



Changes for New Zealand Foreign Trusts

Webinar for New Zealand Foreign Trusts



Rata Kamau



Anil Srinivasa

Greetings everyone, and welcome to this video.

My name is Rata Kamau and I'm a Transformation Account Manager at Inland Revenue working with Industry Associations, Professional bodies and Iwi across New Zealand.

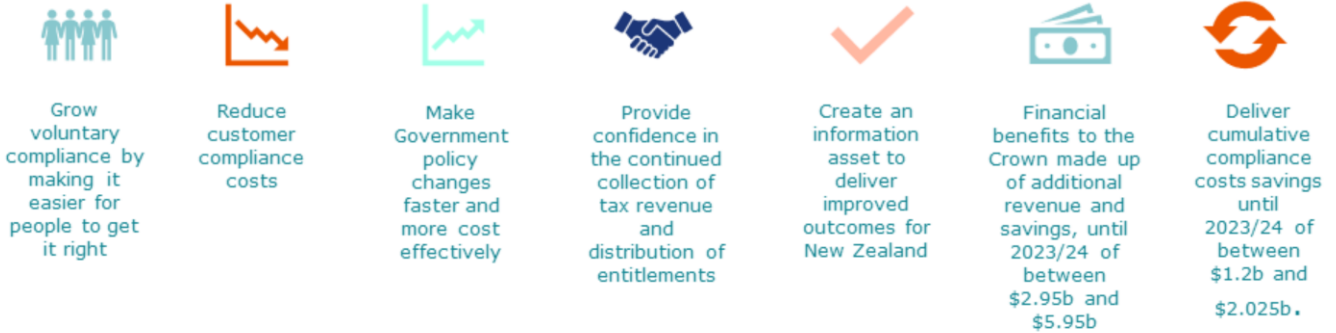
My Name is Anil Srinivasa and I'm an account manager at Inland Revenue working with the financial sector.

This is a short presentation introducing Stage 4 of our Business Transformation.

It briefly introduces the next round of changes that will occur over the next 12 months. We will focus more specifically on what's changing for New Zealand Foreign Trusts.

Please note that the content is correct as of November 2020 and some details may change.

What IR set out to achieve



Before we talk about what's coming up, we'll provide some context. Back in November 2015 Cabinet agreed with our business case, recognising that transformation was far more than just updating a computer system - It would reshape the entire way we worked with customers.

After completing a series of foundation projects, we started replacing our old tax system with a new one called START. In the first stage we put GST into START. Then we delivered Releases two, three and four adding more tax and policy products into our new system. We've been progressively improving the experience for our customers, with more services available online.

We also started redesigning the organisation to drive efficiencies and deliver better outcomes for our people and our customers. Alongside this we've been building our knowledge management system and our analytics capability to support staff.

We've been making changes for a number of reasons, primarily:

- To increase voluntary compliance by having a simpler tax system
- To reduce compliance costs for customers, particularly small businesses
- To make it easier and less costly for Government to introduce policy change.

This has meant making changes to policy, legislation and business processes.

We've changed the design and structure of our organisation so that:

- we have the right people with the right skills closest to the customer
- we can simplify how we deliver services to make tax and social policy fit seamlessly into people's lives.

In addition to all this, we've been implementing new technologies across our entire business.

- The final stage of the Business Transformation journey
- Two releases to be delivered in 2021
- Release 1 – to be delivered on **1 March 2021**
 - Paid Parental Leave
 - Unclaimed Money
 - New Zealand Foreign Trusts
 - Duties
- Release 2 – to be delivered around **October 2021**
 - Child Support
 - Upgrading to a new version of myIR

To be confirmed

- The timing of the second release
- Legislative changes
- Scope and details around design

So what's coming up next?

Inland Revenue promised to deliver business transformation in four stages across a series of releases. We are now in the final phase which includes moving all remaining tax and social policy products into our new system.

The first release will go live on 1 March 2021. This release includes putting New Zealand Foreign Trusts into our new system.

What we'd like to discuss today:

- An overview of the planned changes for New Zealand Foreign Trusts
- How these changes will affect you and your clients
- What you need to do to prepare for these changes.

