of the Child Support penalties are applied and we are also simplifying the penalty write off rules.

The proposed changes for Child Support will be taking place from 1 April 2021 and they have been included in a supplementary order paper for the Child Support Amendment Bill.

I'll walk you through the penalties as they stand now, so that you can see how the changes may impact your clients:

Currently, if the liable parent does not pay by the due date, they will incur the following penalties:

- The day after the due date they will be charged an initial late payment penalty. This will be the greater of 2% of the outstanding assessment amount or $5.
- The second initial late payment penalty of 8% is charged 8 days after the due date

If the customer continues to have an outstanding amount, they will then start to be charged incremental penalties:

- 2% of the outstanding amount including penalties will be charged 1 month after the due date, if the customer continues to have an outstanding balance, they will be charged a further 2% each month for the first 12 months.

From 13 months they will be charged

- 1% of the outstanding amount including penalties each month until the outstanding amount is cleared.

From 1 April 2021 we will no longer be charging the monthly incremental late payment penalties. Any incremental penalties charged before 1 April 2021 will remain, but no further incremental penalties will be charged.

Inland Revenue
Te Tari Taake

Child Support

From 1 April 2021 we will also be simplifying the penalty write off rules:

- Make it easier to write-off existing incremental and initial late payment penalties
- Changing the treatment of initial late payment penalties to reduce the circumstances when they can be written off

Further changes will be coming to Child Support in October 2021 and April 2022.

As well as changing the incremental penalties, we will also be changing the penalty write off rules to make them easier for customers to understand and to change the how initial late payment penalties are treated.

These further changes coming from the Child Support Amendment bill will come into effect in October this year and April next year, these will include making employer deductions compulsory for newly liable parents or returning liable parents, introducing a 4 year time bar for reassessments and further changes to penalties.

We'll provide you with more information on the October and April 2022 changes later in the year, in the mean time you can refer to the Child Support Amendment bill or the tax policy website if you'd like to know more.

Inland Revenue
Te Tari Taake

Student Loans

From 1 April 2021 the following student loan changes will apply for the period ending 31 March 2022:

	Current	**From 1 April 2021**
Student Loan repayment threshold	$20,020	$20,280
Interest rate	3.5%	3.0%
Late payment interest	7.5%	7.0%
Reduced late payment interest rate	5.5%	5.0%

The final changes we'll be discussing today are the Student Loan changes – we covered the IR215 changes that may affect student loan customers earlier, but from 1 April 2021 the following changes will apply for the period ending 31 March 2022:

- The annual Student Loan repayment threshold, which is the amount that a customer can make in a year before they will be required to start making repayments towards their loan, will be updated from $20,020 to $20,280.
- The interest rate charged on outstanding balances for overseas-based customers will be updated from 3.5% to 3.0%
- The late payment interest rate will be updated from 7.5% to 7.0% - this is imposed when a customer has unpaid amounts.
- The reduced late payment interest rate will also change – this will reduce from 5.5% to 5.0%

That brings us to the end of our presentation today. Thank you for watching. Remember if you have any questions about this webinar please email: webinar.questions@ird.govt.nz