We'd like to give you an overview of the planned changes for New Zealand Foreign Trusts, and how these changes will affect you and your clients. We would also like to discuss what you need to do to prepare for these changes.

New Zealand Foreign Trusts

So Anil, it would be great if you could provide an overview of what is a New Zealand Foreign Trust before we talk about the changes happening next year.

What is a New Zealand Foreign Trust?

- New Zealand Foreign Trusts (NZFT) are foreign trusts that have a New Zealand resident trustee.
- They are required to register and file annual returns with IR and pay related fees.
- There are no changes to the legislative regime or compliance requirements for NZFTs



New Zealand Foreign Trusts (NZFT) are foreign trusts that have a New Zealand resident trustee. They are required to register and file annual returns with IR, and pay the related fees, to remain classified as a New Zealand Foreign Trust. This isn't changing.

Filing and fee details:

1. Pay a \$270 fee to apply to register as a NZ Foreign Trust.
2. Pay a \$50 fee to file annual returns for the NZ Foreign Trust.
3. Update details, if the relevant details change.
4. File a final annual return when ceasing to be a NZ Foreign Trust.

While these fees apply for the majority of NZ Foreign Trusts, I will note that where the resident foreign trustee is a natural person, not in the business of providing trustee services, they will be exempt.

There are no changes to the eligibility criteria, structure or compliance requirements of New Zealand Foreign Trusts.

So Anil , hopefully it will give customers a sense of piece of mind there are no changes to the eligibility criteria, structure or compliance requirements of New Zealand Foreign Trusts. I guess customers would now like to know what is changing..

We are:

- ➔ • **Moving to** digital channels for receiving, storing, managing and distributing information, and for receiving payments
- ➔ • **Moving towards** greater automation and a customer self-service approach

Resulting in:

- ✓ Faster processing time
- ✓ Less overall interaction with IR
- ✓ Easier to file and pay
- ✓ Ability to view, update and correct information



We are moving away from highly manual processes:

- Moving away from paper forms and processes
- Reducing manual handling and improving processing of information

Moving towards greater automation and a customer self-service approach:

- Moving to digital channels for receiving, storing, managing and distributing information and payments
- Moving from NZFT numbers to IRD numbers
- Moving payments to follow standard options
- Improving processes for viewing and amending information.

Customers will be able to:

- Register and deregister online
- Manage their account in myIR
- File their annual return via myIR
- View previously filed returns
- Have multiple online fee payment options
- Manage connected persons details

To find out more about what's changing visit:

www.ird.govt.nz/foreign-trust-changes



Who's interested?

- ✓ NZ resident trustees of New Zealand Foreign Trusts and their representatives
- ✓ Tax intermediaries for NZ Foreign Trusts

Moving NZFT away from highly manual processes means that customers will be able to:

- register as a NZ Foreign Trust through myIR
- see and manage their NZ Foreign Trust (FTR) account in myIR
- file their annual return via myIR
- view previously provided foreign trust information including filed returns
- have multiple online fee payment options including MyPayTax.
- Manage connected persons details

Thanks for the overview Anil. Could you talk a little bit more about moving from NZFT numbers to IRD numbers, and what this will mean for customers especially those who currently have NZFT numbers.

Transition to the new system

- No longer using NZFT numbers
- Existing NZFTs will be progressively allocated an IRD number (if they haven't one already) between now and 1 March 2020
- All existing NZFTs will be automatically moved to our new system, and this account will be available in myIR

Going forward

- How to apply for an IRD number
- NZFT registrations will be available in myIR
- Registration fee can be submitted at the same time.

Transitioning to the new system

- NZFT numbers will no longer be allocated when the customer is registered as a NZFT.
- Instead they will be required to apply for an IRD number (before they register).
- Existing NZFTs who do not currently have an IRD number will be allocated one. **You or your clients** do not need to complete the IRD number application, we may be in touch if we need information to complete this. The trust will receive notification of the IRD number once this has been assigned.
- If the trust is already registered for other account types (e.g. INC or CRS) we will be adding the NZFT (FTR) account. If not, we will add the trust into our new system and the NZ Foreign Trust account.

Going forward

- Application for an IRD number can be made via our existing channels. This includes an unauthenticated link on the IR website (www.ird.govt.nz), paper, and tax agents can continue to do this in myIR from the Tax Preparer tab.
- In the IRD number registration request you will be asked if the customer is an NZFT. If so, you will need to complete a separate registration for an NZ Foreign Trust account after the IRD number has been processed. You will be reminded of this on the IRD number confirmation page.
- From 1 March 2021, once the customer is registered for an IRD number, you will be able to register for an NZ Foreign Trust account in myIR. Tax agents will be able to register from the Tax Preparer tab.
- The myIR registration will have required fields and upfront validations that will assist you in providing the correct and required information. You will also be prompted to make a

payment for the registration fee at the same time.

So just to be clear, Existing NZFTs who do not currently have an IRD number will be allocated one. They do not need to complete the IRD number application correct?

Yes, NZFTs already registered with Inland Revenue will be allocated an IRD number if they don't already have one and they do not need to apply for one. If we require additional information from the NZFT to complete the allocation, we will be in touch with them.

Using myIR for Foreign Trusts is new for these customer so it would be good if you can go through some of the activities in myIR like the setup of myIR , account maintenance, filing and payment options.

From 1 March 2021

- Link to the NZFT account.
- **Tax Agents**
 - Automatically linking to the NZ Foreign Trust account.
 - Manually linking to the NZ Foreign Trust account.
 - Clients lists
- **Other providers**
 - The Trustee company to be set up as the 'Owner' logon
 - Additional logons can be delegated access



We can help you set up your myIR account to ensure you have appropriate access levels and logons in place. We will discuss what that means for you, later in this presentation.

Tax Agents

- The NZ Foreign Trust account will be automatically linked when it is registered from the tax preparer tab in myIR.
- If the NZFT has been registered any other way (not using the tax preparer tab), then linking to the NZFT will be done like it is for all other accounts currently.
- Separate client lists can be created for your NZFT clients if you want to separate out who can access what.

Other providers

- The director of the Trustee company is to be set up as the 'Owner' logon, and this will grant that logon access to the trust.
- To allow other people to have access, you can create additional logons and delegate access.

myIR

From 1 March 2021

- All account enquiries can be performed in myIR
- Correspondence will be through myIR - not paper and email
- Connected person updates will be done via myIR
- Historical returns, and other previously filed returns and documents can be viewed

- All account enquires will be able to be performed in myIR, including viewing account balances, letters, return and payment due dates and payments made.
- All correspondence will now be through myIR as we are moving away from paper and email correspondence.
- NZFTs are required to advise IR of changes to the information for their connected persons within 30 days of the change occurring. Currently this is done by completing and emailing the IR607A form. From 1 March 2021, the maintenance of the NZFTs connected persons will be available in myIR. Two web requests will be available for the maintenance or removal of existing connected persons and the adding of new connected persons.
- During registration customers are required to disclose their settlements by submitting a historical settlements return. At present, this return cannot be viewed unless requested. Going forward, you will be able to view the historical settlement in myIR.

What's changing?

- Return reminders will be sent 20 days before – in myIR
- Annual returns will now be filed in myIR
- Attachments can be submitted directly with the return
- Payments can be submitted at the same time
- Our website will be updated with more detailed guidance on what needs to be included in the annual return
- Connected person details can also be updated on the return



Filing:

- Return reminders will now be sent in myIR 20 days before the due date. We will no longer be issuing paper return reminders 3 months prior.
- Annual returns will now be filed in myIR. There will be some inbuilt validations in the return to help ensure the information provided is correct.
- Attachments can be submitted directly with the return, and the option to make a direct debit payment will be presented when filing the return.
- Our website will be updated with more detailed guidance on what needs to be included in the annual return, especially around financial statements.
- Connected person details relevant to the settlements and distributions can be updated when filing the return, and a new connected person can be added here as well.

What's changing?

With the move into the new system, there are some changes to how payments can be made and received:

- NZFT payments will no longer be made to the IR bank account currently used (ending in suffix 00)
- Direct debit payments will be available
- Direct credit payments will continue to be available, as well as MyPayTax
- Multiple Payment Option (MPO) account for bulk payments



With the move into the new system, there are some changes to how payments can be made and received:

- Payments are currently made into the Inland Revenue bank account ending in suffix 00. Going forward, this will no longer be used to receive NZFT payments.
- As mentioned, at time of registration and filing an annual return, the option will be presented to make a direct debit payment at this time.
- **Note:** you or your client will need to have signing authority on the bank account to authorise this payment option. You will need to set up a direct debit authority in myIR before making a direct debit payment.
- Direct credit will be available, as well as the MyPayTax option. (The banking code will be FTR). The bank account to use now is the standard IR bank account (ending in suffix 27 : 03-0049-0001100-**27**)
- If you prefer to make a single payment to be split across a number of NZFTs, we can discuss setting up a 'multi payment option' or MPO account. This will allow you to make a single payment to IR and upload a spreadsheet of how you want the payment split across different entities. This is useful if you manage large numbers of NZFTs who have the same filing frequencies.

To cancel an NZFT

- Trust can be made non-active in myIR.
- Supporting documents and attachments can be uploaded in the web request.
- Final return can be indicated when filing.
- Trust account be ceased

- Currently, to cancel a NZFT, you need to provide a letter with information regarding the NZFT, why it is being ceased and evidence supporting this which is then emailed or mailed to us.
- Going forward, a new web request in myIR will be available to cancel NZFT registration. All information and supporting evidence can be supplied in this web request.
- When submitting an annual return, you will have the option to indicate on the return it is the final return.
- If the trust will no longer be active at all, you can complete the cessation request for the trust account in myIR, as per current process.

Thanks Anil, certainly a lot of information to get your head around. What's the next steps for customers.

Next steps:

- NZFT information and processes will move into our new system on 1 March 2021
- IRD numbers will be allocated to existing NZFTs who do not currently have one.
- We will be in touch in early 2021 to explain further what you will need to do regarding access in myIR.
- You will need to link to the NZ foreign trust account of the NZFT to be able to file for your clients.



- NZFT information and processes will move into our new system on 1 March 2021
- IRD numbers will be allocated to existing NZFTs who do not currently have one.
- We will discuss further today what you will need to do to set up access in myIR.
- We will also be in touch in early 2021 to set up myIR access.
- We will do this to make sure that you are linked to your client's account, and will be able to file on behalf of your clients on their first filing date.

Setting up myIR access before 1 March 2021

We can help you with setting up your myIR account to ensure you have appropriate access levels and logons in place for this.

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Tax agents

- After March 2021 you will need to link to your NZFT entities to be able to view, file and pay in myIR. You will need to confirm you have a signed authority to act for yourselves and each of these clients to continue acting on their behalf. IR will randomly request to see these going forward.
- myIR web logons should be specific to a staff member. In preparation for these changes you'll need to set up myIR logons for everyone who will need online access to view, file and manage the NZFT's going forward. There are different roles and access to be considered. We will be in touch early next year to help you with this if required.

Provider

- We will come to you early next year to talk you through the steps you need to take after March 2021 to claim online access to your trusts and how to on-delegate access to other staff who may need it.
- myIR web logons should be specific to a staff member. In preparation for these changes you'll need to set up myIR logons for everyone who will need online access to view, file and manage the NZFT's going forward. There are different roles and access to be considered. We will be in touch early next year to help you with this if required.

[IN CONFIDENCE]



Inland Revenue
Te Tari Taake

Thank you.

We understand it's a lot to take in, and it would be natural to have more questions than answers at this stage.

We have a lot of information and resources available on our website, so I'd encourage you to check it out.

You can also talk to our Community Compliance team or your Agent Account Manager in Inland Revenue, sign up for a newsletter, or connect with us on social media.

That's all from us for today.

Thank you for taking time out of your day to listen to the information provided.

Goodbye for now.